Resolution 151 and issue a special series of postage stamps in honor of Gen. Thaddeus Kosciusko sesquicentennial anniversary; to the Committee on the Post Office and Post Roads.

1149. Also, letter from the chairman, Boston congress committee, American-Jewish Congress, Boston, Mass., calling attention to the outrageous treatment and conduct against the Jews in Germany; to the Committee on Foreign Affairs.

1150. Also, resolution of the Order of Railroad Telegraphers, adopted at their convention in the city of Montreal, Quebec, opposing passage of the bill known as the "Emergency Railroad Transportation Act, 1933", submitted by the president of the Order of Railroad Telegraphers, St. Louis, Mo.; to the Committee on Interstate and Foreign Commerce.

1151. By Mr. JOHNSON of Texas: Telegram from R. L. Wheelock, J. L. Collins, W. C. Stroube, and H. R. Stroube, of Corsicana, Tex., opposing an increase in the tax on gasoline; to the Committee on Ways and Means.

1152. By Mr. KENNEY: Petition of Federation of Jewish Organizations of Bergen County, that it is the unanimous opinion of the Federation of Jewish Organizations of Bergen County that the United States Government be called upon in this critical moment, in the lives of the Jews of Germany, to act and officially use its good offices to speedily bring to an end the persecution and outrageous practices perpetrated against members of our faith residing in Germany, and to the end that they may be restored to their former status and the enjoyment of all of the privileges previously enjoyed by them and that the Congress of the United States increase the quota of German Jewish immigrants seeking admission to this country, so that they may be able to find refuge here from the intolerance they are now made to endure in Germany; to the Committee on Foreign Affairs.

1153. By Mr. KVALE: Petition of Watonwan County Legislative Committee Farm Bureau, St. James, Minn., urging refinancing of farm mortgages at low interest rate and controlled inflation; to the Committee on Agriculture.

1154. Also, petition of St. Paul (Minn.) Lodge, No. 122, Brotherhood of Railroad Trainmen, vigorously opposing legislation to establish a national coordinator for railroads in the United States; to the Committee on Interstate and Foreign Commerce.

1155. Also, petition of Waseca (Minn.) American Legion Post, No. 228, opposing the Economy Act as it affects veterans; to the Committee on Economy.

1156. Also, petition of Brotherhood of Railroad Trainmen in Minnesota, urging enactment of House bill 4876; to the Committee on Interstate and Foreign Commerce.

1157. Also, petition of Waseca (Minn.) Post, No. 228, urging economy of the United States Government through discontinuance of position of postmaster in offices under population of 25,000, of subsidies to shipping and air lines, and so forth; to the Committee on Economy.

1158. By Mr. LINDSAY: Petition of Laundryowners National Association of the United States and Canada, Joliet, Ill., approving program of intra-industry cooperation through established national trade association; to the Committee on Interstate and Foreign Commerce.

1159. Also, petition of Brotherhood of Railroad Trainmen, New Haven, Conn., opposing prospective railroad legislation; to the Committee on Interstate and Foreign Commerce.

1160. By Mr. MALONEY of Connecticut: Petition relating to the tragic situation of the Jews of Germany; to the Committee on Foreign Affairs.

1161. By Mr. RUDD: Petition of Laundryowners National Association of the United States and Canada, Joliet, Ill., favoring the President's recommendations for intra-industry cooperation with the Government through established national trade associations; to the Committee on Ways and Means.

1162. Also, petition of Brotherhood of Railroad Trainmen, New York, New Haven & Hartford Railroad system, New Haven, Conn., favoring amendments to the proposed railroad legislation as proposed by the Railway Labor Executives Association; to the Committee on Interstate and Foreign Commerce.

SENATE

TUESDAY, MAY 23, 1933

(Legislative day of Monday, May 15, 1933)

The Senate sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 10 o'clock a.m., on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

PROCLAMATION

The VICE PRESIDENT. The Sergeant at Arms will proclaim the Senate sitting as a Court of Impeachment in session.

The Sergeant at Arms made the usual proclamation.

THE JOURNAL

The legislative clerk proceeded to read the proceedings of the Senate sitting as a Court of Impeachment for the calendar day of Monday, May 22, when, on motion of Mr. ASHURST and by unanimous consent, the further reading was dispensed with, and the Journal was approved.

FURTHER CROSS-EXAMINATION OF G. H. GILBERT

The VICE PRESIDENT. Are counsel prepared to call another witness?

Mr. LINFORTH. Mr. President, the witness Gilbert was still under cross-examination when the court took a recess yesterday afternoon. I should like the cross-examination to be completed before I call the last witness for the respondent, so that we may know what, if anything, we may have to meet in that testimony.

The VICE PRESIDENT. Call the witness.

G. H. Gilbert, having been previously sworn, was further cross-examined as follows:

By Mr. Manager SUMNERS:

Q. Mr. Gilbert, will you state to the court the exact time when you got information of your appointment as receiver in the Faegol Motors Co. case?—A. To the best of my recollection it was at 1:30 or 2 o'clock p.m.; around 2 o'clock p.m.

Q. Where were you when you received that information?—A. At home; I think I was at home.

Q. How often were you paid compensation for your receivership services?—A. In the Faegol case I was paid only one time; at the termination of the receivership, about a month later than the termination.

Q. Can you indicate the exact date of that payment?—A. No; I cannot give you the exact date; it was sometime in August of 1932; about a month, possibly a little over a month, after the termination of the receivership.

Q. Mr. Gilbert, who notified you that you were to be appointed in the Faegol Motors Co. case?—A. I received a telephone call. I did not ask who was speaking, but I assumed it was Judge Louderback's secretary, Miss Berger; it was a lady talking.

Q. What did she say to you, briefly?—A. She said that I had been appointed receiver in the Fageol matter and to report to the judge's chambers.

Q. How long before that time, if at all, had you discussed receivership appointments with Judge Louderback?—A. I do not recall having any discussion with the judge on receivership matters since the Prudential Holding Co. case. That was a case I was previously in, the last case prior to the Fageol case. That is the only time I recall having any discussion with the judge on such matters.

Q. There is one matter that is not quite clear—in my mind, at least—and that is just how you came to choose Dinkelspiel & Dinkelspiel instead of John Douglas Short, who, you indicated, was your preference?—A. In the Sonora case, do you refer to?

Q. That is right. The first case you had Dinkelspiel & Dinkelspiel as attorneys.—A. Well, the circumstances were

substantially as follows: I reported to Judge Louderback's chamber and I met Mr. Dinkelspiel in Miss Berger's office, the first time I met Mr. Dinkelspiel, and he said that he was representing the Irving Trust Co. and was already in the case.

Q. Are you sure he said he was representing the Irving Trust Co.?—A. Yes, sir; I am.

Q. You cannot be mistaken about that?—A. No; I do not see how I could possibly be mistaken in that.

Q. Did you find out afterward whether, as a matter of fact, he was representing the Irving Trust Co.?—A. Yes, sir; he was. His firm had filed the petition, I believe, for the ancillary receivership at the instigation of the Irving Trust Co. I went to Mr. Dinkelspiel and qualified, and later, after a conversation with Judge Louderback, who told me that he could see no need for any additional counsel, that Mr. Dinkelspiel was already in the case. I accepted Mr. Dinkelspiel and signed the petition to the court for him to be my counsel.

Q. Do you not know, as a matter of fact, to refresh your memory, that Dinkelspiel & Dinkelspiel represented three persons who——A. Creditors.

Q. Yes; three creditors who sought to have this ancillary receivership established in that court; and that the attorneys who sent down the claims were in opposition to the attitude of the Irving Trust Co. in regard to the matter?—A. I believe that is correct, on second thought. Mr. Dinkelspiel was already identified with the case. However, I was willing to accept him on the judge's suggestion that he was already identified with the case, and he did not see any need for any additional expense of counsel in the matter.

Mr. Manager SUMNERS. That is all.

Further redirect examination by Mr. LINFORTH:

Q. Mr. Gilbert, in the 8 years that Judge Louderback was judge of the State court and the 5 years that he was judge of the Federal court, in how many matters were you appointed receiver?—A. One in a State matter and four in the Federal.

Mr. LINFORTH. That is all.

The VICE PRESIDENT. The witness will be excused.

CALIFORNIA CODE—ESTABLISHMENT OF RESIDENCE

Mr. LINFORTH. Mr. President, we now offer in evidence subdivisions 2 and 7 of section 52 of the political code of the State of California, bearing on the question of residence. I desire to read those two subdivisions.

2. There can only be one residence.

7. The residence can be changed only by the union of act and intent.

EXAMINATION OF THE RESPONDENT, HAROLD LOUDERBACK

Mr. LINFORTH. Please call the respondent, Harold Louderback.

The respondent, Harold Louderback, was duly sworn by the Vice President.

Mr. ASHURST. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	George	McGill	Sheppard
Austin	Gore	McKellar	Thomas, Okla.
Bachman	Hale	McNary	Thomas, Utah
Black	Hastings	Murphy	Trammell
Bratton	Hayden	Norris	Vandenberg
Brown	Keyes	Patterson	Van Nuys
Capper	King	Pope	Wagner
Clark	La Follette	Robinson, Ark.	White
Frazier	Logan	Russell	

Mr. ROBINSON of Arkansas. I wish to announce that the Senator from New York [Mr. COPELAND] is necessarily detained from the Senate.

The VICE PRESIDENT. Thirty-five Senators have answered to their names. A quorum is not present. The clerk will call the names of the absent Senators.

The legislative clerk called the names of the absent Senators and Mr. CAREY answered to his name when called.

Mr. ASHURST. Mr. President, I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The VICE PRESIDENT. The question is on the motion of the Senator from Arizona.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will carry out the order of the Senate sitting as a Court of Impeachment.

Mr. HATFIELD, Mr. DUFFY, Mr. CONNALLY, Mr. HEBERT, Mr. NYE, Mr. DALE, Mr. MCCARRAN, Mr. HARRISON, and Mr. SMITH entered the Chamber and answered to their names.

The VICE PRESIDENT. Forty-five Senators have answered to their names. There is not a quorum present.

Mr. ASHURST. Mr. President, I move that the Sergeant at Arms be directed to compel the attendance of absent Senators.

The VICE PRESIDENT. The question is on the motion of the Senator from Arizona.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will execute the order of the Senate.

Mr. ASHURST. I desire to announce that the following-named Senators are necessarily detained on official business in a hearing before the Committee on Banking and Currency: Mr. FLETCHER, Mr. GOLDSBOROUGH, Mr. TOWNSEND, Mr. COUZENS, Mr. STEIWER, Mr. ADAMS, Mr. MCADOO, Mr. BYRNES, Mr. REYNOLDS, Mr. COSTIGAN, Mr. BULKLEY, Mr. BARKLEY, and Mr. BANKHEAD.

Mrs. CARAWAY, Mr. DICKINSON, and Mr. STEPHENS entered the Chamber and answered to their names.

The VICE PRESIDENT. Forty-eight Senators have answered to their names. A quorum is present.

Do Senators desire to dispense with the further execution of the last order made by the Senate?

Mr. ASHURST. I ask unanimous consent that the order just made, compelling the attendance of absent Senators, may be vacated.

The VICE PRESIDENT. Is there objection? The Chair hears none. Counsel will proceed.

The respondent, Harold Louderback, having been sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. You are the respondent in this proceeding?—A. I am.

Q. How old are you?—A. I am 52 years old.

Q. Where were you born?—A. I was born in San Francisco, Calif.

Q. Who were your parents?—A. My father was Davis Louderback. He was born in Philadelphia, Pa.

Q. And your mother?—A. Frances Caroline Smith Louderback. She was born in San Francisco, Calif.

Q. Are they what we term pioneers of the State of California?—A. My mother was of pioneer stock, her parents being pioneers. My father was brought as a small boy to California, and arrived in San Francisco September 15, 1849; so he was of pioneer stock.

Q. Where were you educated?—A. I was educated in the public schools in the city of San Francisco up to the grammar grade, and began my course at the high school in San Francisco, when my affliction of asthma, which I have had a chronic condition of since I was about 4 years old, caused me to be sent away into the mountains. I went to Reno, Nev., where I graduated from the high school, attended the University of Nevada, and in 1905 graduated from that institution with the degree of bachelor of arts.

Q. Did you then follow any further line of education?—A. I then attended the Harvard Law School of the Harvard University, and graduated from that institution in 1908 with the degree of bachelor of laws.

Q. Subsequently to that were you admitted to practice as an attorney and counselor at law?—A. I was. I was first admitted to the Sussex County bar of Massachusetts in 1908; and the same year, in September, I was admitted to the Supreme Court of the State of California.

Q. Where did you practice your profession?—A. In San Francisco, Calif.

Q. Did you practice your profession continuously from the time of your admission to the Supreme Court of the State of California down to the time of your election as

one of the judges of the Superior Court of the State of California?—A. I did, excepting for the period of the war. The day after war was declared I volunteered my services, attended the first officers' training camp, received a commission, and remained in the service until December 1918, at which time I was discharged, a captain of artillery. I did not get across, but I was in an overseas outfit, the Fortieth Artillery. I commanded Battery F. We got as far as Camp Upton, and were within 3 days of embarking from Hoboken when the armistice was declared.

Q. During the time that you were engaged in the practice of the law, with what firms were you connected?—A. I was connected with the firm of Mastick & Partridge, which firm has furnished three United States district judges for the northern district of California—Mr. Van Fleet, Mr. John Partridge, and myself.

Q. When were you elected one of the judges of the Superior Court of the State of California?—A. In November 1920 I was elected a judge of the superior court of the city and county of San Francisco. I went into office the first Monday in January of the year succeeding.

Q. And that was for a term of how long?—A. For a term of 6 years.

Q. Were you then reelected at the end of that term?—A. Yes. In November 1926 I was elected for a further term of 6 years.

Q. How long did you serve under that term?—A. I served until April 30, 1928, when I qualified as judge of the District Court of the United States for the Northern District of California.

Q. Have you been occupying that position ever since?—A. I have.

Q. Briefly, can you state what judges, if any, recommended you to that appointment?—A. Chief——

Mr. Manager SUMNERS. Mr. President, I do not know the purpose of this testimony. The counsel for the respondent is now asking by whom he was recommended as proper material to be Federal judge of the northern district of California.

Mr. LINFORTH. May I add just a word, Mr. President? I want to be very brief. I just want the witness to state, for the information of the trial court, those who sponsored him who were judges at the time of his appointment.

The VICE PRESIDENT. It does not occur to the Chair that the Senate is particularly interested about who recommended the judge. The important fact is that he was appointed and confirmed by the Senate.

Mr. LINFORTH. Then I withdraw the question.

By Mr. LINFORTH:

Q. Would you please state, in your own way, but briefly, your relations with W. S. Leake from the time you first became acquainted with him down to the 21st of September 1929?—A. I heard my father and others speak of Mr. W. S. Leake prior to 1918, but I met Mr. Leake in that year. My aunt, who lived at the Fairmont Hotel from 1914 until her death, in 1929, made her residence at the Fairmont Hotel. I visited her in 1918, and through her was introduced to Mr. W. S. Leake. I had a casual, friendly acquaintance with Mr. Leake from that time up to about 1926, at which time I was a candidate for a second term for the position of judge of the superior court. At that time our friendship became more close. He gave me many helpful suggestions in connection with my campaign at that time. The following year I was selected by my associated judges, there being 16 departments of the superior court in San Francisco, as the presiding judge of that court, and during that year that I was presiding judge I gave Mr. W. S. Leake six or seven small receiverships. The total amount of fees which I gave, and the judges in whose departments the cases afterward went gave, was less than $1,000. I also gave him two appraiserships, one an appraisership in connection with a homestead, in which he received $5, and another appraisership which was the estate of Brickell, which I recall very well, as it was a contest over a will, and the estate amounted to over $1,000,000, and I believe Mr. Leake received a fee, or, rather, received compensation of $500 in that case.

Q. Would you state, in your own way, briefly, how you came to reside at the Fairmont Hotel, and the manner in which your bills at that hotel were paid?—A. Due to certain domestic difficulties, on September 21, 1929, I left my home at 666 Post Street, and I went up to the Fairmont Hotel with the intention of securing a room there. When I arrived at the hotel I came in contact with Mr. W. S. Leake. I told him of my difficulties, and I did not care to have my domestic affairs to become notorious at that time, and said that I was afraid that when I registered the newspapers would come out with a statement that Judge Louderback was registered at the Fairmont Hotel and his wife was still living at the family home. He said that he had a room in the Fairmont Hotel, a cheap room, in the bachelors' section, which he had been using on occasions to rest during the illness of his wife, which had been going on for sometime, and he suggested that I could take that room if I wished, which was in his name; that he could arrange with the hotel authorities in that way, and that I would not, therefore, have that registration in my name. He left me and went over to the desk, and later came back with a bell boy, and told me he had arranged it, and my baggage was taken down to room 26, a room in the Fairmont which I have been—which I have had the use of ever since that time to the present day.

Q. Have you stated the full circumstances under which you started to occupy room 26?—A. I believe I have.

Q. What is the rent of room 26?—A. The rent of room 26 for me was $75 a month. I arranged with Mr. Leake that monthly I would pay that rent to him, plus any additional amounts which were charged against the room. In other words, if I ate in the dining room, I would sign the tag in my own name for room 26. That would be charged against the room. Any washing or any other—tailoring and such matters, would be charged against the room, and I would pay for that, with the $75, at the end of each month, as Mr. Leake requested.

Q. Did you, during your entire stay there, following the inception of that arrangement, monthly pay the full bills charged to that room?—A. I have.

Q. Did you make those payments in cash, or by check?—A. Except in a few instances, I think probably 7 or 8 during this entire time, I paid them by check, which was made out in the name of Mr. W. S. Leake for the amount charged against the room. I have the checks with me. I have 34 of them.

Q. Would you please produce those checks?

(The witness produced several checks and handed them to counsel.)

Q. Do these checks show upon the back of them the stamp of the Fairmont Hotel?—A. I think that all but three show the stamp of the Fairmont Hotel.

Mr. LINFORTH. We offer the checks as part of the testimony of the witness, but we do not insist upon them being printed in the record.

Mr. HANLEY. Photostat copies have already been furnished the managers.

The WITNESS. I might reply, in reply to the statement Mr. Hanley just made, that at the time I gave those checks to the House committee, I had not found among my papers all of those checks. I think I only gave the House committee 20, and I subsequently found the others.

(The checks referred to were handed by counsel to Senator ROBINSON of Arkansas and Senator MCKELLAR.)

Mr. LINFORTH. Senators, do you wish me to suspend while you examine the checks?

Mr. MCKELLAR. Oh, no.

By Mr. LINFORTH:

Q. Did you at any time determine to acquire a residence in a place other than San Francisco?—A. I did.

Q. When did you determine to acquire such a residence?—A. About the 1st of April 1930, I having been separated for a number of months from Mrs. Louderback, I decided that the separation probably would be permanent. I had my residence then at 666 Post Street, and from that point I was voting in San Francisco. On the 6th of April of the same

year I was invited by my brother and his wife to come over to their home, at 107 Ardmore Road, Kensington district, Contra Costa County, for the purpose of participating in a dinner upon the event of the anniversary of my brother's birthday. I went over that day, and when I arrived at their home my brother had not come back from the university. I spoke to my sister-in-law, Mrs. Clara Louderback, and asked her if it would be agreeable, did she think, to her and my brother, if I again made my home with them, I having made my home with them for 3 years in the city of Reno, Nev., when I was living up in the mountains. She told me she was sure that my brother would be pleased, and that she would be delighted to have me make my home with them.

Later in the day my brother returned, and we three took up the matter of my making my home and residence with them. My brother said it would be most pleasing indeed if I would do so. They took me into the room, one of the rooms in their home, and asked me if it would be satisfactory and suggested certain changes in there so as to be suitable for me. They also gave me a key to the house.

A few days later I sent over from San Francisco the bulk of my possessions that I had, consisting of two trunks, with personal effects. On the 17th of April I went to the registrar of voters in San Francisco, and I canceled my registration there. On the 18th I came over with an automobile trunk and some hand baggage, went over to Martinez, which is the county seat of Contra Costa County, and registered as a voter in that county at 107 Ardmore Road, Kensington district, Contra Costa County.

I returned to the home. That night I slept at my brother's home, which was then my home. During the night there came upon me a very, very severe attack of asthma, and in the morning I went to my work, went across the bay in a very bad condition. The next night I returned, and this time I had a more severe attack of asthma, so much so that for a number of days I was not able to free myself from it, and my work was sadly impaired during that period because of my condition. It followed me through my work in the daytime and even through the night, so that I did not return after that second day to the home at that time.

I thought perhaps if I could get rid of the asthma and perhaps go there in a better condition that maybe I would be able to sleep there, and about the first week or so of May I again returned and again I had this paroxysm of asthma. In the morning I remember my sister-in-law had made a breakfast especially for me, but I was not able to eat because of the condition. I then remained away for a number of days and tried it again, and again the asthma came upon me and I was unable to sleep, and I went away with the asthma upon me.

Since that time I have never slept at my brother's residence, but on a number of times I have gone over there with the intention of staying overnight, and before midnight the asthma has come upon me with such force that I have been compelled to go across the bay to San Francisco so that I would not augment the condition that I was in.

Q. Is the home of your brother surrounded by flowers and plants?—A. My brother has quite an extensive garden on one side of his home and in the rear.

Q. And are there also house plants in the house?—A. He has. He has house plants in several rooms of the house.

Q. Is there a pet cat there?—A. There is.

Q. When you went to your brother's home with the intention of making that your residence did you do that in the utmost good faith?—A. I did.

Q. Did you then and there determine to fix that place as the place of your residence?

Mr. Manager SUMNERS. Mr. President, we do not object to reasonable limitations——

Mr. LINFORTH. The question is withdrawn.

The VICE PRESIDENT. The question is withdrawn.

By Mr. LINFORTH:

Q. What was your intention in going to your brother's home?—A. To make a fixed place of abode.

Q. Of whom did your brother's family consist at that time?—A. My brother's family consisted of his wife and himself.

Q. Have you at all times since had your personal effects at the home of your brother?—A. I have.

Q. Have you on occasion, since you went to the home of your brother, registered in Contra Costa County?—A. I believe I did register a second time.

Q. I ask permission to withdraw the question. Have you voted in that county?—A. I have.

Q. On how many occasions have you voted in the county since that registration?—A. I can recall five instances.

Q. And what is the latest instance in which you have voted there?—A. The last general election. I might state that I always vote; I never recall missing an election.

Q. During the time that you have been at your brother's home, subsequent to the making of the arrangement you have referred to, have you retained the room in the Fairmont Hotel?—A. I have.

Q. And for what purpose?—A. Well, because when I first went across the bay and had the asthma I retained it to see whether it would be necessary to have a room of that kind where I could go, where I would not be subject to the asthma, and I also have retained it because not being able to sleep at home, I wanted a place where I could sleep.

Q. When you canceled your registration as a voter in San Francisco, did you do that with the utmost good faith?—A. I did.

Mr. Manager SUMNERS. We object to that, Mr. President. We suggest that counsel knows better than to ask that character of question, with all respect.

Mr. LINFORTH. I want to add, in reply to that remark, that counsel does not know better. The charge made here is that the judge willfully and fraudulently brought about the cancelation of this registration and the new registration in the county of Contra Costa. His good faith is attacked by the charge made, and I submit to you, Mr. President and the honorable Senate, that where his good faith is an issue the question is proper.

Mr. Manager SUMNERS. We suggest, Mr. President, that we have not charged any cancelation of the residence of this defendant in Contra Costa County, because we think he never had a residence there.

We submit further that in the relationship of this respondent to this investigation he ought not to be led by counsel for the respondent, regardless of the circumstances.

Mr. LINFORTH. Just one word in reply. The article of impeachment charges the respondent with acquiring a false registration in Contra Costa County as the result of a conspiracy entered into by him and Mr. W. S. Leake. We say that includes a charge of bad faith which we have a right to meet.

Mr. Manager SUMNERS. Oh, yes; we charge an absence of good faith insofar as the Contra Costa residence is concerned.

Mr. LINFORTH. I submit the question.

The VICE PRESIDENT. It seems to the Chair that he is a very capable witness. Counsel may merely ask him to state the facts, and the Senate will draw their own deduction as to whether his action was in good faith or not.

Mr. LINFORTH. We will gladly follow the suggestion of the Presiding Officer.

We offer at this time as a part of the examination of the witness a certified copy of the cancelation of the registration of the witness in San Francisco, and ask that it may be marked as an exhibit.

The VICE PRESIDENT. It will be made a part of the record.

The exhibit admitted in evidence is as follows:

MAY 23, 1930—U.S.S. EXHIBIT Q

[Office of registrar of voters, city and county of San Francisco, State of California. Official certificate of registration no. 4, precinct 69, assembly district 32]

(Canceled—own request)

Name: Harold Louderback.
Residence: 666 Post Street.
Occupation: United States district judge. Height: 5 feet 6 inches.
Nativity: California.
Became a citizen by—
a. Decree of court.
b. Marriage to a citizen.
d. Father's naturalization.
e. Citizenship of father.
f. Act of Congress.
g. By treaty.
(When) ——— ———. (Where) ——— ———.
Father's / Husband's } Name ——— ———.
Can —— read Constitution? Can —— mark ballot?
Can —— write name? Physical disability: None.
Date of registration: February 19, 1930. Political affiliation: Republican Party.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

I, C. J. Collins, registrar of voters of the city and county of San Francisco, hereby certify that the foregoing is a full, true, and correct transcript of entry of such registration on the register of said city and county in the precinct and assembly district above indicated.

Witness my hand and seal this 31st day of March 1933.
[SEAL] C. J. COLLINS, *Registrar of Voters.*
By J. DAWSON, *Deputy.*

Mr. LINFORTH. We also offer at this time a certified copy of the registration of the respondent as a resident of Contra Costa County, with his place of residence set out, 107 Ardmore Road.

The VICE PRESIDENT. The exhibit will be made a part of the record.

The exhibit admitted in evidence is as follows:

U.S.S. EXHIBIT R

(Filed May 23, 1933)

Duplicate.
Kensington precinct no. 3.
I am registered under the name of ——— ———.
For transfer of change of name from ——— precinct no. ———, or address in this county, and I hereby authorize the cancelation of my last previous registration.

(No. 39501)

AFFIDAVIT OF REGISTRATION

STATE OF CALIFORNIA,
County of Contra Costa, ss:

The undersigned affiant, being duly sworn, says: I will be at least 21 years of age at the time of the next succeeding election, a citizen of the United States 90 days prior thereto, and a resident of the State 1 year, of the county 90 days, and of the precinct 30 days next preceding such election, and will be an elector of this county at the next succeeding election.

1. I have not registered elsewhere in the State since January 1, 1930.

(If applicant has previously registered in this county or has registered under another name, mark out word "not" and fill out transfer clause at top. If applicant is registered in another county, mark out word "not", and applicant must execute a separate affidavit of cancelation before he can register.)

2. My full name is Harold Louderback.
(Including Christian or given name, and middle name or initial; and in the case of women, the designation Miss or Mrs.)
3. My occupation is United States district judge.
4. Post-office address at Berkeley, Calif.
5. My place of residence is No. 107 Ardmore Road, between ——— Streets ——— floor. Room, Kensington precinct no. 3.
6. I intend to affiliate at the ensuing primary election with the Republican Party.
(If affiliation is not given, write or stamp "Declines to state.")
7. My height is 5 feet 6¼ inches.
8. I was born in California ———
(State or county)
9. I acquired citizenship by (underline method of acquiring citizenship)—
a. Decree of court.
b. Father's naturalization.
c. Citizenship of father.
d. Marriage to a citizen.
e. Naturalization of my husband.
f. Act of Congress.
g. By treaty.
(When) ——— ——— (Where) ——— ———
My father's—husband's name is (was) ———
(To be filled out when citizenship depends on citizenship or naturalization of parent or husband.)
10. I can read the Constitution in the English language.
I can write my name; I am entitled to vote by reason of having been on October 10, 1911 { a. An elector, / b. More than 60 years of age
I can ——— mark my ballot by reason of ———.
(State physical disability, if any.)
Subscribed and sworn to before me this 18th day of April 1930.
HAROLD LOUDERBACK.
(Affiant sign here.)
By S. WELLS,
Deputy County Clerk.

ABSENT VOTER BALLOT

Election	Ballot no.	Date of delivery or mailing	How delivered

STATE OF CALIFORNIA,
County of Contra Costa, ss:

I, S. C. Wells, county clerk of said county and ex-officio clerk of the superior court therein, do hereby certify that the above and foregoing is a full, true, and correct copy of affidavit of registration of Harold Louderback, filed in my office on the 18th day of April 1930, and now remaining on file therein.

Witness my hand and the seal of said court this 4th day of April 1933.
[SEAL] S. C. WELLS, *Clerk.*
By M. A. SMITH, *Deputy Clerk.*

By Mr. LINFORTH:

Q. Will you please state, in your own way, the circumstances concerning the appointment of Addison G. Strong as receiver and the circumstances concerning his removal?—A. On March 11, Tuesday—formerly I thought it was Monday, the 10th, but on reflection I believe it was on Tuesday—there came to my chambers Mr. Max Thelen and Mr. Marrin, attorneys representing the petitioner; Mr. Brown, representing the firm of De Lancey Smith & Brown, representing the defendant; Mr. Lloyd Dinkelspiel, of the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock exchange; and Mr. Addison Strong. They presented to me a petition in equity requesting the appointment of a receiver and also an answer admitting the facts set up in the petition. I read the papers and they urged at that time that a receivership be undertaken, and recommended Mr. Addison Strong as receiver in the matter.

I stated to Mr. Strong, "If I should appoint you, you will be the representative of the court; you will not be the representative of any particular person; and although you are being proposed by these gentlemen you will be a court officer, and I expect you to confer with me and accept my advice." I asked him, "Are any of the attorneys present your attorneys?" He said, "No." "Have you an attorney?" He said he had not. I said, "Will you consult with me in the selection of attorneys?" He said he would. I said, "Then I am inclined to make the appointment."

At this time I do not know who brought it to my attention, but the information was brought to me that there was another petition filed in this matter, and I had it sent for and brought to me. I discovered that this petition was similar in the body of it to the petition which was in my department; that it preceded in number, being an earlier assignment than the petition in my department, and was assigned to Judge St. Sure. I then said to the gentlemen, "I am not willing to appoint in my department, inasmuch as this petition, preceding mine, is in Judge St. Sure's, and I will take it up with Judge St. Sure." Judge St. Sure at that time was at Sacramento, and I said that I could take it up with him by using the telephone. They then tried to urge me to act on my own petition, but I said, "If you wish me to act upon my petition, then it will be necessary to dismiss the petition in Judge St. Sure's department." They said they would then dismiss it.

Then I told them that I wanted a bond in the amount of $50,000 running from the plaintiff in favor of any creditor who might be injured by the appointment of a receiver in this case. I also wanted a bond of $50,000 on the part of the receiver to guarantee his acts while receiver. It was

either at that time or a short time subsequent—and I do not know who took the matter up with me—that they urged me to reduce this bond to a lower figure, as it was impossible for them to secure a bond in that size, and I consented and agreed to have the plaintiff's bond reduced to $10,000.

After I had agreed to appoint Mr. Strong they left my chambers, and that afternoon, some time after 4 o'clock—I do not know who came to my chambers to advise me, whether it was one of the attorneys in this matter or whether I got the information from the clerk's office or my secretary—but I was advised that they had had difficulty in securing the bond and that they would not be able to qualify Mr. Strong until after the usual hour of the clerk's office, which is until 4 o'clock in the afternoon, and did I want the clerk's office kept open? I sent word by whomever it was that came to me to the clerk's office that I desired the clerk's office to remain open. Some time about 5 o'clock that afternoon Mr. Strong returned with some of the attorneys—I think all of them were there, but I am not positive—and I signed the order for the appointment of the receiver. I signed the approval of the two bonds, the plaintiff's bond and the receiver's bond, and as Mr. Strong left to go to the clerk's office for the purpose of taking the oath which qualified him as receiver I told him, "As soon as you have qualified, return here." I remained in my chambers, keeping my secretary and crier there with me until 6 o'clock, and Mr. Strong had not returned. I then sent my crier out to find out what became of him, and I was advised that the clerk's office at that time was closed; everybody was gone. I directed my secretary to call up the office of Mr. Strong at that time. She did, but got no reply.

Mr. LINFORTH. Judge, let me interrupt at this point. Was that the first instance during the time you were Federal judge where you knew of a double filing?

The WITNESS. It was the first instance I had ever heard of.

Q. Did you know personally Addison G. Strong, the receiver?—A. I did not.

Q. Did they at that time make any statement to you as to what his connection was or had been with the Russell-Colvin Co. and with the San Francisco Stock Exchange?—A. Yes; at the first conversation that I had on Tuesday they stated that Mr. Strong was the auditor, as I recall, for the stock exchange and had acted in his line of business in connection with the Russell-Colvin Co.

Q. Have you now stated, as briefly but as fully as you can, the details of the first day relating to the Russell-Colvin matter?—A. I believe I have.

Q. Will you please now state to the Presiding Officer and the members of the court what happened on the second day, Wednesday, the 12th of March?—A. On the next day I directed my secretary to call again Mr. Strong. She informed me that he was not at his office, but that she had left word that I wanted to see him. My recollection is that the first person I saw in this connection was Mr. Jerome White. It may be possible, as to the sequence, whether I saw White before I saw Mr. Strong, I may be in error, and it may be I saw Mr. Strong on two instances that day before I saw Mr. White; but my recollection is that Mr. White was at my office in the morning first.

Q. Who was Mr. White?—A. Mr. White was one of the partners of the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock exchange.

Q. May I interrupt and ask you up to that time had your relations with that firm always been friendly?—A. As far as I know, they were. So far as I am personnally concerned they were.

Q. Please continue with your conversation with Mr. White.—A. Mr. White stated that he had in a brief case which he was carrying a petition requesting the appointment of his firm as attorneys for Addison G. Strong as receiver. I told Mr. White that Mr. Strong had been instructed by me the night before to return as soon as he qualified, and that he had not returned and I had not had an opportunity to see him. I also told him that I had instructed Mr. Strong that before he petitioned for any attorney he was to consult with me. He said, "Surely you would not question the standing of our firm?" I said, "I am not questioning the standing of your firm, but I am unwilling to take this matter up with you until I have taken up the matter with Mr. Strong and settled it."

Q. Was that the substance of your talk with Mr. White?—A. It was.

Q. Did you then on that day have an interview with Mr. Strong?—A. Mr. Strong came in in the morning before court, and I asked him why he had not returned the preceding evening. He told me that he did not fully understand that I wanted him to return; that after qualifying he had gone away with some attorneys, and while he was walking to his office it came to him that he ought to have an attorney, and it also occurred to him that the firm of Heller, Ehrmann, White & McAuliffe was a very desirable firm; so he went to their office and he found there Mr. McAuliffe, and he took up the matter with Mr. McAuliffe and told him about his receivership. He asked Mr. McAuliffe if he would act for him, his firm, and he said he would.

I then said to Mr. Strong, "That is just what I feared would happen," and if he had only returned the preceding evening this embarrassing situation would not have arisen. I told him that before I appointed him I had told him that he was an officer of the court and he must follow my instructions, and that I had received from him his assurance that he would consult with me before he would select an attorney, and he had not done it. Furthermore, that he had selected as his attorneys the firm of Heller, Ehrmann, White & McAuliffe, which were the attorneys for the stock exchange, and he was the auditor for the stock exchange. I said, "It looks too much like one family, and I am not willing to approve of that selection."

He urged me to permit him to have that selection, saying that he had unusual confidence in that firm and he thought the receiver should have the right to have the man as his attorney that he had confidence in, and he thought that firm was the best qualified firm for the particular kind of business which this receiver would be in.

Having reached an impasse in that way, Mr. Strong finally said to me, "Well, who do you suggest?" I said, "I suggest Mr. Strong, of Keyes & Erskine." He said, "I never heard of such a firm."

Q. Just a moment. You said "Mr. Strong." Did you mean that?—A. I meant Mr. Short—pardon me—John Douglas Short. He said, "I never heard of such a firm." He said, "There are very few lawyers that are capable of handling this type of case." "Oh", I said, "I do not think they are so limited as you think. I think there are quite a number of lawyers who are capable of handling it, and, besides that, the responsibility rests upon me." I said then, "Well, I will suggest first the firm of Pillsbury, Madison & Sutro." He said he did not wish to have them as his attorneys. I said, "What about the firm of Sullivan, Sullivan & Roche?" No; they would not do. "What about Cushing & Cushing?" No; he would not have anyone but that one firm, which he felt he had such confidence in and which he felt he was entitled to select.

Q. Let me interrupt at this point. Were the three firms that you have mentioned reputable, outstanding firms practicing in San Francisco?—A. I felt when I named them that they were not to be excelled by any other firm in San Francisco.

Q. Was one of the firms you mentioned the firm of which Senator JOHNSON is a partner?—A. He is now a partner of the firm of Sullivan, Sullivan & Roche, under a different name. I believe it is Sullivan, Roche, Johnson & Barry.

Q. Please proceed in your own way to state the rest of the conversation.—A. Mr. Strong next requested that he be given permission to think the matter over, and I told him that he could, and he went away. Sometime later in the morning Mr. Strong returned and again took the same position as before. He urged that he had a right to select his attorney, and that he had a right to have one that he had confidence

in. But we reached the same position at that conference that we had in the preceding one, and he again went away, and he did not return that day.

Q. In that connection, did you say anything to him in the way of forbidding him to consult counsel?—A. In the first meeting I had with him—no; I did not; but I may state that I left out something. In the first meeting I had with him I said to him this, he having stood firmly on the matter of his counsel. I said, "Mr. Strong, have you yet taken into your possession any of the property of the estate?" He said, "I have not." I said, "Then until this matter is settled I do not wish you to do so." I said, "I do not want you to go any farther with the employing of this firm." That is the only thing I referred to in regard to the attorney. I did not forbid him taking up the matter of the issue he was having with me.

Q. Did he at any time before you removed him as receiver suggest the name of Lloyd Ackerman or ask you if Lloyd Ackerman would be satisfactory?—A. He did not.

Q. Did you at any time say to him in words or substance, "Do you realize what a plum you have taken; that the fees will be between $10,000 and $80,000"?—A. I did not.

Q. When you left the courthouse on the evening of Wednesday, the 12th of March, did you have any talk with Mr. W. S. Leake about this matter; and if so, where did the talk take place?—A. I did. The talk took place in the lobby of the Fairmont Hotel.

Q. Would you please state briefly the conversation you had with Mr. Leake at that time?—A. When Mr. Strong did not return on that Wednesday afternoon I went up to the Fairmont Hotel and I met there in the lobby Mr. W. S. Leake. I talked to him about what had transpired in this case. I said to Mr. Leake, "Could you suggest to me someone who is qualified to occupy a receivership of this kind?" He said, "I cannot think of anybody at this time. How soon do you have to know?" I said, "By tomorrow morning would undoubtedly do."

Just about that time, or just at that time, Mr. Hunter—whom I afterward knew as Mr. Hunter—passed through the lobby and stopped at the desk at the hotel. Mr. Leake said, "There is a man that would suit. He has already acted as receiver in some matter across the bay. He is the head man at Cavalier & Co." I said, "Is that the H. B. Hunter that was in the Security receivership?" He said, "Yes." I said, "If that is the man, I think that would be the type of man that would do." So he crossed over and stood and talked with Mr. Hunter for something like 10 or 15 minutes and came back and said, "Mr. Hunter said that he would be willing to receive such an appointment if it was open to him, but before he could definitely state he would have to take it up with his firm, with Mr. Cavalier, and that he would do so the following morning, and that he would let me know."

Q. Is that the substance of your talk with Mr. Leake on that occasion?—A. It is as far as I recall now.

Q. Was that talk had by you after the work of the day was over and after you had gone to the Fairmont Hotel?—A. That is correct, in the evening somewhere around 5 o'clock.

Q. The next day, the 13th of March 1930, did you have any talk with Mr. Strong or with any of the attorneys that you have mentioned?—A. I did.

Q. Would you please go on in your own way and state what the conversations were and with whom they were?—A. When I arrived in the morning at my chambers, about 9 o'clock, I asked Miss Berger if she had heard anything from Mr. Strong and she said, "No; Mr. Strong was not there." I then made up my mind that the probability was that I would have to remove Mr. Strong. I said, "Notify Messrs. Thelen & Marrin and Mr. Brown so that they can be here at my chambers this morning." In the morning, somewhere in the latter part of the morning, Mr. Marrin, Mr. Thelen, and Mr. Brown appeared at my chambers.

Q. Let me interrupt at this point. What was your object in desiring to see them?—A. Inasmuch as I had appointed Mr. Strong upon their recommendation and suggestion I wanted to tell them the situation that had arisen between me and Mr. Strong and why it was probable that I would have to remove him. I thought in fairness to them that I would give them the information and see what they would have to say.

Q. Now, please proceed with the conversation.—A. I also, I might state, at the same time notified my secretary to tell Mr. Strong to come at a subsequent appointment to my chambers. I related to these attorneys my difficulties that I had had with Mr. Strong. I told them of his failure to return, and I told them of his insistence upon retaining the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock exchange. I said that I had offered him other counsel, and he had refused to accept other counsel; and I said that even the signing of the petition by Strong was an affront to me.

Q. What petition did you then refer to, when you said the signing of the petition was an affront to you?—A. The petition for the employment of an attorney.

Q. What attorney?—A. The firm of Heller, Ehrmann, White & McAuliffe.

Q. Please proceed now with the conversation.—A. I told them that in the event that I retained my present attitude at that time—which I felt that I would remove Mr. Strong—that I was considering a man by the name of H. B. Hunter. They immediately stated that they had never heard of H. B. Hunter. I then advised them that Mr. H. B. Hunter, I understood, was the head man of Cavalier & Co. He was also a man that had had experience as a receiver in a case that involved transactions of a similar type. I also told them that Mr. Hunter at one time had been the assistant to the president of the stock exchange, Mr. Sidney L. Schwartz, and I felt if they referred to Mr. Schwartz that he would recommend Mr. Hunter.

Mr. Brown took upon himself the major part of urging me to retain Mr. Strong. He felt that Mr. Strong was unusually adapted for this work, inasmuch as he had familiarity in connection with the Russell-Colvin case, already having gone through their accounts; but I told him that I was unwilling to do so—that it was too much of a family affair.

I then said that I would give them an opportunity, if they wished, to dismiss the case, if it was embarrassing to them. I said it was embarrassing to me under the circumstances that had arisen. They said that they could not do that; they wanted to go ahead. I said, "Well, then, look into the standing and the qualifications of Mr. Hunter; and I will give you until 4 o'clock in the afternoon to make that investigation. If you find anything about Mr. Hunter which would disqualify him for this position, let me know"; and they went away.

Q. Let me ask you at this point, did you then or at any time tell them or any of them that Mr. Schwartz had recommended Mr. Hunter?—A. I did not. The only reference to Mr. Schwartz was as I said, and was for the purpose of indicating to them certain sources or places where they could secure information concerning Mr. H. B. Hunter, of whom they expressed an ignorance.

Q. After your interview with them, did you then see Mr. Strong?—A. I did. Immediately upon their retirement Mr. Strong came into my chambers. I asked him, "Mr. Strong, what is the situation now?" He said, "I am determined to nominate these attorneys as my attorneys." I said, "Under those circumstances, Mr. Strong, you should resign." He said, "I have been advised by Mr. McAuliffe not to resign. I have been advised by him that you cannot remove me unless for cause, and I am going to take his advice in all matters in connection with the receivership, and not your advice." I said, "Under those circumstances, Mr. Strong, I have no further use for you, and I am going to remove you at this time"; and I took from my desk an order which I had already prepared, anticipating its possible use, signed it, walked out of my chambers into the secretary's room, in which was sitting my secretary and the crier, and said to the crier, "Place this order of record removing Mr. Strong as receiver."

Q. Did you take him by the arm at all?—A. I did not.

Q. Was there any anger displayed during that interview by you?—A. There was not.

Q. Did you at that time tell him, "You are fired" or "You are canned"?

Mr. Manager SUMNERS. Mr. President, I think in the circumstances it would be well for the witness to detail what occurred.

Mr. LINFORTH. Mr. President, it has been testified that the witness upon the stand used the expressions, "You are fired", "You are canned." We surely have a right to repeat that testimony and show whether or not any such expressions were used.

The VICE PRESIDENT. The Chair understands that the managers on the part of the House object only to the leading of the witness by counsel for the respondent; but the Chair repeats that this is a very intelligent witness, and the Chair is sure he can give the facts without being led by counsel. Counsel will refrain from leading the witness.

Mr. LINFORTH. Forgive me for my offense, Mr. President, and I will try in the future to avoid it.

By Mr. LINFORTH:

Q. Was any reference made by you at that time in which the word "fired" or "canned" was used?—A. There was not.

Q. After you had signed the order for the removal of Mr. Strong did you have any communication with Thelen & Marrin's office or Smith & Brown's office?—A. I did.

Q. Will you please state what it was?—A. I had my secretary call up both those gentlemen, and I spoke over the phone with Mr. Thelen—I believe it was Mr. Thelen and not Mr. Marrin, but it was one of the two—and I spoke with Mr. Brown. They told me that they had made an investigation relative to Mr. Hunter and they had found nothing which would disqualify him from receiving the position of receiver, although Mr. Brown stated that he was unwilling to take the attitude of approving anyone else but Mr. Strong.

Q. Did you that day receive any word from Mr. Leake bearing on the subject of Mr. Hunter?—A. I did. I received word from Mr. Leake to the effect that Mr. Hunter was available.

Q. What, if any, word or message did you give to him in regard to seeing Mr. Hunter?—A. I requested him to tell Mr. Hunter to come out to my chambers, so that I might take up with him the matter of his appointment. I also told him at the same time that I had removed Mr. Addison Strong.

Q. Did you later that day see Mr. Hunter?—A. I did. He came out.

Q. When did you see him?—A. In the latter part of that afternoon. He came out accompanied, as I recall it, by a man from some bonding company; and I made the order, approved the bond, and Mr. Hunter qualified, I understand, that afternoon.

Q. In the selection and appointment of Mr. Hunter, were you influenced in any way or by any person other than you have testified to?—A. I was not.

Q. Did Mr. W. S. Leake demand of you the appointment of Mr. Hunter?—A. He did not.

Q. In the allowance of fees to Mr. Hunter as receiver, and in the allowance of fees to the attorneys, were you influenced in any way or to any extent except by the record made in open court, the papers on file, and the testimony which you heard?—A. I was not.

Q. Did you participate to the extent of a single cent in any allowance made to Mr. Hunter or to his attorneys?—A. Decidedly not.

Q. How long had you known John Douglas Short and the firm of Keyes & Erskine?—A. I knew the firm of Keyes & Erskine almost from the time that I started to practice law. I knew Mr. Keyes quite well. I knew Mr. Herbert Erskine casually. I did not know Mr. Morse Erskine at all until the Russell-Colvin matter. Mr. Short I became acquainted with after I had taken up room 26 at the Fairmont. Mr. Short I saw on several occasions, and was introduced to him. His father-in-law, Mr. Hathaway, was a resident of the Fairmont Hotel with whom I was acquainted.

Q. Did you examine the work done by those lawyers, as shown by the records of your court?—A. I had.

Q. State whether or not it met with your approval.—A. It did.

Q. Do you know G. H. Gilbert?—A. I do.

Q. How long have you known him?—A. I have known him for over 12 years.

Q. Will you please state as briefly as possible the extent of your relationship with him?—A. I met Mr. Gilbert at the Scottish Rite Auditorium, of which bodies he and I are both members. I also know that he was interested in my campaigns to the extent that when I met him at these fraternal meetings he would ask me for election cards that he might distribute them among his friends; but my acquaintanceship was most casual. It was not social. I had never been to his home. He had never been to mine. I had never had a meal with him anywhere, and I had never gone about with him or met him anywhere except in that fraternal way that I speak of.

Q. In the 8 years that you were on the trial bench, the superior court bench of San Francisco, and the 5 years that you were on the Federal bench in how many receiverships did you appoint him?—A. I appointed him in four receiverships.

Q. Did you appoint him in any while you were on the trial bench of the superior court?—A. I did not.

Q. Do you recall his appointment as one of the appraisers in the Brickell estate?—A. I do.

Q. Did you make any order for his compensation in that matter except the order settling the final account?—A. I did not, unless you allude to the order appointing him originally.

Mr. LINFORTH. We offer at this time, if the court please, a certified copy of the first and final account of the Crocker First Federal Trust Co., special administrator of the estate of Howard Brickell, deceased, and a certified copy of the order of the court settling that account; and we call attention to the following items on page 9 under date of December 1, 1927:

Paid the following for services in appraising the estate of Howard Brickell, deceased:
R. F. Morgan, $750.
W. S. Leake, $500.
G. H. Gilbert, $500.

(The certified copy of the first and final account above referred to was marked "U.S.S. Exhibit S.")

Mr. Manager SUMNERS. May we see that?

Mr. LINFORTH. Certainly.

(The paper was handed to Mr. Manager SUMNERS.)

By Mr. LINFORTH:

Q. Upon whose testimony did you settle that account?—A. Upon the testimony of the trust officer of the First Federal Trust Co., which was associated with the Crocker National Bank.

Q. Briefly, in a word, what was his testimony as to the correctness of that account?—A. His testimony was to the effect that it was true and correct.

Q. Did you believe and rely upon that testimony?—A. I did.

Q. Was there any opposition made by anyone to it?—A. There was not.

Q. At that time did you know or did you have any information at all on the subject of what service had been rendered by any one of the three appraisers?—A. I did not. The circumstance was merely this: That in those probate accounts they are properly noticed, they come before the court, you look over the account in a casual way, and where there is no opposition, and the man who goes upon the stand to verify them testifies to their truth, it is more or less a formality.

Q. Did you participate to the extent of a single cent in any fees Mr. Gilbert received in any matters in which you had appointed him?—A. I did not.

Q. Were you familiar, from the records and files of your court, with the services he rendered as receiver in the four cases to which you have referred?—A. I am.

Q. Did those services meet with your approval?—A. They did.

Q. Will you please state how long you have known the firm of Dinkelspiel & Dinkelspiel?—A. I knew Mr. Dinkelspiel, the father, casually from the time I started to practice law, but I never knew his sons, either John Walton Dinkelspiel or Martin Dinkelspiel, until the time of the Sonora Phonograph case.

Q. Has either one of them ever been a political friend of yours?—A. He has not.

Q. Do you know, and did you know at the time you appointed them as attorneys for receivers, their standing at the bar of California?—A. I knew their reputation as being one of the firms most fitted for work in regard to bankruptcy and receiverships.

Q. In how many cases during the 13 years you were on the bench did you appoint them as attorneys in any matters?—A. Four times.

Q. Can you state what the four cases were?—A. The Sonora Phonograph Co., the Prudential Holding Co., the Golden State Asparagus Co., and the Fageol Motors Co.

Q. Are you familiar with the work they did in those matters as shown by the files of your court?—A. I am.

Q. Did that work so done by them meet with your approval?—A. It did.

Q. Did you participate to the extent of a single dime in any fees allowed to them in any matters?—A. Not to the extent of a cent.

Q. Calling your attention to the Prudential Holding Co. case, so-called, will you state under what circumstances you appointed the receiver in that case?—A. There came to my chambers a Mr. Kearsley, an attorney from Los Angeles, and Mr. J. H. Stephens. They presented to me a petition requesting the appointment of a receiver. I went over the petition and read it and asked Mr. Kearsley concerning it, and he told me such facts as he had concerning the matter. He introduced Mr. J. H. Stephens as the vice president of the defendant company, and I said to Mr. Stephens, "Are you acquainted with the facts set forth in this petition?" He said, "Yes." I said, "Are they true?" He said, "They are." "Well", I said, "what do you feel about it?" He said, "I think something ought to be done." I said, "Well, do you approve of this receivership going upon your company?" He said, "Yes; I think it ought to be done."

At that time I thought it was a friendly suit in which the plaintiff and defendant were agreeable and willing to have the receivership entered into.

Q. When you made that order did you have any knowledge or information in regard to Mr. Stephens' connection with the company other than what you have narrated?—A. I did not.

Q. Were any fees ever allowed by you to either attorney or receiver in that matter?—A. They were not. My order precluded that.

Q. How long have you known Samuel M. Shortridge, Jr.?—A. I have known him for about 12 years in a very casual way.

Q. While you were State judge, during the period of 8 years, did you make any appointment to him of any kind?—A. I did not.

Q. In the 5 years you have been Federal judge in how many cases has he received appointments from you?—A. In two instances.

Q. What two?—A. In *Blanchard* v. *Lane* and in *Lay* v. *The Lumbermen's Reciprocal Association.*

Q. Will you please state how he happened to be appointed by you in those two cases?—A. In both instances the parties litigant, in writing, requested his appointment.

Q. Did you consider him competent to act as receiver in each case?—A. I did.

Q. Did you fix his compensation in either case?—A. Yes; in one case.

Q. Which?—A. *Lay* v. *The Lumbermens' Reciprocal Association.*

Q. At what amount did you fix his compensation?—A. With the approval and consent of the plaintiff and defendant in the action, I fixed his compensation on account at $6,000—$3,000 in two instances, making six.

Q. Did you at that time honestly believe such amount to be the reasonable value of the service rendered?—A. I did.

Q. Did you receive one dime of the compensation received by Samuel M. Shortridge, Jr.?—A. I did not.

Q. Did you fix his fee in the Lane case, so-called?—A. I did not.

Q. You have in mind the order which has been offered in evidence of date December 15, 1931, which contains the proviso order, so-called?—A. I have.

Q. Was that order made by you after the settlement of the final account of the receiver, Mr. Shortridge?—A. It was.

Q. What order did you make or announce orally in court, if any, upon the submission of that matter?—A. There were something like 52 objections to the account as prepared and presented by the receiver. I do not recall my rulings on the various 52 propositions. I know in some instances I decided in favor of the opposition, but my final order was to the effect that the funds and properties of the estate should be turned over as directed in the mandate of the circuit court, and I settled the account on the objections.

Q. Just diverting a minute from that case, heretofore I have asked you whether or not you received any money out of any of these fees. May I ask you, in one general question, did you receive any compensation, no matter in what form, out of any of these fees which have been referred to here?—A. I have not.

Q. Would you state to the Presiding Officer and the members of the court the circumstances under which you signed that order as of December 15 in the Lay case containing the proviso order or condition?—A. The formal order in the Lay case settling the accounts was brought to me by Mr. Marshall Woodworth. I read it over and came to that part of the order which consisted of the proviso, and I asked him why that proviso appeared in the order. He told me that he had been negotiating with Mr. Guerena for some time relative to a bond which would be furnished by Mr. Guerena's client at the time the funds were turned over by the receiver to his client.

We discussed the question. I asked him if there was going to be an appeal, in his opinion, and he seemed to be in doubt as to that point, and I got the impression he thought there would not be. But he said that pending this settlement about the bond, because they had come to the conclusion there should be a bond, but not as to the amount, he would like to have this proviso in effect.

I signed the order, and after Mr. Woodworth had gone away, it occurred to me what was the purpose of the order, and I felt that that order was erroneous, and I sent for Mr. Woodworth and I said to Mr. Woodworth, "I believe that that proviso is erroneous and should be stricken from the order." He said, "Judge, I am willing to do anything you say if you feel that way, although I do not agree with you." I said, "However, since an appeal has been taken, I have grave doubts if I have authority to modify the order by striking out that proviso. Can you not arrange a stipulation for that purpose which I will approve?" He said he thought he could, and he went away, and he came back with a stipulation on the part of all parties, as I have suggested, setting aside the proviso, and I signed my order in conformity to that stipulation which he secured. I think the order was erroneous, and I at that time thought so, when I spoke to Mr. Woodworth.

Q. In the making of that order of December 15, did you have any thought or intention of defying the mandate of the court of appeals?—A. I did not.

Q. How long have you known Mr. Marshall Woodworth, and what has been the extent of your acquaintanceship with him?—A. I had heard of Mr. Woodworth prior to my selection as United States judge. In fact, I understood he was one of the candidates for the very position that I now occupy, but I never met Mr. Woodworth until after I was sworn in as United States district judge. I had only seen Mr. Woodworth as an attorney in and about the courts. He has a great deal of Federal court business in San Fran-

cisco, and I observed that he handled it in a very good manner.

Q. In how many matters have you made any appointment in his favor during the 8 years you were on the State bench and the 5 years you were on the Federal bench?—A. Were it not for the testimony of Mr. Woodworth at this hearing, which I have not verified, in connection with the Pioneer Fruit Co., I would have said that I only appointed him in one instance, but he said that I appointed him attorney for the receiver in the Pioneer Fruit Co. case. I knew I did not appoint the receiver, and I did not think I appointed the attorney, but Mr. Woodworth probably is correct. In that event I appointed him in two cases.

Q. Did you receive or have you received, directly or indirectly, any part of any compensation that has been awarded to him in the two matters that you have referred to?—A. I have not.

Q. Do you know Mr. William C. Crook, who has been a witness here?—A. I do.

Q. Did you have any talk with him on the subject of his appointment as receiver in the Fageol case, so-called?—A. I did.

Q. When and where did that conversation take place and what was it?—A. One or two days before the petition in the Fageol case was presented to me, Mr. Crook called upon me at my chambers. I had known him from the year 1919, at which time I had met him in the Mechanics Mercantile Institute and had played draughts or checkers with him. He told me that a company in which he was employed as an accountant, that is, the Fageol Motors Co., he believed was going into an equity suit. He said that he was the choice of a Mr. Bill, the president, and, in fact, of all parties to the suit, and he wanted to know if this case came before me if I would appoint him receiver. I told him that I would make no promises in advance, but the fact of my acquaintanceship, of course, would not militate against him.

Q. Was his name presented when the application was filed and presented to you?—A. It was not, as far as I know, referred to; and I say that because the information I got was from my secretary, who advised me as to who was wanted by the various parties.

Q. Did you see him subsequently to the appointment of the receiver in that case?—A. I did.

Q. Did you at that time, in words or substance, say to him, They double-crossed you, and I double-crossed them?—A. I did not. The circumstances were as follows: I met him a day or so after the appointment in the corridor of the post-office building. He said to me, "What happened, Judge; what happened?" I said, "Step into my chambers, and I will talk to you." He said, "Why did you not appoint me receiver?" I said, "Mr. Crook, you were not even suggested by the parties for receiver." "Why", he said, "under those circumstances I have been double-crossed", and I said, "Apparently you have, from what you have told me."

Q. You have already said that you know Mr. Marrin. Did you at any time ever say to him, in words or substance, "These receiverships are the 'plums and sugar' in that business?"—A. I did not.

Q. Just a final question, Judge. In the discharge of your duties as judge of the superior court and in the discharge of your duties as judge of the Federal court, have you, at all times, to the extent of your ability, obeyed the oath of office which you took in each instance?

Mr. Manager SUMNERS rose.

The WITNESS. I have.

Mr. Manager SUMNERS. Wait a minute; we do not think that testimony is permissible.

The VICE PRESIDENT. The witness has answered the question.

Mr. Manager SUMNERS. Very well; let it go.

The VICE PRESIDENT. The Senate will determine whether they want to take it into consideration.

Mr. LINFORTH. I asked the question because the Judge's good faith has been attacked.

Mr. Manager SUMNERS. We will let it go.

Mr. LINFORTH. You may take the witness.

The VICE PRESIDENT. The managers on the part of the House will proceed with the cross-examination.

RECESS

Mr. LINFORTH. Mr. Manager SUMNERS, will you pardon me for a moment? The judge has been on his feet for 2 hours. Would it be out of order, Mr. Vice President, to suggest a recess of about 5 minutes?

Mr. ASHURST. Mr. President, I ask unanimous consent that the Senate sitting as a Court of Impeachment take a recess for 5 minutes.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senate will stand in recess for 5 minutes.

Thereupon (at 12 o'clock and 7 minutes p.m.) the Senate sitting as a Court of Impeachment took a recess for 5 minutes. At the expiration of the recess the Senate sitting as a court reassembled.

The VICE PRESIDENT. Counsel for managers on the part of the House will proceed.

Cross-examination by Mr. Manager SUMNERS:

Q. Judge Louderback, directing your attention first to the matter concerning which you testified at the conclusion of your direct examination, and that is in the State court, the Superior Court of the State of California, in the matter of the Brickell estate, who suggested, if anybody, Messrs. Leake and Gilbert?—A. No one suggested them. I acted on my own initiative.

Q. Did you believe that Mr. Gilbert was a proper man and qualified to act as an appraiser of that estate?—A. I did.

Q. Upon what did you base your opinion?—A. Because I thought from talking with him that he was a man of good judgment.

Q. Did you believe him to be a man of good information with regard to matters of that sort?—A. I thought so. I know that I, myself, when I was a young attorney, was appointed by Judge Coffey in the appraisership of real property and other property.

Q. Did you regard yourself as well qualified for that service?—A. I think I performed my services to the satisfaction of the court.

Q. How do you think Mr. Gilbert performed his services in this matter, or have you any information about it?—A. Since he has made the statement that he did as he did, as I understand he did not view the property, I would not approve of him doing such a limited amount of service, but accepting the recommendation of somebody else. I think the chances are, if I had known he had not done that, he probably would not have received any further appointments from me.

Q. Do you think it would have done any good if he had gone out and looked at the property?—A. I do not know that it is necessary—it is not always necessary to go and see the property, although I have as an appraiser done so, but I do think it is necessary to make a thorough investigation.

Q. The point I am getting at is: In your judgment, if Mr. Gilbert had looked at the property, in view of his testimony and in view of the known fact that he had spent his life operating telegraph instruments and supervising those who did, how did you conclude him to be a good man and a competent man to determine the value of real estate?—A. I think any man of intelligence can find out what the value of real estate is. Whether he is acquainted with values in any particular locality or not, he can make the proper inquiries.

Q. I want to get your notion. If you had wanted to purchase some real estate and to know the value of your contemplated purchase, would you have sought a man of Mr. Gilbert's information?—A. Not unless he had made investigation for that purpose and had reached a conclusion.

Q. Judge Louderback, do you not know, as a matter of fact, that at the time you appointed him he did not have any qualifications to discharge duties of that kind?—A. I

did not know any such thing. I had met him and he impressed me as a young man of intelligence. I think the work which he has done as receiver verifies that.

Q. We will come to that a little later on. I want to get your notion about this appointment. Where do you live?—A. I live at 107—if you mean by living that that is my residence—107 Ardmore Road, Kensington district, Contra Costa County, Calif.

Q. How long have you lived there?—A. I have lived there from on or about the 17th—perhaps it is better to say the 6th of April 1930.

Q. Where do you reside, to draw a distinction between where you live and where you reside?—A. If you mean where I sleep, I sleep frequently at the Fairmont Hotel.

Q. When you are not sleeping at your brother's home and not sleeping at the Fairmont Hotel, except in those instances where you go away on vacation or hold court out of San Francisco, where do you sleep?—A. I have no regular place of sleeping except the Fairmont Hotel in San Francisco.

Q. I am not talking about a regular place of sleeping. I want to know where do you sleep?—A. I do not know what you mean.

Q. I mean when you go to sleep, when you shut your eyes, or snore, or something?—A. I have slept at the Hotel Fairmont and I do not know anything else you refer to.

Q. Did you stay at any other hotel in San Francisco?—A. I have. I have stayed at the Stewart Hotel on occasions.

Q. Was that during the time you were paying rent on room 26 in the Fairmont Hotel?—A. That is since I went over to Contra Costa County to make my home there.

Q. That is not my question. Was that since you were paying rent on room 26 in the Fairmont Hotel?—A. I believe so.

Q. Does anybody except yourself occupy room 26 in the Fairmont Hotel?—A. No. I do not know of anybody ever sleeping there except myself since the 21st day of September 1929.

Q. What was the reason or was there any reason other than those you have detailed as to why you went to room 26?—A. There was no other reason at the time I took room 26 other than I have expressed.

Q. Have you had any reason since you have been there for remaining there and remaining in a room registered in the name of Mr. Sam Leake?—A. There is no other reason for remaining in the room, but I presume what you are alluding to is some testimony I gave with regard to being registered at the hotel.

Q. No; I am just alluding to the fact.—A. I may state I presume you allude to some testimony I gave before the committee when I said that after I had secured my home in Contra Costa County I asked Mr. Leake if I could remain on in the room, using the room, without the necessity of changing the conditions where I was not registered; that I did not want to be registered there and——

Q. What rent do you pay for your room in Contra Costa County?—A. I pay nothing. My brother has never exacted anything from me.

Q. The only place where you pay anything for the privilege of living is in room 26 in the Fairmont Hotel?—A. May I have the question read?

The VICE PRESIDENT. The question will be read.

The Official Reporter read as follows:

Q. The only place where you pay anything for the privilege of living is in room 26 in the Fairmont Hotel?

The WITNESS. That is correct so far as rent goes.

By Mr. Manager PERKINS:

Q. What else do you pay other than rent? What do you mean by "so far as rent goes"?—A. I mean that is the only place I pay rent.

Q. I thought so.—A. I never have paid rent at my father's home nor do I pay rent at my brother's home and my home.

Q. You do not pay rent at your brother's home, because as a matter of honest-to-goodness fact you do not live over there, do you?—A. That is not true. If you mean by living over there, that is my domicile or my home.

Q. You have stayed there 4 nights in about 3 or 4 years, have you not?—A. Everything I have stated here regarding my presence there is true.

Q. Do you go there any more frequently now than you used to?—A. I go there once or twice a week on an average right straight along. It is necessary for me to do so because I have to go there, for instance, if I am going to use a tuxedo. My tuxedo is over there. If I wish to go away on a trip or in the summer, all my clothes are there.

Q. Why do you not keep your tuxedo where you live? It would be handier, would it not?—A. The reason why I keep my property there is because I look upon it as my home, and I have always hoped that I would be able to go over there and not have asthma. I may say very candidly I do not know what occasions my asthma at my brother's home. It may be the plants around there or it may be the fact that the hair and odor and dandruff of the cat cause it, because I know that that does cause asthmatics to have asthma.

Q. Have you discussed in your brother's family that maybe you or the cat, one or the other, cannot live there?—A. I certainly have, and the regrettable feature of it is that I do not like to change my brother's ways. The cat is a cat he has had something like 14 years, and is over there today and has the run of the house. At one time my sister-in-law thought perhaps if they had a vacuum system in the house that I would not be subject then to an asthma attack; but after they had gone to that trouble, on an evening I went there with the hope of staying overnight, asthma came on in the latter part of the evening and I went back to San Francisco.

Q. Is it not a fact, having tested the matter out over there, it was determined you could not live over there?—A. Under present conditions, apparently, I cannot.

Q. And do not?—A. I have not slept there, if you mean that. I have not slept in that place. I consider it my home. It is the only place I have to go back to; and in the event, for instance, as an example, that I was not able to pay rent at the hotel, there is the place I would go and live. I would have to whether I had asthma or not.

Q. As a judge passing on the question, would you hold it to be the home of a person who could not live at that place?—A. I understand residence once acquired remains with the person who acquires it until he acquires a new residence. In this case I did not transfer residence from the Fairmont Hotel——

Q. You do not think the tuxedo could change your residence?—A. Just a moment. I did not transfer my residence from the Fairmont Hotel to Ardmore Road. I transferred it from 666 Post Street, although I had been living more than 5 months at the Fairmont Hotel at the time.

Q. You stated the only reason you have for not registering at this hotel in the room which you occupy is because of a suit?—A. May I have the question read?

Q. May I reframe the question and ask another question? I think I will not pursue the question further. I will let it go.

Judge Louderback, is it not a fact, when you testified before the committee on the occasion that you came to Washington, you gave as one of the reasons for this arrangement and for not registering in this hotel "because registration is an element upon which to predicate residence, and I wanted to maintain residence in Contra Costa County, and I assure you gentlemen I believe that one reason why that suit was not instituted was because I have that residence, because it could have been transferred to Contra Costa County on account of the California laws"?—A. I recognize the fact that if any suit was instituted it could be transferred to Contra Costa County, and I gave the testimony—I do not know that it is exactly as you read it, but in substance along that line.

Q. In other words, if when you stopped at the Fairmont Hotel the register had shown the absolute fact, that probably could have been used to predicate a suit against you in San Francisco? Is that the fact?—A. I do not know about a suit against me, but that might have been an element on which to consider the matter of residence.

Q. And you avoided the possibility of the fact of your occupancy of room 26 becoming evidence from the hotel register, did you not?—A. The value of that thought did not become of any importance at the time I went to the Fairmont. As of that time I had no idea that the separation which had occurred would possibly become permanent, and it was for that reason that I went to the Fairmont and did not want to be registered, because I did not want undesirable notoriety.

Q. When did it become evident that the separation would probably become permanent? Did you not testify about that, too?—A. I realized about the 1st of April that that was likely to become permanent and it was necessary, instead of having a temporary home, to have a permanent one, and I thought it would be very nice indeed. Then I reached the point where, if there was any publicity to happen, it would just have to happen.

Q. That was about April of the year?—A. That is correct, 1930.

Q. After it became apparent that publicity would come, if it had to come, why did you not register this fact on the register of the hotel?—A. I think I have already explained that. I said it cannot proceed as it is. I had no reason to change. I happened to make the statement to Mr. Leake after I had made the transfer over and had the asthma and was still staying on in the room. I told him that registration was an element on which to found residence. I said that.

Q. The only value of registration—and the only object of a registration—is to show where a person is sleeping, is it not—what room he is occupying? Is there any other reason than that?—A. I can only say that that seems to be an element which is used sometimes by lawyers in connection with cases.

Q. Put it this way, Judge: I do not want to press it too far. If, in the trial of the contemplated lawsuit, evidence should be offered that you were registered at that hotel on the nights when you stayed there, you would feel that there would be a better chance to have the lawsuit tried in San Francisco than in Contra Costa County, would you not?—A. Well, not for one night.

Q. No; I did not ask you that. If the register should show, during all the nights you occupied room 26, that you were actually in room 26, that fact would give you a poorer chance, to put it that way?—A. Well, I might say this: It might be introduced as an element; but I think that the failure to register—the deliberate not registering—shows a bona-fide intent on the part of the person not to claim any place as his home but the place in which he is registered, and which he looks at as his home.

Q. And you wanted to be in a position, in the contemplated lawsuit, to be able to claim that you lived in Contra Costa County, and that there was no register in any hotel that showed that you lived anywhere else. That is what you wanted, is it not?—A. Yes; if there was a suit, I would feel inclined to look at it that way, that it ought to be in Contra Costa County. The publicity in Martinez, a little town of that county, would not be commensurate with the publicity which you would get in a city like San Francisco for one occupying my position. But if you mean by that that I made this change and established my home primarily and solely and exclusively with that in view you are mistaken. It was the intention to make a legitimate home.

Q. And you stated to the committee, I believe, that you considered that if the possible plaintiff would have to go to Contra Costa County instead of suing you in San Francisco that suit might not be brought. Did you make that statement?—A. I believe I stated that I thought the suit had not been brought because of the discovery of the fact that I was a resident other than of San Francisco County; but I am not fearing any suit at the present time.

Q. Did you make this statement:

I assure you, gentlemen, I believe the only reason why that suit was not instituted was because I had that residence; because it could have been transferred to Contra Costa County on account of the California law.

The WITNESS. That is true. I was there stating the state of mind of another person—my conclusions.

Q. You had known Mr. Leake for a good while, I believe?—A. I met Mr. Leake in 1918, when I was in the service of the United States.

Q. And Mr. Leake was active in your behalf in your second campaign for the State judgeship?—A. He was. He gave me some helpful suggestions.

Q. Mr. Leake has had for a long time an interest in politics in California?—A. I am so informed.

Q. Did you not testify on your appearance before the committee that Mr. Leake had been active in politics in San Francisco and that section of the country in California and spent a great deal of time around the legislature?—A. I did; but all those transactions that I referred to there were information that I had received to the effect that he had been so active. It was before I knew him.

Q. Had he been a lobbyist in the legislature, or what had he been doing?—A. I did not know that he was a lobbyist—only, perhaps, in his activities in defeating Dan Burns for the United States Senate. I understood he had represented the Spreckels' interests at that time.

Q. He represented the Spreckels' interests before the legislature in the defeat of this candidate for the Senate at the time when the legislature elected Senators?—A. That is correct. That is correct as far as my information is concerned. That was long before I knew him or knew about the facts that you speak of.

Q. Have you been a patient of Mr. Leake?—A. I never have.

Q. Did you ever make any contribution to Mr. Leake?—A. I have not.

Q. Did you ever loan him money?—A. I have.

Q. Was it paid back?—A. I think he has.

Q. Do you not know he has not?—A. No; I think he has.

Q. Has he paid it all back?—A. I think so.

Q. When did you make these loans, Judge?—A. Several times during the course of my acquaintance with Mr. Leake—I do not know just exactly the dates—he has asked me if he could borrow from me a certain amount of money, a couple of hundred dollars, and I have let him have it; and then in a certain amount of time he has paid it back.

Q. What is the largest amount you have loaned him?—A. I think the largest amount I ever loaned Mr. Leake was $350, which was when I was a State judge.

Q. Will you be good enough to examine those? (Handing papers to witness.) I think those are your returns. I will state to counsel that I am now offering for the inspection of——

The VICE PRESIDENT. Counsel cannot be heard by the Senate. He is not talking into the microphone, or raising his voice.

Mr. Manager SUMNERS. That is true. I forget about the microphone. I am now offering for the inspection of the respondent his tax returns for 1930, 1931, and 1932. I do not know whether the one in hand is for 1929 or not.

Mr. Manager BROWNING. Yes; it is.

Mr. LINFORTH. Mr. President, if there is any purpose or intent of offering any tax return of the witness upon the stand, we want to make the objection that that is confidential and not a matter of court inquiry.

Mr. Manager SUMNERS. We do not offer any suggestions as to counsel's observation, but insist that there is not anything in his observation.

Mr. LINFORTH. But you cannot do indirectly that which you cannot do directly. If they cannot offer the individual tax return of a citizen, they surely cannot examine that citizen on the contents of the paper; and for that reason we object to the question.

Mr. Manager SUMNERS. We offer these papers at the moment—we do not preclude ourselves from offering them in a different way—for the purpose of refreshing the memory of the witness, and saving time.

The VICE PRESIDENT. The Chair recalls that the witness was testifying as to the number of borrowings and amounts of money borrowed by Mr. Leake from the witness.

The Chair understands that the managers on the part of the House are offering these papers to the witness to refresh his memory, in order that he may answer accurately the questions asked by the managers of the House. If that is correct, they are admissible to the witness for that purpose.

Mr. Manager SUMNERS. Mr. President, we do not offer them for that purpose. We offer them to refresh the memory of the witness, to ask the witness to what tribunal he rendered his taxes for the years 1929, 1930, 1931, and 1932, as bearing upon the question of this witness's residence.

The VICE PRESIDENT. As bearing upon what?

Mr. Manager SUMNERS. We asked the witness where he rendered his taxes—what place in the rendition of his taxes he indicated his residence to be.

The VICE PRESIDENT. What taxes?

Mr. Manager SUMNERS. His personal taxes.

The VICE PRESIDENT. For the purpose of showing his residence?

Mr. Manager SUMNERS. That is right.

The VICE PRESIDENT. The Chair thinks they are admissible for that purpose.

The WITNESS. I have viewed the four tax returns that you have shown me, and I note there is a printed statement above my oath as to how much property I own to the effect that I live in the city and county of San Francisco. I might state, regarding those returns, that I signed them without appreciating the fact that there was any statement of residence before them; and if you have the one for this year, you will find where I corrected that very point with the assessor, and wrote in—and he questioned whether I should do that—and wrote in the fact that I lived on Ardmore Road. I did not recall the fact that the affidavit appeared that way.

Why I pay my personal taxes in San Francisco is because the property which I have in Contra Costa County is exempt property. The automobile is registered to me in Contra Costa County; but I have the privilege, inasmuch as I use it now chiefly in San Francisco County, to pay it where the automobile is, or where the automobile is registered. This year it happened I paid my bill for my automobile in Contra Costa County because I found that in Contra Costa County the assessment was a valuation of $100, and in San Francisco $150. I took advantage of that situation.

By Mr. Manager SUMNERS:

Q. The personal tax is lower in San Francisco than in Contra Costa County?—A. It was until this year. However, the personal property which is set forth there is not the personal property which I have in my trunk and in my room. It is the furnishings of what formerly was my home at 666 Post Street, which I own, where Mrs. Louderback makes her residence; and in San Francisco they assess that particular property to some real property which my brother and I own jointly. That is the reason why it is assessed in connection with the real property; and as far as the reading of that affidavit goes, I will say candidly that I did not recall it when I signed the oath, and had no intention of making such a representation.

Q. May I ask you this question? You are a lawyer, of course, and it will save a lot of investigation, possibly. Under the laws of the State of California are not personal taxes paid at the place of residence of the payor?—A. I understand they can be, or they can be paid in the place where they actually are existing.

Q. Where the personal property happens to be?—A. Yes. At least, that is what the assessor, Mr. Walden, told me. I know that I had a controversy about that very thing the last time that I made my statement. He said to me, "You can pay for your automobile either in San Francisco County or in Contra Costa County"; and you will notice that my tax bills state, on the rear, "Registration from 107 Ardmore Road, Kensington District, Contra Costa", referring to my Buick automobile. This is the one of 1931.

Q. Where are the others?—A. And the one of 1932 says: "Buick automobile registered in Contra Costa County, but car is now in San Francisco County all the time, and wishes to have it assessed there." That appears upon those documents you have presented.

The VICE PRESIDENT. The Chair designates the senior Senator from Alabama [Mr. BLACK] as the Presiding Officer for the day.

Thereupon Mr. BLACK took the chair as Presiding Officer for the day.

By Mr. Manager SUMNERS:

Q. How much cheaper is it to register in San Francisco than in Contra Costa County?—A. In the case of my Buick, the assessed value in Contra Costa is $100, and the assessed value at San Francisco is $150.

Q. With regard to the Russell-Colvin Co. matter, they were members of the San Francisco Stock Exchange, were they not?—A. I was so advised.

Q. Does the San Francisco Stock Exchange bear any reputation; or did you have any information to make you believe that it would be dangerous to the interests of the creditors for the attorney employed by the stock exchange to act as the attorney for the administrator in that matter?—A. I was not operating on any general reputation of the stock exchange. I was depending upon this fact, that there might be conflicting interests. The stock-exchange rules provide that any member that has a seat there must pay off his fellow members first before any sale can be made of it and the balance given to the estate. I did not know what conflicts besides that might exist between the stock exchange and these parties, and I was impressed by the fact of the vital interest expressed by the stock-exchange attorneys in presenting this matter to me, and their endeavor, of these various attorneys, to secure the control of the receiver and his attorney.

Q. Did you not understand, Judge Louderback, that the interests of the stock exchange behind the whole matter were to bring about an equitable receivership, a cheap receivership, to save all they could to the creditors, and the plan hit upon was to get their attorney, who was familiar with the facts in the case, and the man who had been auditor for the concern?—A. I know that is their allegation, and I believe that they were interested in their own membership; but in an estate like this, there are other creditors who are not stock-exchange members.

Q. But was not the interest of the stock exchange apparent in getting for the other creditors and preserving thereby the good name of the exchange—was not the interest apparent to get for them the very most that could be gotten through an economical administration of its affairs?—A. I did not know, and I did not care to hazard the estate in that way. I was not prepared to have the stock exchange substitute its judgment for mine in the selection of the officials of the court.

Q. When you came to select the officials, as a matter of fact did you not take a man for receiver who then was what you call the headman of an important stock-exchange concern that was contributing one member to the board of control of the stock exchange?—A. I took a man who had knowledge of the stock-exchange business——

Mr. Manager SUMNERS. Mr. President——

The WITNESS. I took a man——

Mr. Manager SUMNERS. Mr. President——

The WITNESS. Who had had experience before, but I do not——

Mr. Manager SUMNERS. I should like to have the witness answer my question if he can.

Mr. LINFORTH. I maintain, Mr. President, that he is answering the question.

The PRESIDING OFFICER. The Chair does not think he was answering the question.

Mr. LINFORTH. I beg your pardon.

The WITNESS. Read the question, Mr. Reporter.

The Official Reporter read as follows:

Q. When you came to select the officials, as a matter of fact did you not take a man for receiver who then was what you call the head man of an important stock-exchange concern that was contributing one member to the board of control of the stock exchange?

The WITNESS. That may be true, but I did not consider that he was any official of the governing board of the exchange.

By Mr. Manager SUMNERS:

Q. Do you not consider that a member of the board of governors has to do with governing the stock exchange——A. I felt that Mr. Hunter would do his duty.

Q. And that Cavalier was the employer of this Mr. Hunter and also a member of the stock exchange?—A. While he was a member, I did not know he was on the governing body, and I did not think Mr. Hunter was under any such control.

Q. Did you ask Mr. Leake to find you somebody to take the place of Strong, who was connected with the stock exchange?—A. I asked him to suggest somebody who had the qualifications necessary to handle a matter of this kind.

Q. Did he know what you were talking about when you said that?—A. I have every reason to believe he did.

Q. Is not this what you asked him, and did you not so testify when you were before the managers?—

I said, "Mr. Leake, do you know anybody who has these qualifications? I must have someone who is associated with the stock exchange in some way."

A. I think that that was erroneous in the reading, because I did not mean stock exchange—in the stock business. It may so appear, but I meant the stock business.

Q. Stock-market business?—A. No; acquainted with the stock business.

Q. How would he be appointed? How does it come about that a person gets to be an expert in that sort of thing without being connected in some sort of mercantile way with stocks and bonds?—A. I imagine a man might study up the subject and become just as acquainted with it as the person who participates in it.

Q. When Mr. Hunter was suggested to you by Mr. Leake, you concluded immediately that he was such a person?—A. I did, because I knew if he was the same Hunter who had handled the matter across in Berkeley he had had problems of a similar type he would meet with in this case, and I knew Mr. Hunter had made a good receiver in that case, although I had not appointed him in that case.

Q. What did he have to do over there in a peculiar sort of way that fitted him for this appointment?—A. He was dealing with stocks and bonds of a company which was a sort of a finance company.

Q. Was he not dealing primarily with the assets of a ranching concern?—A. He was also dealing with other questions. The reason why I particularly know it was that my mother had invested money in the company, and had bought bonds of it, and was receiving compensation from the bonds, or the interest from the bonds. My brother had interests in it, and there was very little recovered from that company because it was so mishandled, but I know Mr. Hunter's service and his conduct of it was beyond question.

Q. The point I ask is, were they not handling ranches, ranch property?—A. I presume they had that sort of property also, but there were also bonding issues.

Q. Were not those issues merely issues of bonds on these ranch properties, just ordinary ranch property about over the country?—A. I understood it was a finance and bonding company that did business.

Q. Did you understand, as a matter of fact, that this concern was engaged in buying and selling bonds not connected with the ranches they were operating?—A. I understood they had something else, over and above any ranches they were running.

Q. May I ask you this question? Did you understand that they were engaged in the business of buying and selling stocks and bonds as that business is ordinarily understood?—A. I understood they had stocks and bonds. I do not know whether they were buying and selling them, but I understood they had those issues of bonds, and they had securities in the form of bonds. They did purchase and sell bonds.

Mr. Manager SUMNERS. I wish the witness would answer this question:

By Mr. Manager SUMNERS:

Q. These stocks and bonds which you continually refer to—I ask this direct question now—did you understand that they were stocks and bonds such as are traded in on exchanges, or were they not the stocks and bonds secured by the ranches they were operating?—A. I think I understand what you mean. I understood it was a finance and bonding company. I did not understand it was a broker office.

Q. What is the difference?—A. I do not know whether I can explain all the differences.

Q. Is there any?—A. I thought there was some.

Q. How much?—A. Well, I presume that in one case they are operating on an exchange, and in the other case they do not operate on the exchange.

Q. In one case they sell over the counter and in the other case they sell on the exchange. Mr. Short, whom you wanted to be the attorney for this concern, I believe you say was the son-in-law of Mr. Hathaway, who lived also at the Fairmont Hotel?—A. Only one suggestion there. I suggested Mr. Short, but I was not set upon Mr. Short's being attorney. I did suggest him as the first suggestion. [To the Official Reporter:] Read the question, please.

The Official Reporter read the last question.

The WITNESS. I understood that was so.

By Mr. Manager SUMNERS:

Q. Was he not the only lawyer you suggested in dead earnest that you wanted?—A. He was not the only one I suggested in dead earnest, but from the way Mr. Strong replied to me, and the objections that he made to Mr. Short, and his determination to hold on to his own selection, I felt that when I did offer him other selections, he was not going to select them, and my expectations were realized, because when I mentioned intentionally—after his saying that he had no knowledge of Mr. Short—I then proceeded to pick some of the finest firms in San Francisco, feeling confident that he would not accept them, but being prepared to give him those firms if he had elected to take them.

Q. Before the full committee, did you not testify:

So I said to him—really, to tell you candidly, I did it to test him out as much as anything—I said, "What about the firm of Pillsbury, Madison & Sutro?"

You did not offer those firms in good faith—I wish I had another word but it does not come to me now—did you offer those firms in good faith or just to test him out, to see whether he would accept them, and have him come to a decision as to whether he would accept them or not?—A. I think the statement I made before the House committee is consistent with what I have said today; and what I have said today is correct, and if you wish me to repeat it, I will. After he had rejected Mr. Short in the manner in which he did, saying that he had never heard of such a person, and so forth, I felt that his attitude was such that he would never select any other attorney, and therefore in a way I offered them feeling confident he would not accept them; but I would have felt bound, having given him the names, had he said, "I will select that firm", to have given it to him.

Q. Putting it this way, if I may do it with some degree of—I shall not say elegance—but is not this about the mental situation? You offered this firm as a bluff; feeling, however, that if he had called your bluff you would have to answer?—A. I would hardly call it a bluff. I felt that I must meet his objection, that he did not wish to have Mr. Short because he felt he was inexperienced. I felt that he was not sincere in his rejection of Mr. Short; that his real reason was that he intended to adhere to his choice, just as he did throughout the entire transaction.

Q. Did he not say that his choice was based upon the fact that he wanted this firm of lawyers, attorneys for the stock exchange, experts in doing the thing that he would be required by the court to do?—A. He did say so.

Q. Why did you not tell Thelen & Marrin and Brown that you had offered Short?—A. I do not know that I did not tell them.

Q. Do you say that, according to the best of your recollection, you did tell them?—A. I do not recall not telling them; I do not recall telling them. The main thing that I took up with them was the fact that he was adhering to this one firm; that it was too much of a family affair; that he had violated his trust to me; that he had not come back to

consult me; and instead of that, although he said he had no attorney, he had gone out and secured one, and that he was adhering to that, and that I was not going to allow him to remain in if he did so.

Q. Did you tell either of these three gentlemen whom I have just mentioned that you had offered Short?—A. I cannot say that I told them as to any attorneys, that I had offered Mr. Strong, but I believe that I told the whole story; but I have not a recollection to know at this time.

Q. Mr. Short was an employee in the office of Erskine & Keyes, was he not, at that time?—A. I never heard of that firm.

Q. Keyes & Erskine; I may not be familiar with it.—A. Yes, sir; so I understood, with some sort of special partnership agreement.

Q. When did you understand that?—A. I understood that before I appointed him.

Q. From whom did you learn it?—A. I do not recall; I do not know. I used to talk to his father-in-law, and maybe I secured it from him. I knew Mr. Hathaway quite well.

Q. Well, the firm of Ehrmann & Erskine; is that right?—A. Keyes & Erskine.

Q. Keyes & Erskine.—A. Alexander Keyes and Herbert Erskine.

Q. Keyes is dead, but I believe Erskine & Erskine probably continue the firm.—A. They still retain the firm name despite the death of Mr. Keyes.

Q. Were they engaged as attorneys for members of the San Francisco Stock Exchange?—A. I do not know.

Q. You did not know that fact at the time of the designation of Short, did you?—A. I did not. The only thing I knew about Keyes & Erskine was that they had been attorneys for the Humbolt Savings, which subsequently merged with the Bank of America and handled all those matters in connection with the bankers. Of course, all bankers seem to go into the Stock Exchange or the bonding business to some extent.

Q. What peculiar qualification of Mr. Short attracted you to him as a proper attorney to represent the receiver in this case?—A. He seemed to be a very bright, upright young man. I met him and he impressed me favorably.

Q. I believe you said you met him at the Fairmont Hotel?—A. I did.

Q. In company with his father-in-law?—A. I think his father-in-law introduced me to him. I saw him there, with his wife, and I did not know he had 4 children; I thought he had 2; I saw 2, but it seems that he has 4 children.

Q. Do you know who notified Mr. Short that he was to be designated as attorney in this case?—A. I do not.

Q. You do not know that he was notified by either Mr. Leake or Mr. Hunter?—A. I do not.

Q. When were you first consulted by Mr. Hunter, the receiver, to ascertain whether or not John Douglas Short would be satisfactory to you?—A. It was subsequent to the day of Mr. Hunter's appointment, but I do not know when it was. It was some days later, a day or so later. I think maybe it was the next day. My recollection cannot tell me that.

Q. Do you know whether it was prior to the time that the attorneyship had been offered to Short or afterward? I mean the attorneyship had been offered to Short or afterward.—A. May the reporter read that question?

Q. I will repeat the question, because it was not very clear. Do you know whether or not Short's appointment, to determine whether it was satisfactory to you, was taken up with you prior to the time that Hunter advised Short that he desired him to represent him?—A. It was not taken up with me until the time that the petition was presented in which Keyes & Erskine and John Douglas Short were named as being those approved of by the receiver.

Q. I believe the testimony has been pretty well gone into as to the fees allowed to the receiver and the fees allowed to the attorneys in this case. The hearings proceeded for about 3 days before you under contest at first, did they not?—A. Yes; the contest was led by a man of the name of Scompini, who represented certain creditors; and it went on, as I recall, during 3 days' proceedings.

Q. In the application for compensation, the services rendered by the receiver and the services rendered by the attorney were set out in detail, were they not?—A. Yes; they filed quite a lengthy statement of their activities.

Q. Do you know, on the basis of the compensation allowed, what these gentlemen were allowed per hour or per day for their services?—A. No; I never computed it in that way. I looked over it generally, and I followed that case with a great deal of care, and I had seen the various petitions filed by them, and so forth. Then I listened very attentively to the statements made by the attorneys who were experts in the case as to fees.

Q. Which was the next case, can you tell us, Judge, to save time, with regard to which you were examined?—A. Really I am sorry I cannot help you there. Perhaps Mr. Linforth can.

Mr. LINFORTH. Mr. SUMNERS, if I may state to you for your information, it was the Lumbermen's case.

Mr. Manager SUMNERS. That was the next case?

Mr. LINFORTH. Yes; the second one cited in the articles.

Mr. LONG. At this point I desire to submit a question.

The PRESIDING OFFICER. The Senator from Louisiana propounds an inquiry, which the clerk will read.

The Chief Clerk read as follows:

Q. Did all the attorneys of interest agree on the fee allowed attorneys and receiver?

The WITNESS. They did.

The PRESIDING OFFICER. The Senator from Louisiana submits a further question, which will be read.

The Chief Clerk read as follows:

Q. If you answer the foregoing "yes", then please say if you considered you were approving an agreement for fees?

The WITNESS. I considered that not only were the fees within the scope of what was a proper fixing of fees, irrespective of any agreement, but I also felt that I was ratifying at the same time a stipulation on the part of all parties in interest.

By Mr. Manager SUMNERS:

Q. Do you know, Judge Louderback, the amount of fees for which the receiver had applied?—A. The receiver, as I recall, although I may be in error—I do not remember the receiver—the receiver's attorneys applied for $65,000 and they were awarded $46,250.

Q. Do you know how much the receiver applied for?—A. I do not recall now.

Q. But those were matters that were under examination 2 or 3 days prior to the time this agreement was entered into?—A. That is correct.

Q. And this agreement was a sort of a compromise among the persons who were proposing and contesting these fees?—A. I do not know the extent of the compromising. The negotiations which resulted in offering the stipulation in open court were not in my presence; but I understand that they negotiated among themselves and then finally presented this in open court, where all creditors who desired to oppose any compensation had been asked to appear; and there was no objection on the part of any person.

Mr. KING. Mr. President, I desire to submit an interrogatory.

The PRESIDING OFFICER. The Senator from Utah submits an interrogatory, which will be read.

The Chief Clerk read as follows:

Q. Did the creditors agree to the fees allowed in the Russell-Colvin case?

The WITNESS. All creditors represented by attorneys did so, either by speaking in the proceedings or remaining silent upon inquiry by the court if they had objection to the stipulation.

There were many creditors who came into the court there and followed the proceedings from day to day; the court was crowded with creditors of this concern, and no one

raised a voice when I said, "Now is the time for anybody who has any objection to this arrangement, which I believe is within the proper scope of my authority, to make objection." I waited to see if there was any objection, but no one objected, and I assumed from that fact, and the fact that no one took an appeal from the order, that everyone was satisfied.

By Mr. Manager SUMNERS:

Q. You were not consulted in your chambers with regard to the fees during the period when the negotiation was in progress?—A. I was not consulted.

Q. I believe you stated in the absence of an agreement you would allow a larger fee, did you not?—A. I never made any such statement.

Q. You did not make any statement of that sort?—A. I did not. I made a statement to the effect that while the amount was not probably that which I would have fixed, still, it being within the proper scope of the testimony given and in the discretion of the court—that is the effect; I cannot give the exact words—that I would allow the stipulation, since everyone was satisfied with it.

Q. In reference to the Fageol Motors Co. case, that concern was engaged, I believe, in assembling and to some degree in manufacturing automobile parts, particularly the bodies for trucks?—A. So I understand, and also had a sales organization, as well, in connection with it.

Q. These sales organizations were scattered over a great deal of territory?—A. Throughout a number of States and, I believe, the Territory of Hawaii.

Q. Do you know what preliminary work had been done by those in interest before the matter was called to your attention?—A. I do not.

Q. You understood when the matter was brought to your attention that the persons who were in the attitude of ownership of this concern, the creditors of the concern, and parties in interest generally, had reached some agreement, did you not?—A. I understood at the time the petition was submitted to me that the plaintiff and defendant and some of the creditors were in favor of a certain amount.

Q. When did this matter first reach your attention?—A. I do not know the day or date, but at the time that petition was filed the first I knew of it was when it was placed upon my desk by my secretary. Do you wish me to proceed?

Mr. Manager SUMNERS. If you please; yes, sir.

The WITNESS. She told me that the attorneys for the plaintiff and defendant and one or two gentlemen who were apparently creditors or representing creditors had called at my chambers and left these papers requesting the appointment of a receiver. The papers consisted of the petition and answer showing that the defendant company admitted the allegations in the complaint or petition; that they had suggested some man whose name I do not recall—I have heard it stated as Tuller, but I do not know whether it was Tuller or not—as being a man who had been an automobile man and who was suitable, in their opinion, and a proper person to be selected as receiver in the matter. They left those papers with a blank order to be filled in with the name of the person that I might select, with a request to have him appointed, or submitting his name for appointment.

Q. I did not quite get your answer. You used the expression "person I might select", and mentioned the name of this man Fuller, who you say was suggested.—A. I might state to the managers that the matter of the selection of the receiver and the attorney, who are court officers, is, of course, inherently in the court. Many times attorneys present no names in either case, and the court's selection is done unaided by any suggestion; but every once in a while in the larger receiverships you will find attorneys coming to you endeavoring not only to control one of those positions but both, and they have candidates for both and present them with the hope and expectation possibly of having them appointed by the court.

Q. Judge Louderback, do you know of a single important receivership that has come into your court since you have been Federal judge in which the applicants for the receivership have not also indicated the names they hoped you would include in the petition as receiver?—A. Yes; I know of cases.

Q. What are they?—A. I would have to see the list of my cases and then perhaps I could indicate one or two that were that way.

Q. Important receiverships where there was no suggestion?—A. I have had many cases where the attorney was not suggested—many cases; and I have had a number of cases where receivers were not suggested, since I have been on the Federal bench.

Q. Are they among the important cases which have come to you?—A. I would have to look up and see. I do not know.

Q. Will you be good enough, when you leave the stand, to ascertain that fact? Did you await the determination of the receivership until you could have opportunity to have a conference with the attorneys who filed the petition?—A. I did not. I thought the matter was submitted. I recall that Mr. Crook had said to me and it apparently appeared as if there might be some question about the appointment of a receivership. Instead of notifying them and delaying the receivership by having them give notice so there would be no uncertainty, I considered it would be most appropriate to put in a temporary receiver. The order which had been prepared fortunately provided for a temporary receiver who would go into possession for about 30 days, at which time the entire matter, if there was any objection on the part of anyone, might be taken up and a receiver appointed. If there was no objection, then the receiver who was in office would be continued in his position.

Q. Judge Louderback, were you not informed that the persons who brought the application for a receiver there to your chambers arrived a little before the time for adjournment, were advised by your secretary that you would probably be delayed beyond the usual period of adjournment, came back about 1:30, and were told that you had left the bench earlier than you anticipated? Were you not given that advice by your secretary?—A. I only had the matter presented to me once, and that was on my return from lunch. I understood they had been there.

Q. That they came back again about 2:30?—A. I do not know that excepting from testimony which has been given and my inquiries from my secretary, but I will say that they testified that I passed them in the hall as they were entering my chambers. I did not know the parties. I do not know why they did not speak to me then as I passed through the hall past them.

Q. You had already appointed a receiver anyhow then, had you not?—A. That is true, but I am speaking from the standpoint of the parties themselves, who said I passed them without speaking to them.

Q. Whom did you appoint receiver in that case?—A. I appointed G. H. Gilbert.

Q. Who notified Mr. Gilbert of the appointment?—A. I believe my secretary did.

Q. This is the same G. H. Gilbert whom you testified with reference to having appointed as an appraiser in a case in the State court?—A. It is the same Gilbert I appointed on four occasions in the United States court as receiver, this being the last one, I believe.

Q. What qualifications did Gilbert have to be the receiver of a going automobile concern with branches scattered over the United States?—A. Gilbert had shown that he had executive ability. He had shown he had receivership ability in the Sonora case. He had shown more than ordinary ability, because he had handled a going concern there, having arranged for property to be sent out from the domiciliary receivership so it could be sold in the ancillary receivership. I considered from reports I got and from returns I got in the Sonora case that he was a man safe to appoint in receivership matters.

Q. Do you know whether he had had any experience in the automobile business?—A. I do not know. I did not know.

Q. What was his compensation in that case?—A. I only know by hearsay. I understood he got $4,500, which was

awarded to him in the bankruptcy court by Referee Wyman, of Oakland.

Q. Who was his attorney in that matter?—A. His attorney was the firm of Dinkelspiel & Dinkelspiel.

Q. Had they previous to that time represented him?—A. They had. They had represented him in two other matters. They represented him in the Sonora Phonograph case and the Prudential Holding case.

Q. The Sonora Phonograph Co. was a rather large concern, was it not?—A. I considered it one of the large cases.

Q. How did Dinkelspiel & Dinkelspiel come to be appointed in that case?—A. Mr. Dinkelspiel, Sr., who subsequently has passed away, came with Mr. John Walton Dinkelspiel to my chambers with a petition asking for an ancillary receivership in this case. He requested the appointment of the Irving Trust Co. as receiver and also that a local receiver be appointed, and suggested to me the name of Mr. Holland who had acted in several instances as receiver in other departments of the district court. I told him I would prefer to make my own selection, and he said, "Judge, we are not fixed upon it. We just suggest it in the event you have no choice." So I said I wanted to select Mr. G. H. Gilbert, and he said that was satisfactory.

Then Mr. Dinkelspiel, Sr., turned to me and said, "Of course, inasmuch as they had brought this petition in connection with the creditors and the Irving Trust Co., they would expect to be the attorneys for the Irving Trust Co. as they had been corresponding in the East." I said, of course, naturally I would not interfere with the domiciliary receiver being represented by counsel. He said, "Could it not be possible, to save expense in the case, that the attorneys for the Irving Trust Co. could also be attorneys for the local receiver, Mr. Gilbert?" I said, "Mr. Dinkelspiel, I will take the matter up with Mr. Gilbert and I will suggest that as the solution."

Q. Were you told that Dinkelspiel & Dinkelspiel were attorneys for the Irving Trust Co.?—A. I understood that they were.

Q. Who told you that?—A. I must have got the impression from Mr. Dinkelspiel, Sr. I believe that he conducted the conversation.

Q. Do you not know as a matter of fact that you have learned since that time that they were not the attorneys for the Irving Trust Co.?—A. I do not know that because I thought they filed the petition asking that the Irving Trust Co. be relieved within a month from that time.

Q. They appeared in your court representing three creditors, did they not?—A. They did on the petition, but as I said, later as a matter of verification I believe that they brought the petition in which the Irving Trust Co. requested to be relieved as being a joint receiver in my district.

Q. But that was after the matter had progressed very considerably, was it not?—A. Yes.

Q. I am in some confusion with regard to rule 53 and its interpretation.—A. I think rule 53 is interpreted correctly by the letter of Judge St. Sure, which has been submitted in this case. It is the interpretation of both Judge Kerrigan and myself and Judge St. Sure as reflecting the court rules which we have made.

Q. Judge St. Sure, if I may get your interpretation of this, said:

> After full discussion the judges of this court were of opinion that the rule will prove a useful one and it has so proven. It gives the court discretion in the matter of the appointment of attorneys for receiver to the end that no attorney shall be appointed who, for good and sufficient reasons, is deemed disqualified—who has appeared or acted for a party or for any creditor of defendant.

The WITNESS. The only thing is that it is left to our discretion, and in this particular case it was an ancillary proceeding. We were only carrying out as it were the receivership which had been established in New York.

RECESS

Mr. ASHURST. Mr. President, I ask unanimous consent that the Senate, sitting as a court, take a recess for 15 minutes.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the Senate, sitting as a court, will stand in recess for 15 minutes.

Thereupon (at 1 o'clock and 25 minutes p.m.) the Senate, sitting as a Court of Impeachment, took a recess for 15 minutes. At the expiration of the recess, the Senate, sitting as a court, reassembled.

CROSS-EXAMINATION OF THE RESPONDENT, HAROLD LOUDERBACK—RESUMED

The PRESIDING OFFICER. You may proceed.

By Mr. Manager SUMNERS:

Q. Judge Louderback, I do not believe I got an answer to my last question. I am not certain about it. Please consider that question canceled, and I will ask the question again.

In rule 53 I believe you designated this language in explanation, dealing with the limitation upon the appointment of attorneys—

> To the end that no attorney shall be appointed who for good and sufficient reasons is deemed disqualified who has appeared for or acts for a party or for any creditor of the defendant (whether intervener or not), or for any other person interested in the cause or the estate.

My question is, how under that rule you came to appoint Dinkelspiel & Dinkelspiel, who appeared in their introduction to you representing three creditors of this estate?—A. The rule gives the discretion in the court, and is a notice to the attorneys that the court is going to require them to present a petition to the court for the purpose of the selection. If, in my discretion, I wish to appoint an attorney, however, who comes under the qualification you speak of, there is no intent to prevent me from doing so.

Q. I want to ask you just one other question in that connection. The explanation is that you have the rule—and I am now quoting—

> To the end that no attorney shall be appointed who for good and sufficient reasons is deemed disqualified—who has appeared for or acts for a party or for any creditor of the defendant.

A. Well, I did not think the "good and sufficient reasons" that you speak of existed.

Q. You did think that this attorney appeared for three persons who were the creditors of this estate?—A. Yes. I looked upon it that way; but, of course, in ancillary matters it is a pure formality. It is not a case of original suit. Ancillary proceedings should be allowed if there is property in any district under the original domiciliary receivership. We are simply augmenting that receivership.

Q. What is the difference between the relationship of an attorney who appears in your court representing an ancillary receiver, and who also represents creditors of that receiver, and an attorney who appears in an original suit representing creditors?—A. The difference between the two is that in the first case you must determine whether there should be a receivership primarily. It is looked upon as mere, pure, formality—the allegations—where it is an ancillary matter.

Q. Why?—A. Because that matter has been passed upon in the domiciliary jurisdiction, and you are simply attempting to assist or augment that jurisdiction outside of the district in which it was initiated and allowed.

Q. But when the ancillary receivership—I do not mean to argue—when the ancillary receivership is established, is not the relationship of the attorney for the receiver exactly the same relationship as obtains between the receiver and his attorney and a receivership in chief?—A. I do not view it as the same.

Q. Does the receiver in chief have any control over the ancillary receiver?—A. We look upon the domiciliary——

Q. Wait a minute. Will you answer that question yes or no?

The WITNESS. Read the question, Mr. Reporter.

The Official Reporter read as follows:

> Q. Does the receiver in chief have any control over the ancillary receiver?

The WITNESS. He has in an indirect way.

By Mr. Manager SUMNERS:

Q. How; how would he exercise it?—A. He exercises it in this way: That if he has certain goods or property which is in the ancillary district, unless there is a good and sufficient reason for not doing so, we permit him to have the goods or property transferred to him. The only exception to that is that we are supposed to look out and protect the creditors that are existent in our particular district.

Q. Would you permit the transfer of goods away from your jurisdiction to some other jurisdiction that would imperil the status of the creditors in your own jurisdiction?—A. Where proper application is made and the facts warranted that act, I have done so.

Q. What sort of fact would warrant a judge in a district permitting the property to be depleted in his district that would otherwise be distributed among the creditors in his district?—A. Primarily, if the ancillary were closed up, there would be a balance which would go to the domiciliary. There is no other reason.

Q. You mean after all the debts have been paid 100 cents on the dollar?—A. Also a case——

Q. Wait a minute. I would like to have an answer.—A. No. If there are creditors who are being taken care of in the ancillary district, having filed their application in the domiciliary district, they are amply secured in that case. We presume that the court of domiciliary jurisdiction will do the right thing.

Q. Did you have such a situation in this case in which Dinkelspiel & Dinkelspiel were appointed?—A. We had a situation which was most unusual. We had the domiciliary district sending goods into California for the ancillary to sell, because the better opportunity for sale of those goods existed in California. That is the only case I have ever known of where it was the domiciliary jurisdiction that was sending into the ancillary district. I have in many instances sent goods from the ancillary district into the domiciliary.

Q. Was there any advantage to anybody to have this ancillary administration?—A. Yes; of great advantage to the domiciliary jurisdiction.

Q. You spoke a moment ago of Mr. Hunter having been connected with a concern that was wound up over in Oakland, I believe?—A. In Berkeley.

Q. Do you know how much the creditors got in that case?—A. I do not. I have never studied the case. My knowledge of the case entirely came from the claims of my mother and brother and the explanations I received in connection with it. I have never reviewed the papers.

Q. Did they get more than 5 percent?—A. I am sure they did, but I cannot say positively. I know there was some money that came to me in connection with my mother's claim which my brother divided with me, but I do not recall the amount.

Q. You think now——A. I know that my brother was interested in the creditors of that concern, and I got largely my views from what he told me.

Q. Judge Louderback, do you not know, as a matter of fact, that this gentleman, Mr. Gilbert, had not the slightest experience or training or qualification to be the receiver in a going phonograph and radio concern distributing over that country?—A. I did not. I did not consider him an automobile man, and I do not know if he understood the manufacture; but when a man is appointed receiver of a railroad he does not necessarily know how to run a steam engine.

Q. But you would not appoint a man to run a railroad who had been connected simply as a telegraph operator and managing other telegraph operators, would you?—A. It depends on who the man was and what I thought he knew. It would not be a question of his vocation or——

Q. Or experience?—A. Experience has its value; but I have seen men who were capable of being very desirable receivers who have never had the opportunity to exercise those powers.

Q. Would you try to find out about it by appointing such a man to see whether he made a mess of things?—A. No; but I would rather select a man representing the court, and I believe I have been successful in all the receiverships where I have appointed the receiver. Nobody has ever made a complaint of any receiver that I have ever been given notice of, either in chambers or by petition in court, not one instance.

Q. Do you not know, as a matter of fact, that in the Russell-Colvin case, in the Fageol Motors case, and in other cases it became the subject of general controversy and general criticism in the community where you live?—A. If it has, it has been unjust, because if there was any criticism in those cases, the parties or interested persons should have brought the matter to my attention, either in chambers or in court.

Q. Of course, it may have been unjust, but I was not asking you about the matter of justice; I was asking you about the matter of fact. You said you had not been criticized.—A. I said I had not been criticized by any legal proceeding.

Mr. LINFORTH. We submit that this line of cross-examination is not proper. It is not cross-examination.

The PRESIDING OFFICER. The objection is overruled.

By Mr. Manager SUMNERS:

Q. I should like to ask you, as briefly as I may, with regard to the Prudential Holding Co. Will you state, just as briefly as you can, the character of business in which that concern was engaged?—A. Well, I thought it was a financing corporation, a corporation that would take in other corporations of a like kind. It was sort of a holding company.

Q. Whom did you appoint to be receiver and attorney, respectively, in that case?—A. G. H. Gilbert and Dinkelspiel & Dinkelspiel. I appointed the attorneys at the request of the receiver.

Q. Gilbert was determined upon by you as a competent man as attorney in the Fageol Motor case and in the Russell-Colvin case. The Prudential Holding Co. case was different from either one of these other two cases, was it not?—A. I cannot understand that question because the Russell-Colvin case did not have, either as attorney or receiver, Mr. Gilbert or Mr. Dinkelspiel.

Q. That is right. The Fageol Motor Co. case had to do with the assembling, manufacturing, and distributing of automobiles and automobile parts, did it not?—A. So I understand.

Q. I will ask you this question, so as to test your attitude, if you please. If you wanted to get somebody to operate a concern like the Prudential Holding Co., which had gotten into difficulty, would you look around the Fageol Motor Co. case or a telegraph company to find him?—A. When I selected Mr. Gilbert, he was my personal selection in that same view. If that had been some business of mine, I would have felt confident that he was the proper person to act. I think he has the judgment, and I think he showed it. I think the conduct of the Fageol case was a good one.

Q. So you think—I do not want to press the matter—that in employing him to run this Prudential Holding Co., which was in distress, in his business as telegraph operator, and receiver in the Fageol Motors Co. case, he persuaded you that he could operate this Prudential Holding Co. case best?—A. No. The Prudential case followed the Sonora. It was his experience in the Sonora case, and the conduct he had in that case, that caused me to believe that in the Prudential case he would make a good receiver.

Q. What assets did the Prudential Holding Co. have?—A. What assets?

Q. Yes.—A. That matter was never brought before me officially. I could only give you what I have heard were its assets.

Q. That is all right.—A. I heard it had none except a few hundred dollars.

Q. You mean, when you say you heard it had none, that it had——A. It had no potential value, that the real property they had was encumbered by second mortgages, and that there was no equity in case the property was sold; but I did not have that matter before me in the Prudential case. It only came before me on a motion to dismiss.

Q. You granted the receivership in that case, did you not?—A. I granted a receivership in the case initially, yes; but I did that upon the statement of counsel and the statement set forth in the petition presented to me at the time of the application.

Q. How long after you granted the petition, granted the receivership in the Prudential Holding Co. case, was it before you found out that there was a serious question as to whether this man Stephens had any right to represent the company?—A. The matter was submitted to me—the matter of Stephens?

Q. Yes.—A. The only issue about Stephens came up subsequent to the dismissal, I believe. In other words, the question was not whether the court had jurisdiction to appoint a receiver, but whether the case was properly before the court, whether we had jurisdiction in the court. No question about the condition of the company was presented to me. No application to relieve the situation, as far as the receiver was concerned, was presented; only a motion to dismiss, on the ground that we had not venue.

Q. When did the question arise as to whether or not Stephens had any right or authority to represent the company?—A. That question was never litigated before the court.

Q. I mean, when did it come up to you as a judge in equity?—A. It did not come up in equity.

Q. It did not come up at all?—A. It did not.

Q. Then the statements Stephens made had no bearing upon your action in granting this receivership?—A. No; that is not correct. I supposed you meant—I interpreted your question to mean when it came up as a matter of dispute. There never was any dispute about it, as far as the proceedings of the court were concerned. But Mr. Stephens saw me prior to my appointing the receiver, if that is what you mean.

Q. You knew, of course, as a matter of law, and as a lawyer, that this vice president of the Prudential Holding Co. had no authority to represent to you with regard to whether or not a receivership ought to be appointed?—A. I did not know that he did not have authority. The two companies were intermingled in their interests. The stockholders of one were stockholders in the other. When Mr. Kearsley presented the petition, and the vice president of the defendant company was there, thinking that action should be taken, and granting his approval, I thought he was acting in behalf of the defendant company, and I thought it was an uncontested receivership.

Q. You knew, as a matter of law, however, that he could not represent his company without some action upon the part of his company, did you not?—A. I only knew his representation.

Q. Well, will you answer my question, if you please, sir?—A. I knew if he did not have authority, of course, he had no right to make representation, but I did not know he did not have the authority.

Q. The question I am trying to have answered is that the fact that he was vice president of the company did not of itself give him any authority to make the representation to you?—A. I thought it did.

Q. As a matter of law?—A. I thought he, as vice president, had the power to act or he would not be there. Nothing was suggested that Mr. Stephens was not in harmony with his company.

Q. When did you first learn that there was some question as to whether Mr. Stephens represented his company in that matter or not?—A. At the investigation of the congressional committee.

Q. That was the first time you knew about it?—A. That was the first time that any issue was raised regarding the authority of Mr. Stephens.

Q. Did not somebody come in, representing the company, and seek to have the whole proceeding dismissed?—A. On the ground——

Q. Wait a minute.—A. Yes; they did.

Q. When did they do that?—A. It came before me for a hearing about the 29th of August, following the receivership on the 15th of August.

Q. When was the petition filed in your court?—A. I did not know until I looked up the files. We have many files of papers; but I did not know about it until it was presented to me. I understand they made application in 5 days, that is because I have looked up the record. I did not know it at the time.

Q. Does not the record reveal that the petition was filed on the 15th and the papers resisting the petition were filed on Monday?—A. That is my recollection. The papers so disclosed after I reviewed them at the termination of the affair.

Q. How long after you discovered that Mr. Stephens did not have authority to represent this concern did you set aside your action in granting the receivership?—A. I never had anybody represent to me that Mr. Stephens did not have authority.

Q. Your right was based on other grounds?—A. The entire matter went on the question of whether the court had jurisdiction, the right to hear and pass upon this matter.

Q. And that grew out of the question of whether or not there was diversity of citizenship, did it not?—A. It did.

Q. And did not the papers themselves disclose that there was not diversity of citizenship?—A. I so decided, and dismissed the application on October 2.

Q. Was that after or before you granted the application for bankruptcy proceedings?—A. That was subsequent to the application on a petition to appoint a receiver in a bankruptcy matter involving the same company, which was in another department.

Q. And you sat in another department and granted the petition in bankruptcy and appointed the same persons to be receiver and attorney, respectively, did you not?—A. I did. At the time the application was made I had not decided as yet whether the court had jurisdiction. The law is, under the Wagey case, that you must allow the bankruptcy court to assume jurisdiction as against the equity court, and, sitting for Judge St. Sure, I had to divest myself of the receivership and grant it to his department upon application. When I did so the applicant, Mr. Kreft, said, "Is there any objection to Mr. Gilbert and Mr. Dinkelspiel staying in office, so that it will not be necessary to have a change of administration?" I told him there was no objection, and therefore, at his request, I made Mr. Gilbert and Mr. Dinkelspiel receiver and attorney, respectively, of the bankruptcy proceeding, thereby divesting myself of right in the receivership.

Q. And did you not grant the application for a receivership in bankruptcy solely upon the ground that you had granted the receivership in equity in the other case?—A. I granted it——

Mr. Manager SUMNERS. Wait a moment——

The WITNESS. Well, may the question be read, then?

Mr. Manager SUMNERS. That question is susceptible of an answer "yes" or "no", and then the witness can explain it.

The WITNESS. May the reporter read the question?

The Official Reporter read as follows:

Q. And did you not grant the application for a receivership in bankruptcy solely upon the ground that you had granted the receivership in equity in the other case?

The WITNESS. Not in the strict sense. I should like to explain that.

Mr. Manager SUMNERS. We think the witness has a right to explain.

The WITNESS. The situation is this: It is the law that if there is a receivership in any matter—an equity receivership—and in the same matter a bankruptcy proceeding is filed, and it can be predicated upon a receivership having been granted in any equity action, you must, of necessity, if there is an application made and a receiver appointed in bankruptcy, transfer the right from the equity division to the bankruptcy division. I had not decided whether I had jurisdiction or not. I had assumed jurisdiction believing I did have it, and had appointed a receiver. How could I then refuse to transfer to Judge St. Sure's department until I had actually passed upon the question of whether I had jurisdiction or not?

By Mr. Manager SUMNERS:

Q. How long was it after the petition in bankruptcy was granted and approved until you dismissed that action sitting in Judge St. Sure's court?—A. The matter had been formally submitted on the 19th of October——

Mr. Manager SUMNERS. Wait a moment.

The WITNESS. If you do not want the history——

Mr. Manager SUMNERS. You may answer the question and then give the history.

The WITNESS. I think I could save you two or three questions if I should do it.

The PRESIDING OFFICER. Let the witness answer the question.

The WITNESS. I ask that the question be read.

The PRESIDING OFFICER. The reporter will read the question.

The Official Reporter read as follows:

Q. How long was it after the petition in bankruptcy was granted and approved until you dismissed that action sitting in Judge St. Sure's court?

The WITNESS. Two days.

By Mr. Manager SUMNERS:

Q. If you want to make an explanation, you may go ahead.—A. No; I do not.

Q. I ask why did you not demand a creditor's bond in this case as in the Russell-Colvin case?—A. The creditor's bond was demanded in the Russell-Colvin case after I had had disclosed to me that there was a double filing.

Q. What did the fact that there were double filings have to do with your determination to insist upon a creditor's bond?—A. Because I believed that it was possible to have proceeded on the first filing with Judge St. Sure, and I concluded that they did not desire to take the matter before Judge St. Sure, particularly when I suggested that I would get in touch with him in Sacramento, which I did after I learned of the double filing. I then thought I would take all precautions, and, therefore, I suggested, as a precaution, a creditor's bond.

Mr. LONG. Mr. President, I thought I heard that answer; I was listening to it, but I could not understand it.

The PRESIDING OFFICER. Will the reporter read the answer?

The Official Reporter read as follows:

A. Because I believed that it was possible to have proceeded on the first filing with Judge St. Sure, and I concluded that they did not desire to take the matter before Judge St. Sure, particularly when I suggested that I would get in touch with him in Sacramento, which I did after I learned of the double filing. I then thought I would take all precautions, and, therefore, I suggested, as a precaution, a creditor's bond.

By Mr. Manager SUMNERS:

Q. Did the explanation that on account of the fact that your cases come by assignment in some sort of rotation, and they were anxious to get this matter in action because they had a run on the Oriental branch of the Russell-Colvin matter the day before, seem a reasonable explanation, under the peculiar circumstances, for what you call a double filing, though maybe not to be countenanced ordinarily?

The WITNESS. Will you read the question, Mr. Reporter?

The Official Reporter read the question, as follows:

Q. Did the explanation that on account of the fact that your cases come by assignment in some sort of rotation, and they were anxious to get this matter in action because they had a run on the Oriental branch of the Russell-Colvin matter the day before, seem a reasonable explanation, under the peculiar circumstances, for what you call a double filing, though maybe not to be countenanced ordinarily?

Mr. Manager SUMNERS. May I add, in that connection, also the fact that the Russell-Colvin Co. had been suspended by the stock exchange?

The WITNESS. I would see no explanation in the explanation that you have offered. I see no logic in it. There is no reason in the absence of any judge for a department being suspended. We always act in the absence of a fellow judge. I have had receivers appointed in my department by Judge Kerrigan in a number of instances. We understand in the absence of a judge that that may be done, and we do it.

Q. If you do not want to answer this question, all right. But what aroused your suspicion? What did you think they were trying to put on you or somebody else or anybody else?—A. I thought they were trying to select a department which they thought they could control. I did not know what the department was, but I am satisfied it was not Judge St. Sure's department because they did not proceed with his division.

Q. Did you think, to put it plainly, that they wanted you because they thought they could control you?—A. I do not know whether they thought so, but they were disappointed if they did.

Q. Did you or did you not think they were trying to control you?—A. I thought they were trying to control the appointment of a receiver and his attorney.

Q. Did you think they took you for an "easier mark" than Judge St. Sure?—A. I had no reason to know. They had suggested Mr. Strong. I had consented to his appointment, with the proviso of being consulted as to the attorney, before the matter of the second filing was brought to my attention, and when it was brought to my attention I was ready to divest myself of the appointment by taking it up with Judge St. Sure. They were not favorable to taking it up with Judge St. Sure, and I concluded at the time it was because I had agreed to select Mr. Strong.

Q. Judge St. Sure, then, was, I believe you said, in Sacramento?—A. He was sitting at that time in his regular term at Sacramento.

Q. How often has it occurred that judges have appointed for each other in receivership matters since you have been on the Federal bench?—A. May I have that question again?

Q. I will repeat it. How often has it occurred that judges have appointed for each other in applications for receiverships since you have been on the Federal bench in equity cases?—A. I really do not know, but I know that Judge Kerrigan has acted at least twice in equity cases involving my department and Judge St. Sure has at least acted once. In the Pioneer Fruit Co. case he appointed Mr. J. Hartley Russell when I was in Sacramento.

Q. Was that an equity case?—A. I am not sure whether that was an equity or bankruptcy case, but it was a receivership case. We do not distinguish in the jurisdiction, as far as what we do for each other is concerned, between equity and bankruptcy. We treat the receivers the same.

Q. Who were the attorney and receiver, respectively, in the Prudential Holding Co. case?—A. The receiver in the Prudential Holding Co. case was Mr. G. H. Gilbert and the attorneys were Dinkelspiel & Dinkelspiel.

Q. What fees were allowed in that case?—A. There were no fees allowed.

Mr. LONG. Mr. President, before the manager leaves this point, I have a question which I desire to submit.

The WITNESS. May I finish my answer?

The PRESIDING OFFICER. The witness may finish his answer.

The WITNESS. The order which I made divesting myself of jurisdiction prohibited any fees from being given.

The PRESIDING OFFICER. The Senator from Louisiana propounds an inquiry, which the clerk will read.

The Chief Clerk read as follows:

Q. Did you tell Strong in the presence of one of McAuliffe's partners something to indicate that lawyers there at the time were not to be the attorneys, and did Strong agree?

The WITNESS. I did not put it quite in that way. I would be willing to say just exactly what I said. I asked Mr. Strong if any of the attorneys present were his attorneys, indicating the gentlemen who were present at that time, consisting of Mr. Marrin, his partner, Mr. Thelen; Mr. Brown, and Mr. Lloyd Dinkelspiel, who is of the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock exchange. He said that none of them were his attorneys. I asked if he had an attorney. He said he did not. I asked him if he would consult with me in the selection of an attorney, and he said he would. This was in the presence of those gentleman I have just named.

By Mr. Manager SUMNERS:

Q. In the Prudential Holding Co. case you made as a condition some provision in the order of domicile which prohibited the attorneys and receivers from getting fees in that matter, did you not?—A. The order which I made, being a jurisdictional one, by its very nature prevented any fees to be awarded to the attorneys.

Q. But what I am asking is, Did you put any peculiar wording of limitation upon their right to get fees or did their right to get fees——A. Not in the Prudential Holding case. I made no order with any peculiar wording.

Q. But you made about the only order you could possibly make in that case, and when you say you made an order—— A. Yes; under the issues presented. The issues were as to whether the court of the northern district of California had jurisdiction and venue, and I decided that it did not have such, and dismissed the case.

Q. In the Lumbermen's Reciprocal case you made a different sort of order because the circumstances were different, were they not?—A. I made a different order in that case decidedly. It was a different issue.

Q. Is that the case in which you set a condition to the mandate from the circuit court of appeals with reference to the right to appeal?—A. That is the case in which an order was presented to me by Mr. Woodworth with a proviso regarding the turning over of the property.

Q. You examined the order, did you not?—A. I did. I read the order.

Q. That order provided in substance that the mandate of the circuit court of appeals was not to go into effect provided the parties in interest appealed from your order granting compensation?—A. That is correct. As I have stated before, I gave you the representations made by Mr. Woodworth at that time to me, and I signed the order in that case in that form. I decided that it was erroneous and I called in Mr. Woodworth to have it corrected, and he corrected it according to what I directed him to do, and the incident was closed.

Q. How long a time expired between the time when you signed that order and the cancelation of the order?—A. I do not know. I presume the records will show.

Q. Have you any idea?—A. I have not.

Q. Was it anywhere in the neighborhood of a month?—A. I could not tell you. I have not verified the record to that effect, but I am sure that the testimony can be produced or has been produced in this matter.

Q. Is it not a fact that you did not cancel that order until this case was ready to go up on its second appeal?—A. It may be that I did not sign the order confirmatory of the stipulation. It is a fact that I did not sign it until after an appeal had been taken, but not perfected. There was a certain delay, I assume, during the time that the various parties to the litigation were being approached and before they consented to a stipulation. But I know the stipulation was made in accordance with my suggestion and at my request, and that I made it an order as well as a stipulation.

Q. And it was a condition of the order that this estate in litigation might be turned over to the insurance representatives of the estate provided there was no appeal taken from the fees that you had allowed Shortridge and Woodworth?—A. The order was in substance that, with an additional provision that either side might apply to me to change the order. As I told you before, Mr. Woodworth represented that both sides had agreed.

The PRESIDING OFFICER. May the Chair suggest that we have the question read? You have not answered it fully. If there is any explanation, your counsel may bring it out. I think it has already been answered.

The WITNESS. Mr. SUMNERS does not seem to understand and that is the reason why I was giving an explanation, largely for him.

Mr. Manager SUMNERS. I do not understand it. I confess I do not understand this matter of attaching a condition to the mandate of the circuit court of appeals.

The PRESIDING OFFICER. If the witness desires, he may explain further.

The WITNESS. I can only explain by repeating what my prior testimony was, that I understood that Mr. Guerena and Mr. Woodworth had reached a point where they had agreed that a bond was the proper thing to have upon the money being turned over, and that this proviso was only to be in effect until the amount of the bond should be determined. Afterwards, upon going over the matter, I realized that it was an erroneous situation and it was an erroneous order, and I corrected the order.

By Mrfl Manager SUMNERS:

Q. You arrived at that conclusion, did you not, Judge Louderback, after you saw this case was on the return route to the circuit court of appeals?—A. I do not know that I was actuated by the motive you speak of, or which is inferred, but I believe that I did not act in getting Mr. Woodworth to my office until after the appeal had been noted.

Q. I believe that the laws of California make provision that the mere intention to acquire new residence without the fact of removal avails nothing, nor does the fact of removal without the intention?—A. I do not question that it takes unity of act and intent.

Mr. Manager SUMNERS. That is all; you may take the witness.

Mr. McCARRAN. Mr. President, may we have the last question and answer read?

The PRESIDING OFFICER. The Official Reporter will read the last question and answer.

The Official Reporter read as follows:

Q. I believe that the laws of California make provision that the mere intention to acquire new residence without the fact of removal avails nothing, nor does the fact of removal without the intention?—A. I do not question that it takes unity of act and intent.

Mr. LINFORTH. We have no redirect examination.

Mr. McCARRAN. Mr. President, I submit the following question.

The PRESIDING OFFICER. The Senator from Nevada submits an interrogatory, which the clerk will read.

The Chief Clerk read as follows:

Q. In the Russell-Colvin case was the double filing done by the same attorneys in each instance?

The WITNESS. Yes; the same plaintiff and same defendant and the same petition.

Mr. POPE. Mr. President, I submit three questions which I desire to propound.

The PRESIDING OFFICER. The Senator from Idaho propounds certain interrogatories, which the clerk will read.

The Chief Clerk read as follows:

Q. Did you require a plaintiff's bond in any equity receivership case other than the Russell-Colvin Co. case?

The WITNESS. I have not.

The Chief Clerk read further, as follows:

Q. Why would the pendency of other filing of the case necessitate a plaintiff's bond?

The WITNESS. Because I thought that I would take every possible precaution to defend or protect the parties in that case in view of the fact that it looked to me as if there were certain movements to control the estate.

The Chief Clerk read further, as follows:

Q. Why would a plaintiff's bond be necessary after the other filing was withdrawn or dismissed?

The WITNESS. It was only a superprecaution.

Mr. ROBINSON of Arkansas. Mr. President, I submit the following question.

The PRESIDING OFFICER. The Senator from Arkansas submits an interrogatory, which the clerk will read.

The Chief Clerk read as follows:

Q. Did the stock exchange or any of its members hold the claims against Russell-Colvin Co. of which Mr. Strong was appointed receiver?

The WITNESS. I do not know; but there was a seat there, and what adjustments were made with relation to that seat I do not know. All this transpired before any of these interrelationships might arise. Nothing was brought to my

attention during the course of the proceedings that I can recall now regarding that.

The PRESIDING OFFICER. Are there any further questions? If not, the witness may be excused.

Mr. LINFORTH. Mr. President, the respondent rests.

TESTIMONY IN REBUTTAL—EXAMINATION OF DANIEL W. M'CORMACK

Mr. Manager SUMNERS. Mr. President, we should like to ask that Mr. McCormack be called at this time.

Daniel W. McCormack, having been first duly sworn, was examined and testified as follows:

By Mr. Manager SUMNERS:

Q. Mr. McCormack, will you be good enough to state your name and place of residence?—A. Daniel W. McCormack; Washington.

Q. What is your business, Mr. McCormack?—A. I am at the present time Commissioner General of Immigration; but, of course, my appearance here is in a purely private capacity.

Q. Have you recently been connected with the Irving Trust Co.?—A. Not since June 1, of 1930, I believe—Yes; 1930.

Q. Were you connected with the Irving Trust Co. at the time it was handling the Sonora Phonograph Co. as receiver?—A. I was.

Q. Are you familiar with the transactions which took place in San Francisco with reference to the ancillary receivership there?—A. I should say not—not with particular transactions in San Francisco. I was familiar with the general plan of the case.

Q. Briefly, what was the nature of the case in chief?

Mr. LINFORTH. One minute. We object to that question as not rebuttal in any sense of the word.

Mr. Manager SUMNERS. Yes; it is.

Mr. LINFORTH. Whatever charges they made insofar as this particular matter is concerned were gone into by them in their case in chief. We have met those charges; and we submit that under the guise of rebuttal the House should not be permitted to reopen the case and try it all over again.

The PRESIDING OFFICER. May the Chair ask the manager to state the reasons for the inquiry?

Mr. Manager SUMNERS. Yes, Mr. President.

It will be recalled that in the presentation of the evidence on behalf of the respondent it was testified by the ancillary receiver in this matter, and, I think, the respondent, that Dinkelspiel & Dinkelspiel represented the Irving Trust Co. in San Francisco in connection with the ancillary receivership. It is our purpose in offering this witness to show that he was in a managerial responsibility for the Irving Trust Co., which was the receiver in chief, and that Dinkelspiel & Dinkelspiel in no sense represented the Irving Trust Co., but, on the contrary, if we may be permitted to prove it, represented a firm of lawyers there who were insisting upon these ancillary receiverships over the country, to the added expense of that receivership.

The PRESIDING OFFICER. The objection is overruled.

By Mr. Manager SUMNERS:

Q. Will you state the facts with regard to your connection with the ancillary receivership, and the connection of Dinkelspiel & Dinkelspiel with the ancillary receivership in San Francisco insofar as the Irving Trust Co. was concerned?—A. It must be understood that this matter transpired between 3 and 4 years ago, that I have had no connection with the Irving Trust Co. or its receivership department for the last 3 years, and that I cannot pretend to speak with entire accuracy upon what transpired. I will, however, endeavor to give the facts as I remember them; and if I am in any doubt, if I cannot be certain in my recollection, I will tell you.

The Sonora case came to the Irving Trust Co. as primary receiver; and when we first heard of it, a group of attorneys, resident, I believe, for the most part in New York, with among their membership Mr. Max Isaacs—who, as I recollect it, is the publisher of the Bankruptcy Review—appeared and indicated what was being done in connection with the receivership. Petitions were being filed for the primary receivership in New York, and ancillary proceedings were being filed in a number of other jurisdictions.

The PRESIDING OFFICER. Is the Chair correct in understanding that the object and purpose of this evidence is to dispute evidence which the managers stated had been given by Mr. Dinkelspiel about his representation of the Sonora Phonograph Co.?

Mr. Manager SUMNERS. Yes; primarily.

The PRESIDING OFFICER. May the Chair suggest that the witness be interrogated as to the point which the managers desire to have answered, and save going over unnecessary ground?

Mr. Manager SUMNERS. We should be very glad to do it, except we thought that possibly the Senators might like a little broader view of the case; but I will ask the direct questions and attempt to confine the testimony to the limitations indicated by the occupant of the chair.

By Mr. Manager SUMNERS:

Q. When did you first learn of Dinkelspiel & Dinkelspiel in connection with these transactions?—A. I learned not of Dinkelspiel & Dinkelspiel, because I do not remember them as a firm, but of the appointment of ancillary receivers and their counsel at the time that the case was first brought to the Irving Trust Co. on the institution of the primary receivership proceedings.

Q. Do you know with whom Dinkelspiel & Dinkelspiel were associated in connection with litigation affecting this concern?—A. I will perhaps have to answer that question somewhat indirectly.

The group of attorneys who approached us had made or were making arrangements for the appointment of receivers in the ancillary jurisdictions, and doing so through their own correspondents. I believe, although I do not know definitely, that the firm of Dinkelspiel & Dinkelspiel were correspondents of that group.

Q. Did Dinkelspiel & Dinkelspiel at any time represent the Irving Trust Co.?—A. To the best of my knowledge and belief, never.

Q. Have you had to do, to a considerable degree, with reference to the fees of attorneys for receivers in such proceedings as were had with reference to the Irving Trust Co. with regard to the Sonora Phonograph Co. matter?—A. With reference to the fees in that particular case, I should say not. With reference to receivers' and attorneys' fees generally, a great deal.

Q. What would you say would be a fair fee in the Sonora case, where the records of the attorneys show 60 hours' service?

Mr. LINFORTH. One moment. We object to the question as being, first without foundation, no showing having been made as to what the services were that were rendered during that period, and, further, not in rebuttal in any sense of the word.

The PRESIDING OFFICER. The objection is sustained.

Mr. Manager SUMNERS. That is all.

Cross-examination by Mr. LINFORTH:

Q. Just a question or two, Mr. McCormack, please. There were certain attorneys looking after the affairs of the Sonora Phonograph Co., were there not?—A. You mean attorneys representing the company itself?

Q. Yes.—A. I assume so. I have no particular recollection of that fact, but there are in all cases.

Q. And representing also the receiver appointed by the court in New York?—A. I should say absolutely not. I want to complete the answer to that question, if I may.

We took particular care not to appoint any attorney in that case, or, as far as we could, in any other case, who had any interest or connection with the case itself.

Q. What attorneys were looking after the appointment of receivers in ancillary proceedings in States out of New York?—A. I can give you, from my personal recollection, the name of only one of them. There were a group, I should say, of at least three, and possibly five, of which Mr. Max Isaacs was one, who presented to us a complete scheme drawn up for the appointment of ancillary receivers in every possible jurisdiction.

Q. Is it one of that group that was delegated to do this particular work that was in communication with Dinkelspiel

& Dinkelspiel?—A. I must only reply to that that I assume that it was one of this group. I have no personal knowledge whatsoever.

Mr. LINFORTH. We have no further questions.

Redirect examination by Mr. Manager SUMNERS:

Q. Was this group to whom you refer in any way connected with the Irving Trust Co.?—A. They most decidedly were not. They came in and attempted to get into the administration, but were, to the best of my knowledge and belief, completely shut out and entirely independent attorneys appointed, so far as the primary receivership was concerned.

Q. What was their object in taking an interest in the affairs of the Irving Trust Co. as they related to the Sonora Phonograph Co.?—A. Well, the usual interest that lawyers have in getting business.

Q. State that a little more particularly. What was their interest?—A. Well, if an attorney can arrange for the appointment of a receiver of his own choice, or of ancillary receivers of his choice and friendly to him, it means that the patronage in connection with the case will likewise, in general, go to his friends; and without attempting to interpret the motives of this particular group, that is the general statement of fact as I draw it from my experience.

The PRESIDING OFFICER. Are there any further questions? If not, the witness is excused.

EXAMINATION OF J. S. EAGAN

Mr. Manager PERKINS. Call Mr. Eagan.

J. S. Eagan, having been duly sworn, was examined and testified as follows:

Mr. Manager PERKINS. Mr. President, we desire to introduce at this time the petition of attorneys for fees on account in the case of Sonora Phonograph Co., Inc., filed April 30, 1930. The petition and exhibits are printed in the book of exhibits, copy of which has been furnished counsel, at page 878.

Mr. LINFORTH. We object to the offer upon the ground that it is not rebuttal in any sense of the word. That is one of the original charges contained in the articles. The managers, on the part of the House, have introduced their proof on those articles. We have met that proof to the extent of our ability; and we protest against this case being reopened under the guise of rebuttal, and the petition for fees being offered.

The PRESIDING OFFICER. The evidence had already been offered before counsel objected; but the present occupant of the chair is of the opinion that the evidence would be admissible even if the objection had been made in time.

By Mr. Manager PERKINS:

Q. Mr. Eagan, please state your full name, your place of residence, and your occupation.—A. J. S. Eagan; accountant, United States Bureau of Investigation; Washington, D.C.

Q. At the request of the managers on the part of the House, did you make a computation or summary of exhibit A to the petition for fees on account of attorneys for ancillary receiver in the Sonora Phonograph case, printed at page 881 of the exhibits?—A. Yes, sir.

Q. That is the petition, and appended to the petition for attorneys fees an exhibit showing the time spent in the matter of the Sonora Phonograph Co. matter?—A. Yes, sir.

Q. I hand you a statement, and ask you if this statement is the result of your computation of the time spent in that case?—A. (Examining.) It is.

Q. That indicates the time spent by Messrs. Dinkelspiel & Dinkelspiel as attorneys in the Sonora Phonograph case?—A. Yes, sir.

Q. How many hours did they spend?

Mr. LINFORTH. One minute. We object to that question on the ground that it is not rebuttal in any sense of the word, but part of the original case of the complainants.

The PRESIDING OFFICER. Is that the only ground of objection?

Mr. LINFORTH. Yes, Mr. President; we base it solely on that ground.

The PRESIDING OFFICER. The objection is overruled.

(See U.S.S. exhibit 57.)

The pending question was read, as follows:

Q. How many hours did they spend?

The WITNESS. Sixty-five hours.

By Mr. Manager PERKINS:

Q. Mr. Eagan, at the request of the managers on the part of the House, did you make a recapitulation of exhibit 44, showing the financial transactions of Mr. Sam Leake with the Hotel Fairmont, which have been offered in evidence in this case?—A. I did.

Q. I show you a paper entitled "Recapitulation, exhibit 44, room 679", and ask you if that is the result of your work?—A. (Examining.) It is.

Q. Will you please state just what that recapitulation shows on its footings?

Mr. LINFORTH. We object to the question as not rebuttal in any sense of the word. Article 1 of the impeachment articles alleges a conspiracy between the respondent and Mr. Leake, and evidence has been introduced on that subject. These particular statements which are now referred to were offered during the course of the examination of witnesses on behalf of the House of Representatives in their case in chief, and we submit that subject should have been exhausted at that time. It is not rebuttal in any sense of the word. It is irrelevant, immaterial, and incompetent, and not within any issue of this case other than the one to which I have called attention, on which evidence was offered in the case in chief.

The PRESIDING OFFICER. May I see the paper?

(The paper referred to was handed to the Presiding Officer.)

The PRESIDING OFFICER. It is merely a recapitulation of the evidence which came in. I sustain the objection to it, but not on the ground which has been offered. I do not think it is admissible, because I think the papers speak for themselves.

Mr. Manager PERKINS. Mr. President, this is in the nature of convenience evidence for the trial body. I do not assume that anyone will have the time to go through all these records, and for the purpose of convenience to the trial body, we produce this in order to show just what those transactions ultimately were.

The PRESIDING OFFICER. The objection is sustained.

By Mr. Manager PERKINS:

Q. Mr. Eagan, can you tell, from an examination of the record of Mr. Leake at the Hotel Fairmont, how much money in cash he withdrew from the hotel?

Mr. LINFORTH. We object to that on the same ground.

The PRESIDING OFFICER. The objection is sustained.

Mr. Manager PERKINS. Cross-examine.

Mr. LINFORTH. No questions.

(The witness retired from the stand.)

Mr. Manager SUMNERS. Mr. President, we quite recognize the objection made to the offer, but there is a volume of testimony which has been frequently referred to, and the suggestion made that the testimony would not be reprinted because of the fact that it is contained in this document. We do not desire to make an offer or a tender in the face of objection, but it seems to me it would probably be to the very great convenience of the Senate, sitting as a court, if series 15, part III, in which have been included a great many things referred to in the testimony, should, in an official sort of way, be incorporated in the record in this case. We do not insist that it shall have any particular status before the court, but we offer it in order that it may be here for the convenience of the members of the court.

Mr. KING. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KING. I am not quite clear, and I desire to propound a parliamentary inquiry as to the tender or suggestion of counsel. I ask the Presiding Officer whether the tender is to have printed the parts referred to or have them identified by pages, so that the members of the court, by reference to the pages, may know what parts of this large document have been incorporated in the record or made a part of this case.

The PRESIDING OFFICER. Will the manager state?

Mr. Manager SUMNERS. Mr. President, my statement is intended to go to this effect: Here is a volume in which are assembled a great many documents which have been offered in this case, some of which have been specifically referred to. We do not care a thing on earth about how it is accepted, or whether it is accepted at all; but it has struck me that before the case concludes, counsel for the respondent, the managers on the part of the House, and the Senators themselves, might, upon the suggestion made, arrive at some conclusion as to what should be the status of this volume in the record of this case.

The PRESIDING OFFICER. May the Chair ask counsel for respondent his view on that question?

Mr. LINFORTH. Mr. President, this is our position: What is in that record I do not know. I did not know of its existence until a few days ago, when Mr. SUMNERS, one of the honorable managers, called it to my attention. At that time he stated that it included certain accounts which we were then offering in evidence, and it was then understood that those pages of that volume which dealt with the matters of those accounts and petitions might be considered and referred to instead of having the same printed anew in the daily proceedings here.

What documents other than that may be contained within that volume, I do not know. Whether they are relevant or not, I do not know. Whether they are in rebuttal or not, I do not know. Therefore, I am in no position to make any agreement with reference to any paper contained within that bound volume until and unless the document is first specifically called to our attention.

Mr. Manager SUMNERS. Mr. President, I am not in a position to tender this volume as admissible testimony under the rules of evidence, and in view of the suggestions made by counsel for the respondent, about the only thing I can suggest is that this book contains documents which purport to be copies of originals, and we can leave them with the Senate for whatever use the Senate may deem fit to put them to, but certainly we are not in a position to offer them as evidence under any rule of evidence of which we know, and we do not so offer them as evidence.

The PRESIDING OFFICER. May the Chair ask the managers whether they have any more witnesses?

Mr. Manager SUMNERS. I believe there are 1 or 2 very short witnesses. I shall have no more to say with regard to this document.

Mr. KING. Mr. President, I ask unanimous consent, in violation of the rule, to make one observation relative to this matter.

The PRESIDING OFFICER. The Senator from Utah asks the court for unanimous consent to make an observation with reference to this matter. Is there objection?

Mr. LINFORTH. None whatever from us.

The PRESIDING OFFICER. The Chair hears none, and the Senator from Utah is recognized.

Mr. KING. Mr. President, as stated by counsel for the respondent when he was tendering certain documents, one of the honorable managers for the House stated that in this volume there were found a number of those documents which were offered by counsel for the respondent; and the counsel for the respondent, accepting the statement of the honorable manager on the part of the House that this volume contained a correct statement of the tendered document, agreed, as I understood, that the document tendered by counsel for the respondent need not be printed, but that reference could be made to this volume in order that members of the court might ascertain just what the document was.

I therefore suggest that the managers on the part of the House and counsel for the respondent confer and before the case is concluded indicate the pages in this volume which cover the documents in the volume which were offered by counsel for the respondent and which were accepted, so that the members of the court, by turning to the pages indicated, may know just what part of this volume has been admitted in evidence.

The PRESIDING OFFICER. Counsel have heard the suggestion, and it can be taken up at a later date, when we have concluded with the witnesses. I suggest that the next witness be called.

Mr. LINFORTH. Counsel for the respondent will be glad to follow the course suggested.

Mr. Manager SUMNERS. We will be glad to do that.

REEXAMINATION OF HARRY L. FOUTS

Harry L. Fouts, having been heretofore duly sworn, was re-called as a witness and testified as follows:

By Mr. Manager LEWIS:

Q. You have already been sworn, have you, Mr. Fouts?—A. Yes; I have.

Q. What is your position?—A. Deputy clerk of the United States District Court, Northern District of California.

Q. You have custody of the original records which have been referred to during the trial?—A. I have.

Q. Have you prepared a summary of the fees paid and the dates on which they were paid to the receiver and to the attorneys for the receiver in the following cases: Gardner M. Olmstead against Russell-Colvin Co., being the so-called "Russell-Colvin case"; in the Sonora Phonograph Co. case; and in the Helen Lay against the Lumbermen's Reciprocal Association case—A. I have.

Mr. Manager LEWIS. I may state to the court that this is simply a summary of a lot of evidence which has been presented, which Mr. Foust has prepared, and we should like to introduce his summary, which will be in convenient form for the purposes of argument and for the court.

Mr. LINFORTH. I submit, if the court please, that that is wholly incompetent. Counsel can cover that in their argument, and they can state what the computation is.

The PRESIDING OFFICER. The present occupant of the Chair thinks that counsel could use it in argument, and there would be no reason why either side could possibly be injured by having it placed in this convenient form, and, therefore, I overrule the objection.

By Mr. Manager LEWIS:

Q. You have that document with you?—A. Yes; I have.

Q. You prepared it?—A. Yes.

Q. Was it prepared by reference to the original instruments?—A. It was.

Q. You have the original documents in court?—A. I have.

Q. Will you identify this paper?—A. This one here? [Indicating.]

Q. Yes.—A. This is the summary we are talking about.

Q. I mean, will you identify it in some way? Identify it by your signature or intials or something, and we will then offer it.—A. The clerk informs me that it will be United States Senate Exhibit 58.

Mr. LEWIS. I offer it in evidence for the purpose indicated.

The paper admitted in evidence is as follows:

U.S.S. EXHIBIT No. 58

No. 2595-L, Gardner M. Olmstead v. Russell-Colvin Co.

PAYMENTS TO H. B. HUNTER, RECEIVER, AS SHOWN BY GENERAL REPORT AND ACCOUNT (FIRST) FILED JAN. 10, 1931

1930

May	26	$2,112.91
May	29	500.00
June	14	500.00
June	30	500.00
July	15	500.00
July	31	500.00
Aug.	15	500.00
Aug.	30	500.00
Sept.	15	500.00
Sept.	30	500.00
Oct.	15	500.00
Oct.	31	500.00
Nov.	14	500.00
Nov.	29	500.00
Dec.	15	500.00
		9,112.91

No. 2595-L, Gardner M. Olmstead v. *Russell-Colvin Co.*—Contd.

PAYMENTS AS SHOWN BY SECOND ACCOUNT OF RECEIVER, FILED NOV. 14, 1931

1930	
Dec. 31	$500.00
1931	
Jan. 15	500.00
Jan. 30	500.00
Feb. 14	500.00
Feb. 28	500.00
Mar. 13	500.00
Mar. 26	1,000.00
Mar. 20 (fees as receiver, Mar. 10, 1930, to Mar. 12, 1931, inclusive, $20,000 less $112.91 refunded on drawing account)	19,887.09
	33,000.00

PAYMENTS AS SHOWN BY THIRD ACCOUNT, FILED DEC. 19, 1931

Nov. 30, 1931, balance receiver fees to Oct. 15, 1931, as allowed by court	7,500.00
Total	40,500.00

PAYMENTS, FEES TO KEYES & ERSKINE

Mar. 30, 1931 (attorneys' fees Mar. 13, 1930, to Mar. 17, 1931, inclusive. Check no. 536, second account cash receipts and disbursements)	46,250.00
Nov. 30, 1931 (to Keyes & Erskine and John Douglas Short, as shown by third account of receiver filed Dec. 19, 1931)	5,000.00

Sonora Phonograph Co.—in bankruptcy

RECEIVER, GUY H. GILBERT

Paid Feb. 26, 1930 (details of disbursements second report filed Apr. 30, 1930)	1,556.00
Paid May 12, 1930 (p. 1, exhibit G, third and final report filed June 23, 1930)	2,562.83
Paid July 30, 1930 (check no. 59, Bank of Italy, dated June 23, 1930)	2,855.64
	6,974.47

ATTORNEY FOR RECEIVER, DINKELSPIEL & DINKELSPIEL

Paid May 17, 1930 (p. 1, exhibit G, third and final report of receiver filed June 23, 1930)	15,249.43
Paid July 30, 1930 (check no. 66, July 30, 1930, Bank of Italy)	5,000.00

No. 2655. Helen Lay v. *Lumbermen's Reciprocal Association*

SAMUEL M. SHORTRIDGE, JR., RECEIVER

Paid Dec. 4, 1930 (voucher no. 121, third report of receiver)	3,000.00
Paid Apr. 23, 1931 (list of expenditures from Apr. 1, 1931, to July 1, 1931, attached to fourth and final report)	3,000.00

MARSHAL B. WOODWORTH, ATTORNEY FOR RECEIVER

Paid Dec. 4, 1930 (voucher no. 120, third report)	3,000.00
Paid Apr. 23, 1931 (list of expenditures Apr. 1, 1931, to July 1, 1931, attached to fourth and final report)	3,000.00

Mr. LINFORTH. The respondent has no questions.

The witness retired from the stand.

RECESS

Mr. Manager SUMNERS. Mr. President, may the managers on the part of the House have 7 minutes for a consultation in order to determine what shall be done with reference to the introduction of additional testimony?

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the Senate, sitting as a court, will stand in recess for 7 minutes.

Thereupon (at 3 o'clock and 1 minute p.m.) the Senate sitting as a Court of Impeachment took a recess for 7 minutes. At the expiration of the recess the Senate reassembled.

CONCLUSION OF EVIDENCE

The PRESIDING OFFICER. Are the managers for the House ready to proceed?

Mr. Manager SUMNERS. Mr. President, the managers on the part of the House are ready to announce to the Senate, sitting as a court, that they do not have additional testimony to offer; that is, with the understanding that counsel for the respondent have also finished with their testimony. I inquire of counsel if that is correct?

The PRESIDING OFFICER. Do counsel for the respondent have any further testimony to offer?

Mr. LINFORTH. Mr. President, if the managers on the part of the House rest their case, the respondent rests.

Mr. Manager SUMNERS. Then, we all rest.

Mr. ASHURST. Mr. President, I wonder if I heard aright or am I correct in understanding that both the honorable managers on the part of the House and the counsel for the respondent have rested?

The PRESIDING OFFICER. The Senator is correct.

FINAL DISCHARGE OF WITNESSES

Mr. ASHURST. I ask for an order that all witnesses may be finally excused.

The PRESIDING OFFICER. Is there objection? If not, the order is entered, and all witnesses are finally excused from further attendance on the Senate sitting as a Court of Impeachment.

REQUEST TO BE EXCUSED FROM ATTENDANCE ON IMPEACHMENT PROCEEDINGS

Mr. COPELAND. Mr. President, on account of illness, I have been away from the Chamber for a number of days. I was ill for several days before I left. I am happy to say that I am now in good health. I heard the opening speech of counsel in the Louderback impeachment case; I have heard none of the testimony, and feel myself incompetent either to vote or to continue as a member of the court. Therefore I ask unanimous consent that I may be excused from further attendance and from voting in the Impeachment Court.

The VICE PRESIDENT. The Senator from New York asks unanimous consent that he be excused from further attendance upon the court and from voting in the impeachment proceedings. Is there objection? The Chair hears none, and it is so ordered.

ALLOWANCE OF TIME FOR ARGUMENT

Mr. ASHURST. Mr. President, at this time I submit the order which I send to the desk.

The PRESIDING OFFICER. The order submitted by the Senator from Arizona will be read.

The Chief Clerk read as follows:

Ordered, That the time for final argument of the case of Harold Louderback shall be limited to 3 hours, which said time shall be divided equally between the managers on the part of the House of Representatives and the counsel for the respondent, and the time thus assigned to each side shall be divided as each side for itself may determine.

Mr. NORRIS. Mr. President, I should like to inquire, before the vote is taken on the order, whether that is agreeable to both sides?

The PRESIDING OFFICER. The Chair was just about to ask that their view be given by the managers on the part of the House, and after that the view will be obtained of counsel for the respondent.

Mr. Manager SUMNERS. Mr. President, the managers on the part of the House, both by inclination and necessity, conform to the pleasure of the Senate. This is a very difficult case to present in an hour and a half, due, in no small degree, to the fact that many Senators have been compelled by urgent matters to absent themselves frequently from attendance upon the Senate sitting as a court. It would be very agreeable to the managers on the part of the House—and I hope we do not make ourselves misunderstood—if there could be more time allowed for the narrative of the evidence in this case, but I also want it understood that we accept, with perfect submission, the judgment of the Senate in that regard, since the Senate is, from this time on, more concerned than is the House, because the responsibility is the responsibility of the Senate.

Mr. LINFORTH. Mr. President, on behalf of the respondent, we announce that we are satisfied with an hour and a half, and do not expect to take that much time. We go farther, and say that if the learned gentlemen representing the prosecution in this matter are willing to submit the case to the Senate without argument, so is the respondent.

The PRESIDING OFFICER. The Senate sitting as a court has heard the order read and the request that it be adopted.

Mr. NORRIS. Mr. President, I believe all of us who have followed the evidence and heard it realize that it is not going to be an easy matter to present the evidence and argue it logically and systematically. I think this afternoon some

evidence was ruled out that is going to make it necessary in the argument to gather together a whole lot of evidence that is strung through this case. I do not believe that the Senate ought, no matter how tired we are now, when we are so nearly through, to spoil the record and compel the managers on the part of the House or the attorneys for the respondent to limit their time, especially to an hour and a half on a side.

I presume the argument will first be made by the managers on the part of the House, to be followed by counsel for the respondent, and then concluded by managers on the part of the House. If we divide that time, I think we would very seriously interfere with the presentation of the case. It seems to me the time ought to be doubled, not necessarily to be used, but counsel ought to be given that much time.

Mr. ROBINSON of Arkansas. Mr. President, I should like to inquire what length of time the managers on the part of the House feel would be required properly to present the case?

Mr. Manager SUMNERS. Mr. President and the Senator from Arkansas, I hope the managers are putting themselves in the right attitude before the Senate. They accept whatever the Senate determines. If we were privileged to choose between 2 hours and an hour and a half, we would choose 2 hours in which to attempt to discharge the responsibility which we feel we owe to the Senate. It may be that the managers on the part of the House estimate that it will require longer than it will.

Mr. ROBINSON of Arkansas. Mr. President, if I may be permitted to make a statement, the suggestion of Mr. Manager SUMNERS is that if the managers were required to choose between an hour and a half and 2 hours, they would choose 2 hours. My inquiry was as to what length of time the managers feel would be required properly to present their case. It is inconceivable to me that there should arise here any such issue as appears to be arising as to whether an hour and a half or 2 hours would be adequate for proper argument of the issues in the case. I should be disposed to extend every possible courtesy and consideration to the managers on the part of the House. If they had a definite request or suggestion to submit, it would be my disposition to concede their suggestion; but having failed to do that and having manifested their reluctance to indicate what length of time is required, in view of the rule governing this matter and the limitation that is imposed in the rule as to certain proceedings, it has seemed to me that the suggestion of the Senator from Arizona [Mr. ASHURST] ought to be regarded as adequate. If, however, the managers on the part of the House say they cannot properly present their case within that time and would require additional time, I see no objection to granting it. I do feel, however, that the onus is upon them to indicate what length of time is required in order properly to present the matter.

Mr. Manager SUMNERS. In view of the statement of the Senator from Arkansas we would appreciate being permitted to have 2 hours in which to present the views of the managers with reference to this case.

Mr. ASHURST. Mr. President, I, therefore, take the liberty and privilege of modifying the order which I sent to the desk, so that the word "three" shall be changed to "four", and I ask that it be read as modified.

The PRESIDING OFFICER. The order as modified by the Senator from Arizona will be read.

The Chief Clerk read as follows:

Ordered, That the time for final argument of the case of Harold Louderback shall be limited to 4 hours, which said time shall be divided equally between the managers on the part of the House of Representatives and the counsel for the respondent, and the time thus assigned to each side shall be divided as each side for itself may determine.

The PRESIDING OFFICER. Is there objection to the order as modified? If not, the order is entered.

Mr. ASHURST. Mr. President, I may be out of order, but I am doing this in the interest of time. In the Archbald Impeachment case, which was the last one before this, the present senior Senator from Nebraska [Mr. NORRIS] was one of the learned managers on the part of the House. I have followed that case as to form and procedure as best I could. At this juncture of the proceedings in the Archbald case the Senate went into executive session as jurors to pass upon certain questions merely of procedure in fixing the time for voting. I hesitate to make such a motion, because it may be the Senate will not care to adopt that procedure at this time; but if Senators wish to talk, as they have the right to do and possibly the duty is incumbent upon them to do, this is the appropriate time, because it is contemplated that argument will begin at 7 o'clock this evening. May I have the attention of the senior Senator from Oregon [Mr. MCNARY]?

Mr. MCNARY. Mr. President I do not know whether it is the purpose of the able Senator from Arizona to discuss the matter in open session.

Mr. ASHURST. No; I would rather discuss it in executive session.

Mr. MCNARY. I simply want to apprise him of the fact that I could not consent to an order of that kind at this time, but I shall be very happy to discuss it in executive session.

Mr. ASHURST. Then I am going to take the responsibility and liberty of suggesting, if I can get a second, which is required under the rule, that we go into executive session with closed doors.

Mr. KING. I second the request.

Mr. NORRIS. Mr. President, why would it not be more appropriate to wait until argument is concluded before we take any such action?

Mr. ASHURST. Very well. I will withhold any further action. I withdraw the motion which I just made. Now, I will suggest, without making a motion, that the Senate proceed to the consideration of legislative, or, if Senators prefer, that the Senate take a recess until 7 o'clock this evening, and that the argument shall begin at that hour.

The PRESIDING OFFICER. The Senator does not make that as a motion?

Mr. ASHURST. No; I merely lay the suggestion before the Senate, sitting as a court, for its consideration.

Mr. MCNARY. Mr. President, a number of Senators have been away from the Chamber today necessarily on account of the important business before committees. Two very important matters are being investigated by major committees of the Senate today. Several of those Senators have expressed a desire to read the record, particularly the testimony of the respondent himself. I thought, and I still think, that probably the fairest way, in consideration of the wishes of those Senators, would be to return to legislative session this afternoon, adjourning the court until Thursday at 10 o'clock, and in the meantime the record will be printed and all Senators will have time to inform themselves of the testimony and then hear counsel's argument and decide the case in closed executive session. That would meet the convenience of those who are unable to be present today.

I shall not combat, for any personal reason, an evening session. I am as anxious as anyone to get through with this case. I concur in much the Senator from Arizona has said, but I think if we are considering the rights of those who are necessarily forced to be absent today, we should concede that they should have some opportunity to consider the record.

Mr. ASHURST. Mr. President, I wish at this time to acknowledge, and I think the Senate appreciates, the able assistance that the senior Senator from Oregon [Mr. MCNARY] has rendered to speed the proceedings as much as possible consistent with duty and with justice. I am very certain that it would not be of any utility or serve any useful purpose to prolong the case as far as Thursday. Personally, I believe the argument should begin tonight. I fancy it will be impossible to secure such an agreement, but I certainly think the argument should begin not later than 10 o'clock tomorrow morning and that voting should be had not later than tomorrow evening.

Mr. MCNARY. I think that is a very fair proposal. If we would conclude our session today as a court, after some

attention is given to legislative business, and adjourn the court until 10 o'clock tomorrow morning, at which time argument would start, everyone would have the printed record early in the morning and an opportunity to read it would be afforded.

Mr. ROBINSON of Arkansas. Mr. President, may I inquire of the managers on the part of the House and of counsel for the respondent whether they would be ready to proceed with the argument this evening?

Mr. Manager SUMNERS. Mr. President and the Senator from Arkansas, the managers have no preference in regard to that matter. We would undertake to proceed this afternoon if it should be the pleasure of the Senate.

Mr. LINFORTH. Mr. President, on behalf of the respondent we announce that we are ready at any time that will suit the convenience of the Senate.

Mr. ROBINSON of Arkansas. May I inquire, then, if we may not proceed now with the argument? We can later determine when we wish to consider matters in executive session.

Mr. Manager SUMNERS. It would require some period of consultation among the managers on the part of the House to determine the allocation of time and responsibility. We would not be prepared to start at this moment anyway.

Mr. LONG. Mr. President, may I inquire of the Senator from Arkansas if he has asked that the argument be proceeded with this afternoon?

Mr. ROBINSON of Arkansas. Yes. Mr. President, I am going to make the suggestion that the Senate sitting as a court take a recess at this time, and that the Senate proceed to the consideration of legislative business for a time, and that at the hour of 7:30 o'clock this evening the court resume its sitting for the purpose of hearing argument. That will afford an opportunity to confer, and then it will necessarily carry over the conclusion of the matter, probably until tomorrow, but it will not work inconvenience to either party to the controversy. I make that suggestion.

The PRESIDING OFFICER. The Senator from Arkansas makes the suggestion.

Mr. McNARY. Mr. President, I must again state the attitude of some who are absent today. I thought that it would be a very fair proposition to recess until 10 o'clock tomorrow morning, giving Members an opportunity for a short time in the morning to read the record of the testimony of the respondent and have it before them, and the argument then proceed.

Mr. ROBINSON of Arkansas. In view of the insistence of the Senator from Oregon I suggest that the Senate, sitting as a court, now rise and resume its session at 10 o'clock tomorrow morning for the purpose of proceeding to the conclusion of the case.

The PRESIDING OFFICER. The Senator from Arkansas asks that the Senate sitting as a Court of Impeachment recess until 10 o'clock tomorrow morning. Is there objection? The Chair hears none.

Thereupon (at 3 o'clock and 30 minutes p.m.) the Senate sitting as a Court of Impeachment took a recess until tomorrow, Wednesday, May 24, 1933, at 10 o'clock a.m.

LEGISLATIVE SESSION

The Senate, pursuant to the order for a recess entered yesterday, resumed legislative session.

THE JOURNAL

On motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the reading of the Journal for the calendar days of May 15 to May 20, inclusive, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval, the Military, and the Coast Guard Academies.

RATIFICATION OF PROPOSED CHILD-LABOR AMENDMENT BY NEW HAMPSHIRE

The VICE PRESIDENT laid before the Senate a letter from the secretary of state of New Hampshire, transmitting a concurrent resolution, adopted by the Legislature of the State of New Hampshire, ratifying the proposed child-labor amendment to the Constitution, which, with the accompanying resolution, was ordered to lie on the table and to be printed in the RECORD, as follows:

STATE OF NEW HAMPSHIRE,
SECRETARY OF STATE,
Concord, May 22, 1933.

To the PRESIDING OFFICER UNITED STATES SENATE,
Washington, D.C.

SIR: We have the honor to submit herewith the concurrent resolution ratifying a proposed amendment to the Constitution of the United States relative to the regulation and limitation of labor by persons under 18 years of age.

Very truly yours,

ENOCH D. FULLER,
Secretary of State.

STATE OF NEW HAMPSHIRE, 1933.

Concurrent resolution ratifying a proposed amendment to the Constitution of the United States of America

Whereas both Houses of the Sixty-eighth Congress of the United States of America, by a constitutional majority of two thirds thereof, made the following proposition to amend the Constitution of the United States of America in the following words, to wit:

"Joint resolution proposing an amendment to the Constitution of the United States

"*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two thirds of each House concurring therein)*, That the following article is proposed as an amendment to the Constitution of the United States, which, when ratified by the legislatures of three fourths of the several States, shall be valid to all intents and purposes as a part of the Constitution:

"'ARTICLE —

"'SECTION 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.

"'SEC. 2. The power of the several States is unimpaired by this article, except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation enacted by the Congress'":

Therefore be it

Resolved by the House of Representatives of the State of New Hampshire (the senate concurring), That the said proposed amendment to the Constitution of the United States of America be, and the same is hereby, ratified by the Legislature of the State of New Hampshire.

That certified copies of this preamble and concurrent resolution be forwarded by the Governor of this State to the Secretary of State at Washington, to the Presiding Officer of the United States Senate, and to the Speaker of the House of Representatives of the United States.

May 17, 1933.

Attest:

[SEAL]

ENOCH D. FULLER,
Secretary of State.

PROPOSED HIGHWAY CONSTRUCTION IN TEXAS

The VICE PRESIDENT laid before the Senate resolutions adopted by the directors of the Chamber of Commerce of Center, and the Commissioners Court of Van Zandt County, in the State of Texas, endorsing the program of President Roosevelt and favoring the inauguration of a public-works program for unemployment relief providing highway construction in the State of Texas, which were referred to the Committee on Finance.

PETITION FOR ABOLITION OF RAILROAD GRADE CROSSINGS

Mr. LEWIS. Mr. President, I present and ask unanimous consent to have printed in the RECORD and appropriately referred a petition from Prof. Edward T. Lee, the head of the John Marshall Law School, of the city of Chicago, who is a very distinguished man, for the abolition of railroad grade crossings.

There being no objection, the petition was referred to the Committee on Interstate Commerce and ordered to be printed in the RECORD, as follows:

"WHAT SHALL A MAN NOT GIVE IN EXCHANGE FOR HIS LIFE?"—"FIVE YOUTHS KILLED WHEN IOWA TRAIN AND AUTO CRASH"—"THREE KILLED IN INDIANA ACCIDENT" (MAN, WIFE, AND SISTER)—"THREE KILLED AS FAST TRAIN SMASHES AUTO" (A YOUNG COUPLE AND A 12-YEAR-OLD GIRL WERE KILLED)

To the Senate and the House of Representatives of the United States of America, in Congress assembled:

Your petitioner, a citizen of the United States, residing in the city of Chicago, State of Illinois, respectfully represents:

1. That the above quotations are taken from a Chicago newspaper on 2 successive days. The number might be increased by similar daily killings in various parts of our country. Statistics show that in 12 years, from 1919 to 1930, 25,354 human beings in the United States were killed, many horribly, in railroad crossing accidents, and that 72,700 were injured, many of them doubtless crippled and rendered useless for life. At that rate there will be killed in a single generation more persons than the number of the United States soldiers killed in the World War (47,949). This slaughter of the innocent (for those killed were not guilty of any crime punishable by death) pales into insignificance the number of victims of the car of juggernaut in ages and countries we choose to regard as uncivilized. The roads through the tiger-infested jungles of India and Africa are safer today than our American highways; and in those countries efforts are made to destroy the cause. No effective steps have been taken to remove the danger and to stop this useless destruction of human lives in large portions of our country. Communities have left the matter to the railroads—the railroads to communities.

2. What, then, is to be done about it? Communities and railroads today, even if they wanted to abolish these grade crossings, are not in a financial position to do so. State, county, and municipal, as well as private corporate resources, are too exhausted for such an undertaking. It is most obvious that the railroads have not the money and will never have the money to abolish these man-killing grade crossings, nor can they be compelled to do so. Many of them are bankrupt, others on the verge of bankruptcy. Eventually the United States may take over the railroads of the country. Certainly it will have to continue its present policy of assisting them in the interests of interstate commerce.

3. In this situation, and in the present state of unemployment, when the Government of the United States is considering and devising means to combat the present business depression and to start again the wheels of industry, is it not a practical suggestion that the Congress should authorize the President to undertake this humane work of saving the lives of our citizens, more precious than things material? What wakes of human sorrow and financial loss follow these unnecessary deaths no imagination can picture. Young and old, rich and poor, good and bad alike are victims. Only the fact that these killings occur a few at a time and in many different places lulls us all into a feeling of security for ourselves and ours, keeps us from rising in our might to end them, as we would if a public enemy or hostile force of nature were smiting us.

4. Would not this work be an investment on the part of the Government? Would it not, if undertaken, have the distinct advantage over all other plans of relief of reviving industry in every one of the 48 States of the Union? For in every one of these States are these deadly railroad crossings. Their removal would give employment in every locality where one exists, calling for unskilled and skilled labor, demanding the products of the mill, the mine, the factory, thus reviving industry in many of its forms and in many places.

If this work should cost $500,000,000 or more, it would be a wise investment, for the expenditure would be for work that ought to be done, and it would in time pay for itself in the saving not only of material things but in the most precious of our possessions—the lives of our fellow citizens. It would be an appropriation that, in my opinion, would meet with the full approval of our people everywhere.

5. Your petitioner, therefore, respectfully prays that the Congress of the United States may recognize this daily and avoidable destruction of the lives of our fellow citizens and provide for the general welfare by appropriating a sufficient sum of money to abolish grade crossings along our main highways of travel lying outside the limits of municipalities in the United States.

Respectfully,

EDWARD T. LEE.

CHICAGO, ILL., *May 6, 1933.*

LOANS TO THE LIVESTOCK INDUSTRY

Mr. McCARRAN. Mr. President, I ask unanimous consent to have printed in the RECORD and appropriately referred resolutions of the stock growers of eastern Nevada pertaining to loans that should be granted to the stock industry from the Reconstruction Finance Corporation.

There being no objections, the resolutions were referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

Resolutions and recommendations offered at a meeting of the Elko Chamber of Commerce, held at Elko, Nev., on April 27, 1933, together with representatives of the Eastern Nevada Woolgrowers Association and prominent members of the Nevada Livestock Association, and unanimously passed and adopted at the regular meeting of the Elko Chamber of Commerce, held at Elko, Nev., on May 11, 1933; H. L. Bartlett, president of the Elko Chamber of Commerce, presiding; the same being in the words and figures as follows, to wit:

"Whereas the present economic and financial difficulties common to nearly every part of the country, which, with the closing of the oldest banking institutions of the State, place the livestock industry of this section in a most serious situation; and

"Whereas it is currently reported that the several loan agencies of the Government of the United States are to be reorganized and consolidated; and

"Whereas prompt and unrestricted action (not hampered by technicalities and so-called "red tape" and bureaucracy), fully protected by safe, sane, and common-sense business methods, is the essential need of the hour; and

"Whereas practically all Elko County cases are cited where more than 5 months have passed since application was made for needed financial aid, and this aid is still being delayed by correspondence concerning technical questions, and the attitude of said agencies seems to be one of passive resistance; and, while it is assumed that these agencies were set up for the sole purpose of assisting the livestock industry, cases exist where the entire legal battery is focused on some technical objection, without suggestion as to remedy, while practically all such cases are amenable to adjustment and correction;

"Now, therefore, this body recommends that some method be devised by the new agency to be set up for the relief of the livestock and other industries, whereby such relief may be provided with the least possible delay, consistent with good, sound business practices, and that emphasis be placed on actual rather than fine-grained technicalities.

"We, therefore, heartily approve of the reorganization and consolidation of the several loan agencies.

"We further recommend that the Federal Loan Agency Act be amended to make loans on ranch property based on the appraisal value of the ranch as a complete unit, giving due consideration to well-improved ranch properties, their ownership, leased lands, grazing rights and other established rights; such appraisal value to be based on the complete operating unit.

"We further recommend that in all cases of old and well-established outfits, who have gained recognition for efficient management and whose record and standing are above reproach, where their operations are conducted on a larger scale than the average stockmen, that the amount which they may borrow be only limited by the value of the security offered.

"We further recommend that these loans be made to corporations, copartnerships, and associations as well as individuals.

"We further recommend that these and all existing loans be reamortized on a 40-year basis, and that the rate of interest be not in excess of 3 percent per annum.

"We further recommend that, in view of the fact that Elko County is the center of one of the largest livestock districts of the State of Nevada, a loan agency be set up at Elko, Nev. for the convenience of the stockmen."

H. L. BARTLETT,
President of the Elko Chamber of Commerce.

Attest:

MILO TABER, *Secretary.*

REPORTS OF COMMITTEES

Mr. SHEPPARD, from the Committee on Commerce, to which was referred the bill (S. 1564) to revive and reenact the act entitled "An act authorizing the Great Falls Bridge Co. to construct, maintain, and operate a bridge across the Potomac River at or near Great Falls", approved April 21, 1928, reported it with an amendment and submitted a report (No. 89) thereon.

Mr. BULKLEY, from the Committee on Banking and Currency, to which were referred the following bills, reported them each with amendments and submitted reports thereon:

S. 1648. An act to amend the Reconstruction Finance Corporation Act, as amended, to provide for loans to closed building and loan associations (Rept. No. 90); and

H.R. 5240. An act to provide emergency relief with respect to home-mortgage indebtedness, to refinance home mortgages, to extend relief to the owners of homes occupied by them and who are unable to amortize their debts elsewhere, to amend the Federal Home Loan Bank Act, to increase the market for obligations of the United States, and for other purposes (Rept. No. 91).

BILLS INTRODUCED

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

By Mr. POPE:

A bill (S. 1750) to broaden the lending powers of the Reconstruction Finance Corporation to include apiarians; to the Committee on Banking and Currency.

A bill (S. 1751) to extend the provisions of the act entitled "An act to extend the period of time during which final

proof may be offered by homestead entrymen", approved May 13, 1932, to desert-land entrymen, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. BYRD:

A bill (S. 1752) to extend certain letters patent to the Stark Car-Coupler Corporation; to the Committee on Patents.

By Mr. BULKLEY:

A bill (S. 1753) for the relief of Marcella Leahy McNerney; to the Committee on Foreign Relations.

By Mr. DICKINSON:

A bill (S. 1754) to extend the times for commencing and completing the construction of a bridge across the Mississippi River at or near New Boston, Ill.; to the Committee on Commerce.

REGULATION OF OIL PRODUCTION—CHANGE OF REFERENCE

Mr. CAPPER. Mr. President, on the 19th of May I introduced Senate bill 1736, for the regulation of the oil industry. It was first referred to the Committee on Interstate Commerce. I ask unanimous consent that that committee may be discharged from the further consideration of the bill, and that it be referred to the Committee on Finance.

The PRESIDING OFFICER (Mr. BLACK in the chair). The Senator from Kansas asks unanimous consent that the Committee on Interstate Commerce, to which has been referred Senate bill 1736, may be discharged from the further consideration of the bill, and that it be referred to the Committee on Finance. Is there objection?

Mr. DILL. Mr. President, although this bill is properly one belonging to the Committee on Interstate Commerce, I have no objection if the Senator desires to have it go to another committee. I do not know, however, what other committee would have jurisdiction of it.

Mr. CAPPER. It contains provision for the collection of a tax, and probably more appropriately belongs to the Finance Committee.

Mr. DILL. I have no objection to the reference of the bill to that committee.

The PRESIDING OFFICER. There being no objection, it is so ordered.

REGULATION OF BANKING—AMENDMENT

Mr. AUSTIN submitted an amendment intended to be proposed by him to Senate bill 1631, the banking bill, which was ordered to lie on the table and to be printed.

CONFERRING OF DEGREES UPON NAVAL ACADEMY GRADUATES—CONFERENCE REPORT

Mr. TRAMMELL. Mr. President, I ask for the immediate consideration of a conference report which I have heretofore submitted.

The PRESIDING OFFICER. The report will be read.

The Chief Clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill, and agree to the same with an amendment as follows: After the word "Academies", at the end of the said amendment, insert the following: ", from and after the date of the accrediting of said academies by the Association of American Universities"; and the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

PARK TRAMMELL,
FREDERICK HALE,
Managers on the part of the Senate.

CARL VINSON,
FRED A. BRITTEN,
Managers on the part of the House.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the conference report?

Mr. KING. Mr. President, I should like to ask for some information in regard to this matter.

Mr. TRAMMELL. I will give a very brief explanation of it, Mr. President.

The Senate passed a bill providing that the degree of bachelor of science should be given to graduates of the Naval Academy at Annapolis. The bill went to the House, which added to it a provision that the Military Academy at West Point and the Coast Guard Academy should also be permitted to give those degrees. The Senate disagreed to the amendment of the House, and asked for a conference; and at the conference it was agreed that an amendment should be added to the amendment made by the House to the effect that the degree of bachelor of science should be granted by these institutions only when they were accredited by the Association of American Universities.

Mr. KING. Does either the amendment or the conference report provide that the Coast Guard school shall also be authorized to grant the degree of bachelor of science?

Mr. TRAMMELL. It provides that they shall be so authorized when they are an accredited institution of the Association of American Universities. At the present time I doubt if they would meet that standard; but they will have to meet the same standard that the other two institutions meet before they will be entitled to confer the degree.

Mr. KING. From the Senator's investigation as chairman of the Committee on Naval Affairs, has any information been brought to the attention of the committee that would warrant the assumption that persons who are studying in the Coast Guard school are entitled to the degree of bachelor of science or bachelor of arts?

Mr. TRAMMELL. It is claimed that the Coast Guard Academy now has about the same curriculum standard as the Naval Academy. They have a 4-year course. It has been very much enlarged. The first graduates under the 4-year course, I think, will graduate next year. The committee of conference felt willing to put a provision in the report that if they should meet the standard of requirement that is complied with by the other colleges throughout the country they could confer the degree just the same as the other two schools; but I understand that for this particular year they would not meet that standard. I do not think there is any question about that, although they claim that they have now put the curriculum on the same basis as the other institutions, covering a 4-year period.

Mr. KING. This bill, then, is designed to confer degrees by act of Congress. In other words, instead of receiving degrees from educational institutions, they are to be conferred by legislative act.

Mr. TRAMMELL. If they comply with certain standards, they can confer the degree. Of course, the Naval Academy and the Military Academy meet that requirement now. The other school probably does not.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the conference report? The Chair hears none. The question is on agreeing to the conference report.

The report was agreed to.

LONDON ECONOMIC CONFERENCE—ADDRESS BY ASSISTANT SECRETARY MOLEY

Mr. McADOO. Mr. President, I ask unanimous consent to have printed in the RECORD an address delivered over the radio by Assistant Secretary Moley on May 20 on the London Economic Conference. It is a very interesting and illuminating discussion of some very important problems.

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

The World Economic and Monetary Conference, which begins next month in London, is the result of the historical conference at Lausanne a year ago. Toward the close of that conference in July of last year, a resolution was adopted suggesting that the general program of the London conference should be divided into two parts, financial and economic.

Among the financial questions were monetary and credit policy, exchange policies, the level of prices and the movement of capital.

Among the economic questions, the Lausanne resolution suggested the general subject of improved conditions of produce and trade interchange, with particular attention to tariff policy; prohibition and restrictions of imports and exports, quotas and other barriers to trade and producers' agreements.

In preparing for the conference, the nations created what was known as an "Agenda committee", charged with the duty of exploring the field in a preliminary way and of setting up a program for the consideration of the conference.

The work of this committee cannot in any restricted sense bind the conference itself and insofar as the Agenda committee expressed opinions, these cannot be binding on the conference. It did, however, set up a fairly satisfactory list of topics to guide the conference and make some helpful suggestions with regard to the consideration of each.

It may be interesting in view of the importance of the Agenda in planning the course of action for the conference to describe its essential outlines. It begins with a discussion of the conditions under which a successful restoration of a free gold standard may be considered. No positive and dogmatic conditions are laid down with regard to this. This following statement indicates the care with which the Agenda committee handled this subject:

"The time when it will be possible for a particular country to return to the gold standard and the exchange parity at which such a return can safely be made will necessarily depend upon the conditions in that country, as well as those abroad, and these questions can only be determined by the proper authorities in each country separately."

RETURN TO GOLD STANDARD AN OUTSTANDING TOPIC

It should be noted that this was said by a committee meeting some months before the United States left the gold standard. It was no doubt an expression which met with the full approval of the representatives of countries that were then off the gold standard and, presumably, represented the particular conditions to be faced by a country in such a status. No doubt the consideration and thorough exploration of this question will be one of the most useful discussions of the conference.

The agenda, moreover, suggests the importance of a joint consideration of currency policy to be followed prior to such a general restoration. It invites an examination of various practical questions related to the functioning of the gold standard, such as the relation between political authority and central banks, a question now under discussion here in the United States.

The problem of monetary reserves is also involved. The agenda suggests the lowering of cover ratios and other methods of economizing gold and, finally, in this connection, the cooperation of central banks and credit policy.

One of the very important questions to be considered will be the status of silver in world economic policy. Not only the United States but many other nations have a deep concern in this question, which will probably be centered around various methods of raising the price of silver.

In preliminary discussions, foreign governments have expressed themselves as sympathetic to this general point of view. As is pointed out by sound advocates of silver, it is not a question of remonetizing silver so much as the enhancement in the price of silver in order that oriental and South American countries may again be able to purchase American goods.

A major section of the agenda deals with the level of prices. It points out that the tremendous fall in the price level makes the position of debtors exceedingly disquieting and unpleasant. This general situation produces a world-wide distress.

Moreover, decline in prices has not proceeded at the same pace for all classes of commodities. This has caused very serious confusion in international adjustments. Here again, the majority of the representatives of the various nations participating in the conferences in Washington in the past month have favored constructive action to increase the price level.

A further section of the agenda is entitled, "The Resumption of the Movement of Capital." This covers not only the question of existing indebtedness, but suggests the possibility of new and safer methods of international lending.

Probably the most perplexing and difficult part of the conference will have to do with the restrictions on international trade. The report of the agenda committee very strongly points out the innumerable methods now used by nations to establish trade advantages, including not only tariffs but exchange restrictions, clearing agreements, measures relating to the obligation to affix marks of origin on imported goods, quotas, prohibitions, and many others. It points out the various methods of dealing with these restrictions, the difficulties and advantages in the case of each. Practical measures with respect to this subject will no doubt be presented for consideration.

The agenda suggests economic agreements with respect to specific articles like wheat, and, also, various metals. Finally, the agenda suggests some consideration of shipping and of ship subsidies.

UNITED STATES BARS WAR DEBTS AS TOPIC

The American delegates on the agenda were especially enjoined not to permit the introduction of the subject of the debts owed to the United States by foreign governments into the list of topics to be discussed at the conference. This wise prohibition represented not only the point of view of the Hoover administration but of the present one as well.

It was the firm conviction of President Roosevelt, expressed even before his inauguration, that the subject of these debts should not be considered in connection with general economic matters of mutual interest, although they might be discussed concurrently. His contention has been that the various matters involved in the conference can, most of them, be adjusted to the mutual advantage and satisfaction of the various parties concerned and, except in unusual cases, the settlement of one need not be based upon the settlement of another.

It is, for example, exceedingly difficult to measure the relative values of a trade concession, let us say, against an agreement to stabilize currency. Any general process of trading results in an international market place rather than in an economic conference looking to the general rehabilitation of the world on a sounder and more enlightened basis.

Somewhat in the spirit of this position is the contention of the present administration that the debts are not a matter to be traded against other matters but are essentially questions to be determined in consultation with the countries concerned. The further point is that the debtor countries cannot be recognized collectively in the consideration of the debts and that each one separately and distinctly should be heard at any time that it wishes to present suggestions or requests.

It was clear very early in this present year that much of the success of the conference would depend upon the extent to which the participating governments understood each others' problems and points of view, before the conference should assemble.

Therefore, President Roosevelt invited to Washington individually representatives of various countries to discuss the considerations involved in the economic conference. This invitation resulted in individual discussions between representatives of the United States and a score of nations.

Some of the nations, notably England, France, Italy, Germany, and China, sent special representatives, accompanied by expert delegations. Others delegated their accredited representatives in this country to carry on these conversations.

In these conferences there were reviewed by the various topics in the agenda of the conference, and the points of view of the various governments were mutually and sympathetically reviewed. These preliminary conversations were not intended to be definite. Agreements were not sought, but rather mutual understanding was sought.

One thought has come to the foreground of my own mind as I have met and talked with these various representatives. It is the thought that the people of the world, as well as their own rulers, have so suffered during these years of the depression that there is everywhere a feeling of nervousness, not to say fear, in the face of the problems which are involved in recovery. It is not bitter-end chauvinism nor cold and calculated selfishness that makes the way to universal agreement so difficult. It is fear and uncertainty.

The disposition of all of these delegates to lend a willing hand to general recovery was unmistakable. The communiques of good will and hope issued by President Roosevelt and the various leaders during these conferences were not mere formal expressions of international piety but bespoke a concerted desire to be helpful. No one who came into contact with these representatives could fail to discern their sincerity.

But they were, nearly all of them, just as we have been, afraid. They had all experienced the heart-breaking burdens attendant upon participation in the governing of nations which were, for many economic reasons, deeply depressed. If the nations have taken measures to protect themselves even to the extent of shutting out contacts with others, it is largely due to this psychology. To become resentful in the face of these matters is to make them still worse.

FEAR AMONG NATIONS IS MOST SERIOUS PROBLEM

This deep fear of the nations of the world is the most serious problem which must be met at the World Economic Conference.

That it can be partially dissipated by the initial meetings can be confidently expected. But it must be remembered that each delegate in London will have come from a nation over which the icy atmosphere of economic fear has prevailed. The delegates may, as individuals, join in a common spirit of give and take, but their conclusions will always be modified by what their parliamentary bodies will be willing to approve.

This means for one thing that the thought of what reaction they will meet when they return home will act as a restraint upon what they are able to accomplish at the conference itself. And it means in addition that they will be actuated by a personal pride in achieving as much as they can—in other words, in achieving a diplomatic victory for themselves.

This suggests a competitiveness among the delegations which will reflect and intensify the larger competitiveness among the nations they represent.

One of the great problems of the conference will be to reduce to a minimum this spirit of competitiveness. It can be done in part by mutual understanding and in part by a limitation of the efforts to those suggestions that provide the opportunity for a genuine meeting of minds.

In other words, the conference will best serve the hopes and expectations of the world if it does not attempt the unattainable.

That this will be true no one can doubt after a calm review of the views of the practical men sent here by the foreign nations to discuss their problems with us.

There are, however, some problems for which solutions will probably be found. The first of these relates to the immediate monetary policy of the various governments. No doubt the establishment of better relationships between the central bank in each country and the government of that country, together with a closer cooperation between all central banks, would help recovery.

This is primarily a matter for the action of the central banks, but it might well be supplemented by an agreement among governments to synchronize policies of internal public expenditures with the aim of increasing internal trade and employment. Of course, the details of such policies of public expenditures and other action will necessarily be left to the governments themselves; but there is a great value to be derived from coordinating these policies by international understandings.

At the present time, specifically, the United States is in the act of working out its own internal policy of public expenditures. That is in part the import of the message sent by President Roosevelt to the Congress last Wednesday. Part of the philosophy behind this measure is that the Government is seeking to counteract the element of uncertainty in our economic life which makes individuals unwilling to engage in normal business activity.

It is necessary to repeat, however, that determination of such policies must in the final analysis be left to each government. But the coming conference should provide the theater for a better mutual understanding of the policies of the participating governments.

The second problem with regard to the money matters relates to exchange. It is generally agreed that out of the conference there must come progress in the removal of exchange restrictions.

These restrictions exist because of topheavy debt structures, but action with regard to this is not, however, primarily a Government problem. These debts are for the most private debts. But it is possible for governments to guide their nationals toward the finding of a solution.

TARIFF AMONG ISSUES OF DOMESTIC DIFFICULTY

Turning from the financial questions to the second class of problems, economic matters, we find questions much more difficult of solution. All of the nations, including our own, have in the past years erected tariffs and other barriers against trade, designed to secure for themselves a favorable balance of payments. The erection of such barriers has often gone hand in hand with various exchange operations.

The process by which this has happened is long and intricate and need not be gone into here. But the fact is that in the past 10 years each nation has been moving in the direction of setting up a self-contained economic life within its own borders. Thus it will be difficult to make extensive attacks upon trade barriers, however much this may be desired.

This points to a fact which should be made very plain. It should not be expected that the conference itself is going to be able to lay out a plan for a series of international measures which will bring about the alleviation of economic difficulties all over the world.

It is a popular fallacy that the depression has acted like a kind of disease which has swept over one nation after another by the process of contagion. It was argued by a number of distinguished Republicans in the last campaign that our own depression came as a result of a bank failure in Austria.

The fact is that there are many depressions in many countries, which did not come upon them at the same time and which have not affected them in the same way. It is overwhelmingly clear that a good part of the ills of each country is domestic.

The action of an international conference which attempted to bring about cures for these difficulties solely by concerted international measures would necessarily result in failure. In large part the cures for our difficulties lie within ourselves. Each nation must set its own house in order and a meeting of representatives of all of the nations is useful in large part only to coordinate in some measure these national activities. Beyond this there are relatively few remedies which might be called "international remedies."

The failure of international conferences arises from two mistakes. The first is that the general public is led to expect altogether too much from such international action.

The other mistake is that the mutual enthusiasm of those participating in conferences leads them to attempt more than can reasonably be expected in the way of accomplishment.

The clear understanding of these possibilities of danger must be had in approaching this conference. It is very important that such mistakes be avoided.

With clear understanding of the nature of the conference and its objectives, the people of the United States can place the advantages that they may expect from it in the proper proportion to their general view of their own economic recovery. Above all, they must recognize that world trade is, after all, only a small percentage of the entire trade of the United States. This means that our domestic policy is of paramount importance.

We must recognize, all of us, that common sense dictates that we build the basis of our prosperity here and direct all of our efforts to the end that our national welfare and prosperity may lead us away from the distress into which the depression plunged us. But wise international cooperation can help distinctly and permanently.

AGRICULTURAL LEGISLATION—ADDRESS BY EDWARD A. O'NEAL

Mr. BANKHEAD. Mr. President, I ask unanimous consent to have printed in the RECORD an address by Edward A. O'Neal, President of the American Farm Bureau Federation, delivered over the radio on May 13, 1933.

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

Congress has been in session a little over 2 months. During these few momentous weeks more far-reaching legislative and administrative action has been taken by the Government at Washington than in any similar period in the history of the Nation. The new deal for agriculture and the Nation is being put into effect with a speed and definiteness that is most gratifying. It is somewhat bewildering to some of the oldtimers around Washington who are accustomed to the usual deliberateness and hesitancy in legislative procedure. The remark is heard frequently here that events are moving so rapidly that it is difficult to keep up with them.

Consequently, I feel that nothing I could say today would be of more interest to you, or more timely, than to give a brief report of what has been done here at Washington during the past 2 months to end the depression and restore prosperity to agriculture and the Nation.

Last February, just before the new administration assumed office, I was one of the national leaders invited by the Senate Finance Committee to present recommendations as to the causes and cure of the depression. I presented a comprehensive program which reflected not only the conclusions of the American Farm Bureau Federation, but also the conclusions of the leaders of organized agriculture, developed through numerous conferences which I had previously called.

I asked for the adoption of a national monetary policy to raise and stabilize commodity prices at a normal level, to give us an honest dollar, so that our debts could be repaid with the same kind of a dollar that we borrowed. And I presented a concrete plan for accomplishing this purpose by changing the weight of gold in the dollar to the extent necessary to achieve such stabilization.

I asked for the rehabilitation of agriculture and the restoration of its purchasing power. To attain this end, I recommend eight constructive proposals, as follows:

(1) The enactment of surplus-control legislation to restore price parity to agriculture with other groups.

(2) Tariff adjustment to restore foreign trade and to give agriculture the benefits of the home market as much as industry.

(3) Reduction of taxes and the cost of government and the redistribution of the tax burden on a more equitable basis.

(4) Refinancing of farm debts at low interest rates and reorganization of agricultural credit agencies to provide adequate credit at rates as low as other groups enjoy.

(5) Reduction of transportation rates on farm products to a fair and equitable basis, and the development of the cheapest and most efficient forms of transportation.

(6) Promotion of farmers' cooperative organizations so as to reduce the cost of distribution and so as to give the farmer a fair share of the consumer's dollar.

(7) Guaranty of bank deposits in order to restore confidence and make the banks safe for depositors.

(8) Development of national planning for the rehabilitation of rural life by a closer coordination with the farm organizations of all governmental agencies for the aid of agriculture.

Such, in brief outline, was the broad program which I presented to the incoming administration. Now let me review for you very briefly the wonderful progress that has been made on our program.

Yesterday, by invitation from the White House, I had the honor and the pleasure of witnessing President Roosevelt attach his signature to the new farm bill. This act, in which are consolidated three different measures—the farm relief bill, the farm mortgage bill, and the inflation bill—is the most comprehensive and far-reaching economic legislation ever enacted by an American Congress—a measure of world-wide significance, especially in its monetary aspects. As I watched the President's pen add the signature making these proposals the law of the land, I could not help but be thrilled by the historic importance of the occasion. It meant the dawn of a new day for American agriculture and the whole Nation. It meant the fulfillment of years of struggle and effort which we farm leaders have put into the long battle to gain equality for agriculture. It meant the discarding of outworn shibboleths and the establishment of a new economic and social order in America which puts men above money, and which restores justice in our economic structure. It is the greatest social development of the age. It meant the death knell of the depression and the beginning of the restoration of the purchasing power of agriculture, employment for labor, and prosperity for the Nation.

Truly, it is a new day for agriculture and a great day of victory for the American Farm Bureau Federation, which has stood in the forefront of the fight for equality for agriculture for so many

years. At last the justice of our cause has been recognized. And not only has our cause been recognized, but we were called in by the administration to help formulate the measure to remedy the conditions confronting agriculture. And now we are being consulted as to the administration of the act. We feel that this is as it should be. This sort of teamwork between the Government and organized agriculture is essential if we are to have national planning for agriculture that will be on a sound basis and get effective results.

Title I of the farm bill has as its objective the relieving of the existing economic emergency by increasing agricultural purchasing power. In the case of the great basic commodities—wheat, cotton, corn, hogs, tobacco, milk, and milk products—of which, in most instances, we produce huge surpluses, there are several alternative methods whereby production can be brought more nearly in line with consumptive demands at home and abroad. This adjustment of production to consumption is to be brought about not by the compulsion of law, but by rewarding those who cooperate in adjusting their production as required and letting others take the economic consequences of their folly. The damming up of our surpluses owing to changed world conditions makes it necessary for every farmer to face conditions as they are and to adjust himself to the voluntary use of the equalization-fee principle as contained in this law. This bill goes farther than our old equalization-fee plan. Its application is voluntary for the farmer-producers but involuntary for the processors.

The farmers who adjust their production on a sound basis as required will be rewarded by the payment to them of either acreage rental payments on each acre retired from production or allotment benefits on each bushel of wheat or bale of cotton for domestic consumption. When the plan gets into full operation the amount of these payments, when added to the initial prices received by farmers, will be sufficient to give the farmers a total return equal to the pre-war purchasing power of the particular commodity on the portion for domestic consumption. No payments will be made on the portion going into export, since these products obviously must be sold at the world-market price.

In addition, the Secretary of Agriculture can negotiate marketing agreements and apply licensing powers with respect to any agricultural product. Under this provision relief can be brought to the producers of all farm products. Virtually, this gives the Secretary control over the distribution of farm products from the point of production to the point of consumption. The marketing agreements are exempted from the antitrust laws and are enforceable not only in the courts but by means of the licensing powers granted the Secretary under which he can require every processor and every distributor of any farm product to obtain a license from the Secretary of Agriculture. The scope of the powers under this licensing provision are virtually unlimited in carrying out the objective of the act, which is to restore farm purchasing power to normal. I quote from the act in this regard:

"Such licenses shall be subject to such terms and conditions * * * as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof."

The Secretary can suspend or revoke any license and thus stop the processor or distributor from doing business if he persists in violating the conditions laid down. This simply means that the Secretary has the power to lay down rules and regulations and prescribe such marketing agreements that will eliminate all unfair practices and profiteering in the marketing of farm products, to the end that farmers will be assured of a fair share of the consumer's dollar and the consumers will be protected from profiteering and racketeering.

This is one of the most fundamental and far-reaching parts of the bill. The lessening of the spread between the producer and the consumer is one of the greatest tasks before us. It is estimated that there is an annual waste of $10,000,000,000 in our distribution system, not to mention the profiteering and unfair share of the consumer's dollar which is being taken by the agencies between producer and consumer. Our cost of distribution of food products in December 1932 was 147 percent of the pre-war, or 47 percent higher than the pre-war level, while farm prices are about 50 percent less than the pre-war level. It is this hand in the dark between the producer and the consumer which is taking so heavy a toll from farmers and consumers. The farmer gets too little and the consumer pays too much. The Secretary now has the power to correct this injustice and give the farmers a fair return for their products without unduly burdening consumers. I hope he will use it to the fullest extent necessary to bring this about.

Thus, under this bill, Congress has placed squarely upon the Secretary of Agriculture and the administration the responsibility of restoring farm purchasing power to normal, endowed him with broad powers, and virtually said: "Now it is up to you to do the job."

The bill carries out the main principles of farm relief legislation which the American Farm Bureau Federation and other farm organizations agreed upon at the historic farm conference held by Secretary Wallace on March 10. The Secretary is following in his distinguished father's footsteps, and has proved himself to be a true and tried friend of agriculture, one who deserves the wholehearted support of all of us whether or not we live on the farms of our Nation. It is announced that our old friend, George Peek, the veteran champion of equality for agriculture, will be the administrator of the act. He is a charter member of the Illinois agricultural association—the Illinois Farm Bureau. The farmers have confidence in these two leaders.

The passage of this bill represents one of the greatest legislative victories which organized agriculture ever achieved. It is the first fundamental farm relief measure advocated by organized agriculture which has ever been enacted into law.

The measure passed substantially in the form desired by the administration. To show the remarkable support which the measure commanded in Congress, the bill first passed the House by a vote of 315 to 98—more than 3 to 1 in favor of it. Later it passed the Senate by a vote of 64 to 20—also more than 3 to 1 in favor of it. Finally the conference report was approved by both Houses.

Secretary Wallace is losing no time in getting under way to administer the bill. Long before final approval of the measure was given, he and his staff of assistants were giving consideration to the problems of administration, in order to be ready to go right to work when the time came. I hope that every farmer in America will give him and his staff hearty and whole-hearted support and cooperation. No farm relief plan can succeed fully without the cooperation of the farmers themselves. To make it a complete success our farmers must give it their whole-hearted support.

The farm mortgage relief bill, which was added as title II of the farm bill, is designed to relieve the staggering debt burden of agriculture. It embodies a gigantic program for refinancing distressed-farm mortgages and other farm debts at a scale-down in principal and a sharp lowering of interest rates, and with 40 years' time in which to pay the principal of the debts.

A total of $2,000,000,000 to refinance farm mortgages is to be provided by a bond issue of the Federal land banks. In order to get the money at low cost, the interest on these bonds is to be guaranteed by the Government. The interest on the mortgages is to be just as low as the money can be obtained in the money market and made available for this purpose, but in no event can it exceed 4½ percent. The interest rate on all existing land bank loans is reduced to 4½ percent. This will mean an annual reduction of more than 20 percent in the annual interest payments of farm debtors who obtain this relief.

In addition, $200,000,000 is made available from funds of the Reconstruction Finance Corporation for direct loans to farm debtors in distress, to refinance short-term loans, and debts other than first mortgages.

Deserving old and new borrowers through the Federal land banks, who are unable to meet their interest payments, can obtain extensions and amortize these delinquent installments over a 5-year period.

Neither old nor new borrowers from the Federal land banks will be required to make any payments on principal for 5 years.

We Farm Bureau leaders were consulted by the administration in formulating this great debt-relief program. It carries out in the main the recommendations of our rural-credits committee and our last annual meeting in providing for refinancing of farm debts at lower rates of interest and amortizing payments over longer periods of time. We sought a maximum lower limit on rate of interest, but we are assured that the administration will seek to sell the bonds at the lowest possible rate and give borrowers the benefit of any lower rate obtainable. It will enable farmers to hold their farms and help them to carry on until farm purchasing power is restored to normal. Gov. Henry Morgenthau, Jr., who is in charge of this gigantic relief program is an able administrator and the farmers' friend.

The inflation measure which was added to the farm bill confers far-reaching powers on the President to stop the deflation and to restore commodity prices generally. It authorizes the President to expand credit through the Federal Reserve System up to $3,000,000,000, to issue United States notes up to $3,000,000,000, to increase or decrease not more than 50 percent the weight of gold in the gold dollar, to fix the weight of the silver dollar at a fixed ratio in relation to the gold dollar, and to provide for the unlimited coinage of such gold and silver at the ratio so fixed, to accept for a 1-year period not to exceed $200,000,000 worth of silver at 50 cents per ounce in payment of debts owed our Government by foreign governments, and to issue silver certificates against this silver.

Following the approval of the inflation measure by Congress, the President said: "The administration has the definite objective of raising commodity prices to such an extent that those who have borrowed money will on the average be able to repay that money in the same kind of dollar which they borrowed. We do not seek to let them get such a cheap dollar that they will be able to pay back a great deal less than they borrowed. In other words, we seek to correct a wrong and not to create another wrong in the opposite direction. These high powers are being given to the administration to provide, if necessary, for an enlargement of credit in order to correct the existing wrong. These powers will be used when, as, and if it may be necessary to accomplish the purpose."

The one big thing lacking in this emergency program so far as that there is no yardstick established for our dollar. No one knows at what level its value is to be fixed, nor is there any

mandate to maintain its value at any given level. This indefiniteness doubtless has decided advantages in negotiating with foreign countries for international monetary stabilization, but uncertainty, if long continued, is perilous. Uncertainty is not only disturbing to business but it invites undue speculation, which once started is difficult to stop. We are hoping therefore that the President will go ahead and complete the job of stabilization at the earliest practicable moment. We hope he will seek permanent legislation to stabilize our dollar at a normal level of value so it will always have a constant purchasing power. We have recommended such action to the President and to Congress.

Such a permanent program is provided in the Goldsborough bill (H.R. 5160) which we have endorsed. This bill establishes an independent Government agency charged with the duty of changing the amount of gold in the dollar by varying the price of gold in terms of the dollar from time to time to the extent necessary to stabilize the purchasing power of the dollar at a normal level, so that a dollar will always purchase a constant amount of goods. This is fair to the debtor and the creditor, and to the producer, and the consumer. This measure of value for the dollar carries out the constitutional obligation upon Congress to regulate the value of our money. It will complete the program initiated by President Roosevelt in restoring and stabilizing the commodity-price level.

The cost of government here at Washington is being drastically reduced, and it is estimated that the total expenditures of the Federal Government for the next fiscal year will be nearly $1,000,000,000 less than the expenditures this year. This action is a necessary forerunner of reduction in taxes. We are insisting, however, that economy be constructive and not discriminate unfairly against agriculture. We are fighting vigorously for the Extension Service, vocational education, and the land-grant colleges. It would be folly to destroy these fundamental agencies which are so essential to maintaining agriculture on a sound basis—so essential to national planning for agriculture. We have confidence to believe the President will not permit these agencies to be injured or destroyed.

Cooperative marketing of farm products is to be further aided by the Farm Credit Administration. A special division is to be set up to make loans to cooperative associations. The stabilization feature of the Agricultural Marketing Act, which was so costly, has been abolished and the funds that were left in the revolving fund of the old Farm Board will be used in the future exclusively for the purpose of loans to cooperative associations.

In the field of transportation most remarkable progress is being made. The Interstate Commerce Commission, in response to a joint petition filed by the American Farm Bureau Federation and four other organizations, has ordered an investigation of the general freight-rate level. We demanded a drastic reduction in the general level of rates on agricultural products and all basic commodities. The Commission moved quickly in ordering a public hearing, and we are hopeful of success.

Guaranty of bank deposits is not yet an accomplished fact, but a measure is being formulated by Senate and House leaders which is understood to provide for a guaranty fund built up by assessment of the banks, for the purpose of guaranteeing deposits. We still believe that the banks should be so regulated in their operations by the Government that the Government can stand back of the depositors, so that every depositor in the future will be sure of getting back every dollar which he entrusts to the bank. We hope that the new proposal will give the results we desire.

The great Muscle Shoals properties at last are to be put to work as a result of legislation approved this week by Congress. A Tennessee Valley Authority is to be set up by the Government to operate the gigantic hydroelectric plant at Muscle Shoals, build Cove Creek Dam, and otherwise develop the resources of the Tennessee River Valley. A great industrial expansion and development is expected in this area, providing cheaper power, cheaper fertilizer, increased employment, improved navigation facilities on the Tennessee River, and conservation of the natural resources of the valley. It is the fulfillment of a dream that has been cherished for years. We are backing the President's program for the Tennessee River Basin whereby the Government is to make Muscle Shoals a yardstick for the cost of power and a yardstick for the cost of fertilizer.

A $3,000,000,000 public-works program is also being formulated by the administration to stimulate employment and speed up economic recovery. We Farm Bureau leaders have urged that a large part of these funds be used for highway building, and especially, farm-to-market roads. I particularly stressed the building of low-cost farm-to-market roads, which give more mileage and more employment to labor per dollar of expenditure than high-cost boulevards.

By Executive order, effective this month, President Roosevelt has ordered a reorganization and consolidation of the numerous Federal agencies extending credit to agriculture into one agency, to be known as the "Farm Credit Administration." This consolidation will get rid of the duplication and inefficiency resulting from a multiplicity of credit agencies scattered among various branches of government. It carries out, in the main, the recommendations of our rural credits committee, and our annual convention last December.

Finally, we are making rapid progress toward national planning not only for agriculture but for the Nation. The new farm bill is now a law and the measures for planning in industry are being pushed forward rapidly. We are entering upon a new era in American life and achievement—an era of intelligent national planning. Less emphasis must be placed on rugged individualism and more emphasis on cooperation for mutual benefit. Economic justice must replace exploitation. Spiritual values must be exalted above material values. Men must be valued more than money. The old order broke down in the hour of our greatest need. It destroyed itself because it was founded upon the shifting sands of economic injustice in which the strong exploited the weak. Through this national planning we hope for a new era of prosperity and economic security, in which agriculture shall receive a fair share of the consumer's dollar, labor a fair share of the profits of industry, and capital a fair return on its investment.

We are rejoicing at the wonderful progress which has been made in these few weeks. Already there is new hope and confidence in the people such as we have not had since the depression struck us in full force. It gives us courage and hope to press forward for the completion of the task of economic reconstruction.

I am profoundly grateful for this remarkable progress and it gives me a thrill of pride in our great Farm Bureau organization, because of the prominent part which it has played and is continuing to play in bringing this new day to American agriculture.

The farmers are in the saddle in Washington. The Congress and the President are in deep sympathy with the farmers. The pledges to agriculture are being fulfilled. The success of this program to a large extent depends on its proper administration. It also depends on the whole-hearted cooperation of all farmers and all citizens. Let's all put our shoulders to the wheel and push forward on this reconstruction program.

STATEMENT BY GENERAL HINES AS TO WAR VETERANS' COMPENSATION

Mr. DUFFY. Mr. President, I ask unanimous consent to have printed in the RECORD a statement by Gen. Frank T. Hines, carried by the United Press, with reference to the previously existing and promulgated orders with reference to service-connected disabilities, showing a modification thereof.

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

[From the Washington Post, May 23, 1933]

WAR ILLS PENSIONS WILL BE CONTINUED—GENERAL HINES ANNOUNCES PLAN TO PROTECT VETERANS UNDER ECONOMY BILL

Veterans who have received disability from disease directly resulting from war-time service will be continued as service-connected cases under the economy bill, Brig. Gen. Frank T. Hines, Veterans' Bureau Administrator, announced last night.

That means that a veteran suffering from a 10 percent disability of that nature will be assured of a pension, the Veterans' Bureau head said.

The customary exceptions—that the veteran shall have an honorable discharge and shall not have acquired his disease "because of misconduct"—are made.

NEW SCEDULES MODIFIED

"It is the announced policy," the Bureau's statement read, "to afford to veterans suffering from disabilities for which the conditions of military service are responsible every consideration consistent with the law and public welfare in general.

"It is no part of such a policy to reverse former decisions regarding the service incurrence of disease where such former decision was reasonably proper and the veteran now meets the requirements regarding character and conditions of war-time service."

Hines said another order had been issued modifying in some cases the new schedules for rating disabilities. It applies particularly to gunshot wounds, arrested tuberculosis, and the other forms of severe disability.

ASSURANCE TO VETERANS

"The purpose of this order," it was said, "Is to give added assurance that veterans having disability directly traceable to war service would receive a fair pension notwithstanding reductions.

"Veterans may be assured, therefore, that any determinations made in their cases which do not conform to these instructions will be corrected immediately the present review is completed."

President Roosevelt's economy bill slashed approximately $400,000,000 from veterans' compensation, but he subsequently announced he intended to review the reduction in an attempt to avoid injustice.

JUST A DOG

Mr. SCHALL. Mr. President, since the death of my guide dog, Lux, last March the mails of this and other countries have brought me hundreds of letters of regret. So many expressions of interest have gladdened and surprised me. I now realize that Lux had many admirers and friends, and I am embarrassed as to how I may best give answer to these kind sharers in a grief that I had thought to bear alone. As my dumb friend's ready executor, I would willingly make a personal reply to each letter of this unexpected legacy of

correspondence, but a trial of this usual method has convinced me that it would be too hard.

Therefore I am asking to have printed in the RECORD a letter of mine to the LaSalle Kennels, of Minneapolis, as an answer to them all; and as an acknowledgment of the many newspaper tributes to Lux I ask the insertion of one of these, written by Scotty Mortland, and published in the San Francisco Chronicle of March 23, 1933.

If greatness is unselfish service, Lux reached the pinnacle.

I know I will not be misunderstood for taking space in the columns of the CONGRESSIONAL RECORD to commemorate so fine an animal—what some persons may call "just a dog." My dog Lux was a national—yea, international—figure, and in doing him this honor I am not acting without precedent.

There has stood on this floor a man who was eloquent and able, Senator Vest, of Missouri, one of that splendid trio known as the "three V's"—Vance, Vest, and Voorhees—but his right to eminence comes not alone from what he did here, for he wrote a most-noted eulogy, a eulogy of the dog. Nor was he the first to find in its qualities a thing to inspire; for since time became of record, the song of fable and the story of history have honored them.

Katmir, the famous "dog of the seven sleepers", was allotted by the Prophet Mahomet a place in the Moslem paradise. Barry, the great mastiff of St. Bernard, who saved the lives of 40 people, stands preserved in the museum at Berne. Boatswain, the favorite of Lord Byron, lies in honored rest in Newstead Abbey garden. Master McGrath, Lord Lurgan's dog, who had won three Waterloo cups, in a ceremony not all mock "made his bow" to England's Queen. Caesar, the pet of Edward VII, behind his master's charger, between the motionless lines of 30,000 British soldiers standing with arms reversed, followed to and insisted on sharing the "narrow cell" of the body of his King.

The claims of such animals to esteem came from almost human deeds of courage, or from the reflected luster of masters who were great as poets and princes. Lux knew and held among his many official friends two Presidents of the United States. The clear title to honor which I present for Lux is this: Doing his supreme best, he gave devoted service. He was indeed my "light", my eyes! No man could have served me better. The memory of him will temper the chill snows of life's coming winter, and smooth the furrowed brow with gentle thought. The heart will quicken its slackened beat, though near the verge of the silent grave, when the reflection of his aging master dwells on that fugitive but pleasant span of former life—that time when Lux did honorable duty, not only as a guide but as a companion and friend.

I ask unanimous consent to have printed in the RECORD the letter to which I have referred and a poem appearing in the San Francisco Chronicle of March 23, 1933.

There being no objection, the letter and poem were ordered to be printed in the RECORD, as follows:

Mr. J. L. SINYKIN,
LaSalle Kennels, Minneapolis, Minn.

MY DEAR MR. SINYKIN: Lux, my faithful friend, my patient guide, is gone. A look into my heart might tell you of my loss; words cannot.

I thought it inappropriate to take him with me on Senator Walsh's funeral cortege. He grew anxious and morose; his sensitive, untamed nature unable to follow the human precepts that combat the distance and length of absence. For this strange division from me he knew no reason or cause. He became so tense that his digestion failed, his overwrought system refusing to assimilate food, and on the 17th of March he died. No question that sorrow killed him! No doubt that he was the victim of mourning and love for me!

An autopsy confirmed this conclusion, as did his behavior whenever I had been forced to leave him for shorter intervals before. For then he'd grow sick and listless and protest with grievous moanings. And when I came home it was to know a pleasure from his enthusiastic welcome, which might well equal that of Byron's returning traveler in Don Juan, who said:

"'Tis sweet to hear the watchdog's honest bark
Bay deep-mouth'd welcome as we draw near home;
'Tis sweet to know there is an eye will mark
Our coming and look brighter when we come."

Lux was so completely mine! None but the blind will understand the whole of what I mean; none but those who have come to cherish a deeper love for the ever-hidden sun; none but they who have "wandered lonely as a cloud", missing the "holy pleasure" that's in an eye; none but they who "only stand and wait", wondering what may be "that thing called light."

The kindliest of seeing persons grow irked at waiting; but Lux would gladly await my pleasure through long hours, without food, drink, or movement—a patient sentinel at my feet. I might tell you of the many useful things he could do and use too much of space in describing his many traits of intelligence and affection. You know his breed and what might be generally expected of it. I will take but one of the many days when Lux was with me and let you judge from its story of those things in which he excelled.

I choose a day which was fair, one on which I was much abroad. I was in my room ready to begin this day, and stood at the window of the porch, to which ran a ladder from Lux's kennel below. A word brought him scrambling up and into my room, as eager for my company and the rigors of his duty as a charger who has sniffed the smoke of battle. He reared, and, standing his great height with his paws on my shoulders, laid his noble head against my face and gave to me his greeting. Down he went, and stood with his head pressed against my knee. My word was given to assure him that our "good morning" was spoken; but something was lacking, for he jerked his head beneath my hand and clutched it between his two paws. I patted him, and then he sprang away with happy bark; his tail threshed me like a club; and in a twinkling he had pushed up the rug and created havoc generally. I had some regard for the furnishings and sent him back down the ladder.

Now, we moved off, in attendance on the day's business, but after a few ecstatic gambols Lux grew quiet and changed. He stiffened as a soldier at the word that may mean death, and I think his eye must have steadied with that look I remember to have seen in man's—the concentrated, vigilant look that's awake for danger. He knew that to him had been intrusted a heavy charge—the life of his master. And so he was wherever he led me that day, through moving traffic, on elevators, or on the subway at the Capitol. Sometimes he'd growl as we moved through crowds, a warning to those who came too near that he, though dumb, was leading the blind. And once in traffic he blocked me with his body, or else I would have stepped before the wheels of a heedless car. And if I faltered, if the hidden rush of danger for an instant appalled me, his ready nose jogged my hand in comfort, and his hearty tug on the leash or bugle banished my instinct to fear.

And thus went the day, with me safe in his companionship and protection.

The unheeded division between light and dark had passed; and again I stood at my window and felt the "meaner beauties" of the night, which I could not see. And here Lux gave an indication of his unresting vigilance. I knew that he was asleep at the foot of the ladder, for this was his habit on mild nights; and I was wondering how often he had kept such watch when the nights were cold, when he came scuffling his way to me. The sense of smell, which for him was the open eye in sleep, had told him that I was there. He knew that this was unusual. For him the unexplained was mystery, and mystery was danger. I spoke reassuringly, and down he went to his post below, waiting the time when I should retire and he would take his place at the foot of my bed. I heard him growl—he had circled about—and then he barked with full-throated tone that made the night fearful with sound. Perhaps the air had borne some unliked scent, or he may but have thrown this challenge to the night, to any menace that it hid.

I slept; and had I dreamed it would have been of the noble dog who watched by my bed, his live nostrils twitching to each vagrant breeze, his sensitive ears alert for sound, his eyes, that knew the night and stared its blackness down, agleam in constant vigil on my sleep.

I cannot wonder, since I have known Lux, that in medieval monuments the dog is placed at the feet of women as symbolic of affection and fidelity, and seen as a rest for the mailed feet of crusaders. I agree with that artistic choice, and with the one that pictures him carrying a lighted torch in representations of Dominic the Saint of Old Castile.

Argos, the dog of Ulysses, recognized the hero of legend when he returned from his wanderings, knew this long-gone master, and died of joy in the knowing. A happy passing—to die of joy! A greatness in such going! But Lux died of grief. Which emotion is the nobler?

I cannot say too much for Lux, for he laid down his life; and well his story pleads the cause

"Of those dumb mouths that have no speech."

The sympathetic understanding of your letter is appreciated, and your kind offer of another fully trained German Shepherd from your kennels is accepted with gratitude. No other can take the place that Lux held in my affections or give me so much of devotion. No other dumb eloquence can tell me that I alone, of all the world, stand for happiness. But the wonderful training he had from you gives me reason to believe that what you have done with one animal you may do with a second.

Your offer has renewed my hopes. I await the arrival of Lux the Second with impatience and some skepticism, for "when comes such another?"

In deep appreciation, I am,
Cordially yours, THOS. D. SCHALL.

[From the San Francisco Chronicle of Thursday, Mar. 23, 1933]

BLESSED BE THE MAN A GOOD DOG LOVES

[Lux, the German police dog belonging to blind United States Senator THOMAS D. SCHALL, of Minnesota, couldn't eat for sorrow when the Senator was gone for 5 days and finally lay down and died.—News item.]

For 5 long years
This faithful dog
Had been the seeing eye
And guiding footsteps
For his blind master;
And if precepts are true,
Then we can well forget the dog
And think much of the man—
Precepts that teach us
That too much familiarity
Breeds a deep contempt.
In his dog's head an almost
Human brain was placed
To let him keenly analyze
The virtues and the faults
Of this man friend of his;
In his dog's body was a heart
Whose every drop of blood
Was hot with constant love
For his man master;
In his brown eyes a mirror
To catch a true picture
Of this dependent human
And hold it firm and close.
To other men about him
This blind man might show
Bright coloring of merit
Which they might not gainsay,
But Lux saw deeper down;
And when he died in sorrow
At this short separation
His death said plainly
That his master was a man.

THE CALENDAR

Mr. ROBINSON of Arkansas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of unobjected bills on the calendar.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Arkansas? The Chair hears none, and the Senate will proceed with the calendar for the consideration of unobjected bills.

The first business on the calendar was the joint resolution (S.J.Res. 15) extending to the whaling industry certain benefits granted under section 11 of the Merchant Marine Act, 1920.

Mr. KING. Let that go over.

The PRESIDING OFFICER. The joint resolution will be passed over.

CALL OF THE ROLL

Mr. ROBINSON of Arkansas. Mr. President, some Senators who are not present are interested in the call of the calendar. I therefore suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Kendrick	Robinson, Ark.
Ashurst	Costigan	Keyes	Robinson, Ind.
Austin	Couzens	King	Russell
Bachman	Cutting	La Follette	Schall
Bailey	Dale	Lewis	Sheppard
Bankhead	Dickinson	Logan	Shipstead
Barbour	Dieterich	Lonergan	Smith
Barkley	Dill	Long	Steiwer
Black	Duffy	McAdoo	Stephens
Bone	Erickson	McCarran	Thomas, Okla.
Borah	Fletcher	McGill	Thomas, Utah
Bratton	Frazier	McKellar	Townsend
Brown	George	McNary	Trammell
Bulkley	Glass	Metcalf	Tydings
Bulow	Goldsborough	Murphy	Vandenberg
Byrd	Gore	Neely	Van Nuys
Byrnes	Hale	Norris	Wagner
Capper	Harrison	Nye	Walcott
Caraway	Hastings	Overton	Walsh
Carey	Hatfield	Patterson	Wheeler
Clark	Hayden	Pittman	White
Connally	Hebert	Pope	
Coolidge	Johnson	Reynolds	

The PRESIDING OFFICER. Ninety Senators having answered to their names, a quorum is present.

BILLS PASSED OVER

The bill (S. 682) to prohibit financial transactions with any foreign government in default on its obligations to the United States was announced as next in order.

Mr. KING. Let that go over.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 317) authorizing the Reconstruction Finance Corporation to make advances to the reclamation fund was announced as next in order.

Mr. KING. Mr. President, the provisions of this bill were incorporated in a measure which has passed, and I think has become law. At any rate, I ask that we pass over this bill; and if the measure to which I refer has become law, I shall move the indefinite postponement of this bill at the next calling of the calendar.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 882) to provide for the more effective supervision of foreign commercial transactions, and for other purposes, was announced as next in order.

Mr. VANDENBERG. In the absence of the Senator from California [Mr. JOHNSON], I ask that the bill go over.

The PRESIDING OFFICER. The bill will be passed over.

EVERGLADES NATIONAL PARK

The bill (S. 324) to provide for the establishment of the Everglades National Park in the State of Florida, and for other purposes, was announced as next in order.

Mr. KING. Let that go over.

Mr. TRAMMELL. Mr. President, I should like to ask the Senator if he is not willing to give a little consideration to this matter. The bill has passed the Senate twice, is favorably reported by the House committee, and now we have it on the calendar again, and we should like very much to get some action on it.

Mr. KING. Mr. President, may I say to my friend that I have written for certain information, and if that information is along the lines which I think it may be, I shall have an amendment to offer.

Mr. TRAMMELL. I hope the Senator will be ready at the next call of the calendar with his amendment.

The PRESIDING OFFICER. The bill will be passed over.

BILL PASSED OVER

The bill (S. 1513) to amend Public Act No. 435 of the Seventy-second Congress, relating to sales of timber on Indian land, was announced as next in order.

Mr. McKELLAR. Mr. President, may we have an explanation of this bill?

Mr. KING. Let it go over.

The PRESIDING OFFICER. The bill will be passed over.

CONVEYANCE OF LANDS TO HARRISON COUNTY, MISS.

The bill (S. 1514) authorizing the Administrator of Veterans' Affairs to convey certain lands to Harrison County, Miss., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Administrator of Veterans' Affairs is authorized and directed to convey by quitclaim deed to Harrison County, State of Mississippi, all right, title, and interest of the United States in and to the following-described lands along the north line of the United States Veterans' Administration property at Gulfport, Mississippi: Beginning at the northwest corner of said property at the intersection of the western boundary of section 36, township 7 south, range 11 west, St. Stephens meridian, and the southern boundary of the Old Pass Christian Road; thence northeasterly along the existing northern boundary of said property a distance of 990 feet, more or less, to the northeast corner of said property; thence southerly on a line parallel to the aforesaid western line of said section 36 a distance of 15.8 feet, more or less, to a point; thence southwesterly on a line 15 feet from and parallel to the aforesaid northern boundary of said property a distance of 990 feet, more or less, to a point on the western boundary of said section 36; thence northerly along the western boundary of said section 36 to the point of beginning; and containing thirty-four one-hundredths acre, more or less.

CIRCUIT JUDGE, NINTH JUDICIAL CIRCUIT

The bill (S. 813) to remove the limitation on the filling of the vacancy in the office of senior circuit judge for the

ninth judicial circuit was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the President is authorized, by and with the advice and consent of the Senate, to appoint a circuit judge to fill the vacancy in the United States Circuit Court of Appeals for the Ninth Judicial Circuit occasioned by the death of Hon. William B. Gilbert. A vacancy occurring at any time in the office of circuit judge referred to in this section is authorized to be filled.

BILL PASSED OVER

The bill (S. 1129) to amend sections 361, 392, 406, 407, 408, 409, 410, 411, and 412 of title 46 of the United States Code, relating to the construction and inspection of boilers, unfired pressure vessels, and the appurtenances thereof, was announced as next in order.

Mr. KING. Mr. President, I note the absence of the junior Senator from Mississippi [Mr. STEPHENS]. Let the bill go over.

The PRESIDING OFFICER. The bill will be passed over.

PROSECUTION BY INDICTMENT

The bill (S. 1518) providing for waiver of prosecution by indictment in certain criminal proceedings was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That hereafter all prosecutions for capital or otherwise infamous crimes, in the courts of the United States and the courts of the District of Columbia, shall be by presentment or indictment of a grand jury unless the accused shall, in open court and in writing, and under such rules as the court may prescribe, expressly waive prosecution by presentment or indictment, and consent to the filing of an information against him, except that no such waiver shall be allowed unless the accused has had a preliminary examination before a United States commissioner or other examining magistrate, which examination has resulted in a finding of probable cause. In the event of such waiver the prosecution shall, with the approval of the court, be by information, and any judgment rendered and sentence imposed in any such case shall have the same force and effect in all respects as if the same had been rendered and imposed pursuant to a prosecution by presentment or indictment.

BILLS PASSED OVER

The bill (S. 510) to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes, was announced as next in order.

Mr. ROBINSON of Arkansas. That will have to go over.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 1577) creating the St. Lawrence Bridge Commission and authorizing said Commission and its successors to construct, maintain, and operate a bridge across the St. Lawrence River at or near Ogdensburg, N.Y., was announced as next in order.

Mr. McKELLAR. Mr. President, I should like to have an explanation of this bill. It had better go over, in the absence of an explanation.

The PRESIDING OFFICER. The bill will be passed over.

REDEMPTION OF NATIONAL BANK NOTES

The bill (S. 1634) to provide for the redemption of national-bank notes, Federal Reserve bank notes, and Federal Reserve notes which cannot be identified as to the bank of issue, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That whenever any national-bank notes, Federal Reserve bank notes, or Federal Reserve notes are presented to the Treasurer of the United States for redemption and such notes cannot be identified as to the bank of issue or the bank through which issued, the Treasurer of the United States may redeem such notes under such rules and regulations as the Secretary of the Treasury may prescribe, and the notes so redeemed shall be forwarded to the Comptroller of the Currency for cancelation and destruction.

SEC. 2. National-bank notes and Federal Reserve bank notes redeemed by the Treasurer of the United States under this act shall be charged against the balance of deposits for the retirement of national-bank notes and Federal Reserve bank notes under the provisions of section 6 of the act entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes", approved July 14, 1890 (U.S.C., title 12, sec. 122), and section 18 of the Federal Reserve Act (U.S.C., title 12, sec. 445); and charges for Federal Reserve notes redeemed by the Treasurer of the United States under this act shall be apportioned among the 12 Federal Reserve banks in proportion to the amount of Federal Reserve notes of each Federal Reserve bank in circulation on the 31st day of December of the year preceding the date of redemption, and the amount so apportioned to each bank shall be charged by the Treasurer of the United States against deposit in the gold-redemption fund made by such bank or its Federal Reserve agent.

HOWELL K. STEPHENS

The bill (S. 879) for the relief of Howell K. Stephens was announced as next in order.

Mr. KING. Let that go over.

Mr. SHEPPARD. Mr. President, may I make a brief explanation to the Senator?

Mr. KING. I withhold the objection.

Mr. SHEPPARD. Mr. President, the man mentioned in this bill was discharged with the notation, "not honorably", because he had concealed his age at the time of enlistment in the World War. A general statute was passed at the close of the war giving honorable discharges to those who had enlisted in this way if they had served acceptably. This man joined the Regular Army when the World War closed, and placed himself beyond the reach of this statute. This bill has the effect of giving him the benefit of a general statute which was intended to apply to others in the same situation in connection with the World War.

Mr. KING. I withdraw the objection.

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Military Affairs with an amendment, on page 1, line 9, to strike out the words "bounty, back pay, pension, or allowance shall be held to have accrued prior to the passage of this act" and to insert the words "back pay, compensation, benefit, or allowance shall be held to have accrued prior to the passage of this act", so as to make the bill read:

Be it enacted, etc., That in the administration of any laws conferring rights, privileges, and benefits upon honorably discharged soldiers Howell K. Stephens, who was a private, Medical Department, United States Army, shall hereafter be held and considered to have been honorably discharged from the military service of the United States on the 25th day of October 1919: *Provided*, That no back pay, compensation, benefit, or allowance shall be held to have accrued prior to the passage of this act.

The amendment was agreed to.

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

ROGER P. AMES

The Senate proceeded to consider the bill (S. 1587) to amend an act entitled "An act to recognize the high public service rendered by Maj. Walter Reed and those associated with him in the discovery of the cause and means of transmission of yellow fever", approved February 28, 1929, as amended, by including Roger P. Ames among those honored by said act.

Mr. ROBINSON of Arkansas. Mr. President, I should like to have the Senator from Texas make a brief explanation of the bill.

Mr. SHEPPARD. Mr. President, it was most unjust that Dr. Ames' name was not mentioned among those to be honored in the original bill for participation in the yellow fever tests in Cuba. Walter Reed himself stated that the personnel of the yellow fever experimental camp included Dr. Roger P. Ames as acting assistant surgeon, United States Army, in immediate charge. Ames contracted yellow fever himself as a result of this service. This bill includes his name among those honored. He has since passed away, and no appropriation is carried, so far as he is concerned.

Mr. KING. Mr. President, I ask the Senator from Texas what is the necessity of repeating all those other names? Why not limit it to giving to Dr. Ames the same award given to the others?

Mr. SHEPPARD. In writing the bill I deemed it best to amend the existing law, so as to include Dr. Ames' name with the others, so far as honorable mention was concerned.

Mr. McKELLAR. Mr. President, I call the Senator's attention to page 3 of the bill, line 4, where this language occurs:

For this purpose there is hereby authorized to be appropriated the sum of $5,000.

So that if the man is dead, the appropriation ought not to be made.

Mr. SHEPPARD. That was the original bill, and applied only to pensions for the others while living. It does not apply to this man.

Mr. McKELLAR. But it authorizes an appropriation to pay these people $125 a month during their natural lives.

Mr. SHEPPARD. That is being paid to survivors.

Mr. ROBINSON of Arkansas. It is a mere repetition of existing law?

Mr. SHEPPARD. That is all.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the act entitled "An act to recognize the high public service rendered by Maj. Walter Reed and those associated with him in the discovery of the cause and means of transmission of yellow fever", approved February 28, 1929, be, and the same is hereby, amended by inserting between the names "Aristides Agramonte" and "John H. Andrus" the name "Roger P. Ames", so that the act as amended will read as follows:

"That in special recognition of the high public service rendered and disabilities contracted in the interest of humanity and science as voluntary subjects for the experimentations during the yellow-fever investigations in Cuba, the Secretary of War be, and he is hereby, authorized and directed to publish annually in the Army Register a roll of honor on which shall be carried the following names: Walter Reed, James Carroll, Jesse W. Lazear, Aristides Agramonte, Roger P. Ames, John H. Andrus, John R. Bullard, A. W. Covington, William H. Dean, Wallace W. Forbes, Levi E. Folk, Paul Hamann, James F. Hanberry, Warren G. Jernegan, John R. Kissinger, John J. Moran, William Olsen, Charles G. Sonntag, Clyde L. West, Dr. R. P. Cooke, Thomas M. England, James Hildebrand, and Edward Weatherwalks, and to define in appropriate language the part which each of these persons played in the experimentations during the yellow-fever investigations in Cuba; and in further recognition of the high public service so rendered by the persons hereinbefore named, the Secretary of the Treasury is authorized and directed to cause to be struck for each of said persons a gold medal with suitable emblems, devices, and inscriptions, to be determined by the Secretary of the Treasury, and to present the same to each of said persons as shall be living and posthumously to such representatives of each of such persons as shall have died, as shall be designated by the Secretary of the Treasury. For this purpose there is hereby authorized to be appropriated the sum of $5,000; and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such amounts annually as may be necessary in order to pay the following-named persons during the remainder of their natural lives the sum of $125 per month, and such amount shall be in lieu of any and all pensions authorized by law for the following-named persons: Pvt. Paul Hamann; Pvt. John R. Kissinger; Pvt. William Olsen, Hospital Corps; Pvt. Charles G. Sonntag, Hospital Corps; Pvt. Clyde L. West, Hospital Corps; Pvt. James Hildebrand, Hospital Corps; Pvt. John H. Andrus, Hospital Corps; Mr. John R. Bullard; Dr. Aristides Agramonte; Pvt. A. W. Covington, Twenty-third Battery, Coast Artillery Corps; Pvt. Wallace W. Forbes, Hospital Corps; Pvt. Levi E. Folk, Hospital Corps; Pvt. James F. Hanberry, Hospital Corps; Dr. R. P. Cooke; Pvt. Thomas M. England; Mr. John J. Moran, and the widow of Pvt. Edward Weatherwalks."

VETERINARY CORPS, UNITED STATES ARMY

The bill (S. 1286) to increase the efficiency of the Veterinary Corps of the Regular Army was announced as next in order.

Mr. VANDENBERG. Let that go over.

Mr. SHEPPARD. Mr. President, may I say to the Senator from Michigan that officers in the Veterinary Corps who served formerly in the Cavalry and Field Artillery are allowed credit for service in these branches. This bill enables six or seven veterinary officers who performed former service in the Quartermaster Department to have the same recognition.

Mr. VANDENBERG. I call the Senator's attention to the printed report, which includes a letter from the Secretary of War in the preceding administration, which indicates that the expenditure involved in this bill was contrary to the financial program of the last administration. Inasmuch as this administration is supposed to be even more economical than its predecessor, I assume that it must continue to be in opposition to the financial program of the administration.

Mr. SHEPPARD. Mr. President, only a small amount is involved, and, in view of the evident fairness of the bill, I hope the Senator will allow it to pass.

Mr. KING. I ask for the regular order.

The PRESIDING OFFICER. The regular order is called for.

Mr. SHEPPARD. Mr. President, in view of the fact that the bill removes a very patent discrimination, will not the Senator from Michigan permit it to pass? It has passed the Senate heretofore.

Mr. VANDENBERG. I suggest that it go over for the day.

The PRESIDING OFFICER. The bill will be passed over.

HARRY FLANERY

The bill (S. 1548) for the relief of Harry Flanery was announced as next in order.

Mr. KING. Let that go over.

Mr. SHEPPARD. Mr. President, may I say to the Senator that the bill has passed the Senate on a prior occasion. This man was not a deserter, but was convicted by general courtmartial on a charge of being absent without leave. He served in the Philippines and China for about 3 years, saw active fighting, and was wounded in action. In view of a record of that kind, the committee felt that he should now be entitled to an honorable discharge. The case comes within the rules which we have heretofore followed.

Mr. KING. Mr. President, I ask the Senator whether this case comes within the rule for which the Senator from Massachusetts [Mr. WALSH] has contended?

Mr. SHEPPARD. I think it does, for this reason: This man saw 3 years of actual service and participated in active fighting. When a man has a record of that nature, and has conducted himself honorably since his separation from the service, I am sure the case comes within the rule suggested by the Senator from Massachusetts.

Mr. KING. Did he desert?

Mr. SHEPPARD. He did not desert.

Mr. KING. At any time?

Mr. SHEPPARD. He did not desert; he was absent without leave for a few days.

Mr. KING. Was that during the war?

Mr. SHEPPARD. It was after the Philippine insurrection. He served actively and took part in the fighting during the Philippine insurrection.

Mr. KING. I withdraw the objection, with the understanding that if, upon further investigation, I desire tomorrow to have the bill restored to the calendar, the Senator will consent.

Mr. SHEPPARD. Very well.

There being no objection, the Senate proceeded to consider the bill, which was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That in the administration of any laws conferring rights, privileges, and benefits upon honorably discharged soldiers Harry Flanery, formerly private, Troop C, Sixth Regiment United States Cavalry, shall hereafter be held and considered to have been honorably discharged July 3, 1903, from the military service of the United States: *Provided*, That no bounty, back pay, pension, or allowance shall be held to have accrued prior to the passage of this act.

GEORGE W. EDGERLY

The bill (S. 860) for the relief of George W. Edgerly was announced as next in order.

Mr. KING. Let that go over.

Mr. SHEPPARD. Mr. President, may I say to the Senator that this is another bill which passed the Senate heretofore. It enables this officer to appear before a court to endeavor to establish his claim that he was suffering under a mental condition which justified retirement for disability when he tendered his resignation. He served for about 16 years in the Army and rose from enlisted man to major. Since he was discharged the Veterans' Administration has given him a total disability rating. For that reason the Military Affairs Committee thinks he is entitled to have the matter tried out again.

Mr. KING. Mr. President, with the same stipulation which I made with respect to the preceding measure, I withdraw the objection.

There being no objection, the Senate proceeded to consider the bill, which was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the President of the United States be, and he is hereby, authorized to summon George W. Edgerly, late captain of Infantry and temporary major, Regular Army, before a retiring board, to inquire whether at the time of his resignation, September 18, 1919, he was incapacitated for active service, and whether such incapacity was a result of an incident of service, and if, as a result of such inquiry, it is found that he was so incapacitated, the President is authorized to nominate and appoint, by and with the advice and consent of the Senate, the said George W. Edgerly a captain of Infantry and place him immediately thereafter upon the retired list of the Army, with the same privileges and retired pay as are now or may hereafter be provided by law or regulation for officers of the Regular Army: *Provided*, That the said George W. Edgerly shall not be entitled to any back pay or allowances by the passage of this act.

BILL PASSED OVER

The bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, was announced as next in order.

Mr. McCARRAN. Let that go over.

The PRESIDING OFFICER. The bill will be passed over.

PAYMENTS TO INDIAN PUEBLOS

The bill (S. 691) to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, etc., was announced as next in order.

Mr. BRATTON. Mr. President, Order of Business 85, House bill 4014, is identical with the bill just reached on the calendar. I move that that bill be substituted for the Senate bill.

The motion was agreed to, and the Senate proceeded to consider the bill (H.R. 4014) to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto; and to amend the act approved June 7, 1924, in certain respects.

The bill is as follows:

Be it enacted, etc., That in fulfillment of the act of June 7, 1924 (43 Stat. 636), there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sums hereinafter set forth, in compensation to the several Indian pueblos hereinafter named, in payment of the liability of the United States to the said pueblos as declared by the act of June 7, 1924, which appropriations shall be made in equal annual installments as hereinafter specified, and shall be deposited in the Treasury of the United States, and shall be expended by the Secretary of the Interior, subject to approval of the governing authorities of each pueblo in question, at such times and in such amounts as he may deem wise and proper, for the purchase of lands and water rights to replace those which have been divested from said pueblo under the act of June 7, 1924, or for the purchase or construction of reservoirs, irrigation works, or other permanent improvements upon or for the benefit of the lands of said pueblos.

SEC. 2. In addition to the awards made by the Pueblo Lands Board, the following sums, to be used as directed in section 1 of this act, and in conformity with the act of June 7, 1924, be, and hereby are, authorized to be appropriated:

Pueblo of Jemez, $1,885; pueblo of Nambe, $47,439.50; pueblo of Taos, $84,707.09; pueblo of Santa Ana, $2,908.38; pueblo of Santo Domingo, $4,256.56; pueblo of Sandia, $12,980.62; pueblo of San Felipe, $14,954.53; pueblo of Isleta, $47,751.31; pueblo of Picuris, $66,574.40; pueblo of San Ildefonso, $37,058.28; pueblo of San Juan, $153,863.04; pueblo of Santa Clara, $181,114.19; pueblo of Cochiti, $37,826.37; pueblo of Pojoaque, $68,562.61; in all, $761,954.88: *Provided, however*, That the Secretary of the Interior shall report back to Congress any errors or omissions in the foregoing authorizations measured by the present fair market value of the lands involved, as heretofore determined by the appraisals of said tracts by the appraisers appointed by the Pueblo Lands Board, with evidence supporting his report and recommendations.

SEC. 3. Pursuant to the aforesaid act of June 7, 1924, there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, a sum to compensate white settlers or non-Indian claimants who have been found by the Pueblo Lands Board, created under said act of June 7, 1924, to have occupied and claimed land in good faith but whose claim has not been sustained and whose occupation has been terminated under said act of June 7, 1924, for the fair market value of lands, improvements appurtenant thereto, and water rights. The non-Indian claimants, or their successors, as found and reported by said Pueblo Lands Board, to be compensated out of said appropriations to be disbursed under the direction of the Secretary of the Interior in the amounts due them as appraised by the appraisers appointed by said Pueblo Lands Board, as follows:

Within the pueblo of Tesuque, $1,094.64; within the pueblo of Nambe, $19,393.59; within the pueblo of Taos, $14,064.57; within the Tenorio Tract, Taos Pueblo, $43,165.26; within the pueblo of Santa Ana (El Ranchito grant), $846.26; within the pueblo of Santo Domingo, $66; within the pueblo of Sandia, $5,354.46; within the pueblo of San Felipe, $16,424.68; within the pueblo of Isleta, $6,624.45; within the pueblo of Picuris, $11,464.73; within the pueblo of San Ildefonso, $16,209.13; within the pueblo of San Juan, $19,938.22; within the pueblo of Santa Clara, $35,350.88; within the pueblo of Cochiti, $9,653.81; within the pueblo of Pojoaque, $1,767.26; within the pueblo of Laguna, $30,668.87; in all, $232,086.80: *Provided, however*, That the Secretary of the Interior shall report back to Congress any errors in the amount of award measured by the present fair market value of the lands involved and any errors in the omissions of legitimate claimants for award, with evidence supporting his report and recommendations.

SEC. 4. That for the purpose of safeguarding the interests and welfare of the tribe of Indians known as the Pueblo de Taos of New Mexico in the certain lands hereinafter described, upon which lands said Indians depend for water supply, forage for their domestic livestock, wood and timber for their personal use and as the scene of certain of their religious ceremonials, the Secretary of Agriculture may and he hereby is authorized and directed to designate and segregate said lands, which shall not thereafter be subject to entry under the land laws of the United States, and to thereafter grant to said Pueblo de Taos, upon application of the governor and council thereof, a permit to occupy said lands and use the resources thereof for the personal use and benefit of said tribe of Indians for a period of 50 years, with provision for subsequent renewals if the use and occupancy by said tribe of Indians shall continue, the provisions of the permit are met and the continued protection of the watershed is required by public interest. Such permit shall specifically provide for and safeguard all rights and equities hitherto established and enjoyed by said tribe of Indians under any contracts or agreements hitherto existing, shall authorize the free use of wood, forage, and lands for the personal or tribal needs of said Indians, shall define the conditions under which natural resources under the control of the Department of Agriculture not needed by said Indians shall be made available for commercial use by the Indians or others, and shall establish necessary and proper safeguards for the efficient supervision and operation of the area for national forest purposes and all other purposes herein stated, the area referred to being described as follows:

Beginning at the northeast corner of the Pueblo de Taos grant, thence northeasterly along the divide between Rio Pueblo de Taos and Rio Lucero and along the divide between Rio Pueblo de Taos and Red River to a point a half mile east of Rio Pueblo de Taos; thence southwesterly on a line half mile east of Rio Pueblo de Taos and parallel thereto to the northwest corner of township 25 north, range 15 east; thence south on the west boundary of township 25 north, range 15 east, to the divide between Rio Pueblo de Taos and Rio Fernandez de Taos; thence westerly along the divide to the east boundary of the Pueblo de Taos grant; thence north to the point of beginning; containing approximately 30,000 acres, more or less.

SEC. 5. Except as otherwise provided herein, the Secretary of the Interior shall disburse and expend the amounts of money herein authorized to be appropriated, in accordance with and under the terms and conditions of the act approved June 7, 1924: *Provided, however*, That the Secretary be authorized to cause necessary surveys and investigations to be made promptly to ascertain the lands and water rights that can be purchased out of the foregoing appropriations and earlier appropriations made for the same purpose, with full authority to disburse said funds in the purchase of said lands and water rights without being limited to the appraised values thereof as fixed by the appraisers appointed by the Pueblo Lands Board appointed under said act of June 7, 1924, and all prior acts limiting the Secretary of the Interior in the disbursement of said funds to the appraised value of said lands as fixed by said appraisers of said Pueblo Lands Board be, and the same are, expressly repealed: *Provided further*, That the Secretary of the Interior be, and he is hereby, authorized to disburse a

portion of said funds for the purpose of securing options upon said lands and water rights and necessary abstracts of title thereof for the necessary period required to investigate titles and which may be required before disbursement can be authorized: *Provided further*, That the Secretary of the Interior be, and he is hereby, authorized, out of the appropriations of the foregoing amounts and out of the funds heretofore appropriated for the same purpose, to purchase any available lands within the several pueblos which in his discretion it is desirable to purchase, without waiting for the issuance of final patents directed to be issued under the provisions of the act of June 7, 1924, where the right of said pueblos to bring independent suits, under the provisions of the act of June 7, 1924, has expired: *Provided further*, That the Secretary of the Interior shall not make any expenditures out of the pueblo funds resulting from the appropriations set forth herein, or prior appropriations for the same purpose, without first obtaining the approval of the governing authorities of the pueblo affected: *And provided further*, That the governing authorities of any pueblo may initiate matters pertaining to the purchase of lands in behalf of their respective pueblos, which matters, or contracts relative thereto, will not be binding or concluded until approved by the Secretary of the Interior.

SEC. 6. Nothing in this act shall be construed to prevent any pueblo from prosecuting independent suits as authorized under section 4 of the act of June 7, 1924. The Secretary of the Interior is authorized to enter into contract with the several Pueblo Indian tribes, affected by the terms of this act, in consideration of the authorization of appropriations contained in section 2 hereof, providing for the dismissal of pending and the abandonment of contemplated original proceedings, in law or equity, by, or in behalf of said Pueblo Indian tribes, under the provisions of section 4 of the act of June 7, 1924 (43 Stat. L. 636), and the pueblo concerned may elect to accept the appropriations herein authorized, in the sums herein set forth, in full discharge of all claims to compensation under the terms of said act, notifying the Secretary of the Interior in writing of its election so to do: *Provided*, That if said election by said pueblo be not made, said pueblo shall have 1 year from the date of the approval of this act within which to file any independent suit authorized under section 4 of the act of June 7, 1924, at the expiration of which period the right to file such suit shall expire by limitation: *And provided further*, That no ejectment suits shall be filed against non-Indians entitled to compensation under this act, in less than 6 months after the sums herein authorized are appropriated.

SEC. 7. Section 16 of the act approved June 7, 1924, is hereby amended to read as follows:

"SEC. 16. That if the Secretary of the Interior deems it to be for the best interest of the Indians that any land adjudged by the court or said Lands Board against any claimant be sold, he may, with the consent of the governing authorities of the pueblo, order the sale thereof, under such regulations as he may make, to the highest bidder for cash; and if the buyer thereof be other than the losing claimant, the purchase price shall be used in paying to such losing claimant the adjudicated value of the improvements aforesaid, if found under the provisions of section 15 hereof, and the balance thereof, if any, shall be paid over to the proper officer, or officers, of the Indian community, but if the buyer be the losing claimant, and the value of his improvements has been adjudicated as aforesaid, such buyer shall be entitled to have credit upon his bid for the value of such improvements so adjudicated."

SEC 8. The attorney or attorneys for such Indian tribe or tribes shall be paid such fee as may be agreed upon by such attorney or attorneys and such Indian tribe or tribes, but in no case shall the fee be more than 10 percent of the sum herein authorized to be appropriated for the benefit of such tribe or tribes, and such attorneys' fees shall be disbursed by the Secretary of the Interior in accordance herewith out of any funds appropriated for said Indian tribe or tribes under the provisions of the act of June 7, 1924 (43 Stat. L. 636), or this act: *Provided, however*, That 25 percent of the amount agreed upon as attorneys' fees shall be retained by the Secretary of the Interior to be disbursed by him under the terms of the contract, subject to approval of the Secretary of the Interior, between said attorneys and said Indian tribes, providing for further services and expenses of said attorneys in furtherance of the objects set forth in section 19 of the act of June 7, 1924.

SEC. 9. Nothing herein contained shall in any manner be construed to deprive any of the Pueblo Indians of a prior right to the use of water from streams running through or bordering on their respective pueblos for domestic, stock-water, and irrigation purposes for the lands remaining in Indian ownership, and such water rights shall not be subject to loss by nonuse or abandonment thereof as long as title to said lands shall remain in the Indians.

SEC. 10. The sums authorized to be appropriated under the terms and provisions of section 2 of this act shall be appropriated in three annual installments, beginning with the fiscal year 1937.

Mr. ROBINSON of Arkansas. Mr. President, this apparently is a bill of considerable importance. It carries a very large appropriation. May I ask the Senator from New Mexico the aggregate amount that is authorized?

Mr. BRATTON. Mr. President, the aggregate amount is about a million dollars, but the first payment to the Indians will be made in the fiscal year 1937.

Permit me to say to the Senator that this bill passed the Senate during the last session, and it has now passed the body at the opposite end of the Capitol. It is reported favorably by the Department of the Interior, and it has the approval of the Director of the Bureau of the Budget. It is an important measure. It concludes a long and involved controversy in New Mexico.

The principal purpose of the bill is to compensate non-Indian claimants now and to make a definite commitment to the Indians, so that a program of consolidating and blocking lands may be effected, looking forward to the appropriation for the Indians in the fiscal years 1937, 1938, and 1939. In addition to the fact that the bill has passed the Senate, has now passed the House, is approved by the Department of the Interior and the Director of the Budget, I can assure the Senator from Arkansas that it is meritorious.

Mr. ROBINSON of Arkansas. I shall not object to the present consideration of the bill.

Mr. KING. Mr. President, I should like to ask the Senator one question. Is this the measure to carry out the findings of the commission that was appointed—I have forgotten the title of the act—for the purpose of ascertaining the amount due to the pueblos of New Mexico for lands of which they have been deprived?

Mr. BRATTON. It is to carry out what that board should have done under the act. It is to correct the mistakes and omissions of the board, and to conform the situation to the purposes of the Pueblos Land Board Act, being the act approved June 7, 1924.

Mr. KING. Let me ask the Senator whether this will prevent any further litigation in the Supreme Court in order to cure what are alleged to be bad decisions, or improper decisions, of that commission?

Mr. BRATTON. It will do that, and more. In addition to that, it will result in the dismissal of certain pending cases.

Permit me to say to the Senator from Utah that the special sub-subcommittee of the Committee on Indian Affairs, over which the distinguished Senator from North Dakota [Mr. FRAZIER] presided, went to New Mexico and devoted itself to hearings there. Later hearings were conducted here. This measure has the approval of the Committee on Indian Affairs, which committee has given the subject matter long and careful consideration in that manner.

Mr. KING. Mr. President, my great confidence in the able Senator from New Mexico would prompt me to be silent even if I had some doubts.

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

The PRESIDING OFFICER. Without objection, Senate bill 691 will be indefinitely postponed.

SALE AND DISTRIBUTION OF DAIRY PRODUCTS

The resolution (S.Res. 76) to investigate conditions respecting the sale and distribution of dairy products in the District of Columbia was announced as next in order.

Mr. ROBINSON of Arkansas. Mr. President, will not the Senator from Utah explain that resolution?

Mr. KING. Mr. President, at the last session of Congress the Committee on the District of Columbia, of which the Senator from Kansas [Mr. CAPPER] was chairman, pursuant to numerous requests made by citizens of the District, reported this resolution unanimously to the Senate, but owing to the congested condition of the calendar we were unable to secure its adoption. There has been considerable agitation during the past few weeks growing out of the alleged very unjust prices which are charged by organizations which, it is contended, form a monopoly in the sale of milk and milk products. The agitation has been so great and the demands from various citizens' associations have been so numerous that the resolution which was reported to the Senate in the last Congress was reintroduced and has been unanimously reported from the Committee on the District of Columbia.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was read, as follows:

Whereas it is claimed that price levels in dairy commodities within the District of Columbia indicate that competition in trade in such commodities has become stifled therein, and that the cost to the consumer of such commodities exceeds the cost to the producer by more than a fair margin of profit to the producer: Therefore be it

Resolved, That the Committee on the District of Columbia, or any duly authorized subcommittee thereof, is authorized and directed to investigate conditions with respect to the sale and distribution of milk, cream, ice cream, or other dairy products within the District of Columbia with a view to determining particularly whether any individual, partnership, or corporation, whether residing in the District of Columbia or elsewhere, is operating within such District under any contract, combination in form of trust or otherwise, or is a party to any conspiracy, in restraint of trade or commerce in any such dairy products, or in any way monopolizing such trade within such District. The committee shall report to the Senate as soon as practicable the results of its investigation, together with its recommendations, if any, for necessary remedial legislation.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions and recesses of the Senate in the Seventy-third Congress until the final report is submitted, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution was agreed to.

The preamble was agreed to.

PROTECTION OF INVESTORS—CONFERENCE REPORT

Mr. FLETCHER. Mr. President, may I ask the indulgence of the Senate for just a moment? I am very much occupied now in the Senate Office Building, where the Banking and Currency Committee are conducting hearings, and I should like to have the Senate act on the conference report on the securities bill. The report has been agreed to by the House of Representatives, and I do not know of any opposition to it in the Senate.

The PRESIDING OFFICER. What is the Senator's request?

Mr. FLETCHER. That the Senate now consider the conference report on the so-called "securities bill."

The PRESIDING OFFICER. The Senator from Florida asks unanimous consent for the consideration of the conference report on House bill 5480. Is there objection?

Mr. McNARY. Mr. President, when this matter was presented by the able Senator on yesterday I objected because the report was not then printed. I understand it has now been printed.

Mr. FLETCHER. It has been printed.

Mr. McNARY. Of course, the Senator does not have to ask unanimous consent for the consideration of the report, but he can move to take it up at any time. I suggest, however, if he is going to do that, that we have a call for a quorum.

Mr. FLETCHER. I am entirely dependent on what the Senator from Oregon desires.

Mr. McNARY. There are some Senators on this side who would like to be present when the report comes up. I will not object to the unanimous-consent request, but I will have to note the absence of a quorum.

Mr. ROBINSON of Arkansas. May I suggest that we complete the call of the calendar?

Mr. FLETCHER. I do not think it will take long to act on the report.

Mr. ROBINSON of Arkansas. Very well; we will go ahead, although it has only been 20 minutes since there was a call of the Senate.

Mr. McNARY. I appreciate that; but that was for one particular purpose and this is for another.

Mr. FLETCHER. I suggest the absence of a quorum. I thought the Senator from Oregon had done so.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Kendrick	Robinson, Ark.
Ashurst	Costigan	Keyes	Robinson, Ind.
Austin	Couzens	King	Russell
Bachman	Cutting	La Follette	Schall
Bailey	Dale	Lewis	Sheppard
Bankhead	Dickinson	Logan	Shipstead
Barbour	Dieterich	Lonergan	Smith
Barkley	Dill	Long	Steiwer
Black	Duffy	McAdoo	Stephens
Bone	Erickson	McCarran	Thomas, Okla.
Borah	Fletcher	McGill	Thomas, Utah
Bratton	Frazier	McKellar	Townsend
Brown	George	McNary	Trammell
Bulkley	Glass	Metcalf	Tydings
Bulow	Goldsborough	Murphy	Vandenberg
Byrd	Gore	Neely	Van Nuys
Byrnes	Hale	Norris	Wagner
Capper	Harrison	Nye	Walcott
Caraway	Hastings	Overton	Walsh
Carey	Hatfield	Patterson	Wheeler
Clark	Hayden	Pittman	White
Connally	Hebert	Pope	
Coolidge	Johnson	Reynolds	

The PRESIDING OFFICER. Ninety Senators have answered to their names. A quorum is present.

Mr. FLETCHER. Mr. President, I ask that the conference report may be agreed to. It is quite long, and I will not ask to have it read. It is already in the RECORD of the proceedings of yesterday.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Florida for the present consideration of the conference report?

There being no objection, the Senate proceeded to consider the report.

The PRESIDING OFFICER. The question is on agreeing to the report.

The report was agreed to.

CONVEYANCE OF LANDS TO DESCHUTES COUNTY (OREG.) SCHOOL DISTRICT

The PRESIDING OFFICER. The clerk will state the next bill on the calendar.

The bill (S. 284) authorizing the conveyance of certain lands to school district no. 28, Deschutes County, Oreg., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Interior is authorized and directed to convey, by quitclaim deed, to school district no. 28, Deschutes County, Oreg., for use for school purposes, the following-described area: The southwest quarter southwest quarter southwest quarter section 27, township 17 south, range 13 east, Willamette meridian; but if such school district fails to use such lands for the purposes herein provided, or attempts to alienate such lands, title thereto shall revert to the United States.

OCHOCO NATIONAL FOREST, OREG.

The bill (S. 285) to authorize the addition of certain lands to the Ochoco National Forest, Oreg., was announced as next in order.

Mr. KING. Mr. President, I should like to ask the Senator from Oregon if the bill now under consideration and the bill just acted upon propose to transfer Government domain to the State, and if so, for what purpose?

Mr. McNARY. Mr. President, I regret exceedingly to confess that I am not informed as to the nature of the proposed legislation. The bills were handled wholly by my colleague [Mr. STEIWER], and information concerning them is in his possession. I think, under the circumstances, the pending bill had better go over unless the Senator is willing to have it considered.

Mr. KING. If the junior Senator from Oregon is absent, let it go over.

The PRESIDING OFFICER. The bill will be passed over.

BILL PASSED OVER

The bill (H.R. 5389) making appropriations for the Executive office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1934, and for other purposes, was announced as next in order.

Mr. KEYES. Over.

The PRESIDING OFFICER. The bill will be passed over.

DEEPS CREEK BRIDGE, DEL.

The bill (S. 1562) granting the consent of Congress to the Levy Court of Sussex County, Del., to reconstruct a bridge across the Deeps Creek at Cherry Tree Landing, Sussex County, Del., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the consent of Congress is hereby granted to the Levy Court of Sussex County, Del., its successors and assigns, to reconstruct and maintain a bridge and approaches thereunto across the Deeps Creek, being a part of a navigable river from Concord, Del., to the Chesapeake Bay, at a point suitable to navigation, at or near Cherry Tree Landing, in the county of Sussex, State of Delaware, in accordance with the provisions of an act entitled "An act to regulate the construction of bridges over navigable waters", approved March 23, 1906.

SEC. 2. The right to alter, amend, or repeal this act is expressly reserved.

NORTHWEST RIVER BRIDGE, NORFOLK COUNTY, VA.

The bill (H.R. 5152) granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State Highway Route No. 27, was considered, ordered to a third reading, read the third time, and passed.

BRIDGE ACROSS STAUNTON AND DAN RIVERS, VA.

The bill (H.R. 5173) granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15, was considered, ordered to a third reading, read the third time, and passed.

SAVANNAH RIVER BRIDGE, SYLVANIA, GA.

The bill (H.R. 5476) to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga., was considered, ordered to a third reading, read the third time, and passed.

EARL A. ROSS

The bill (S. 1727) for the relief of Earl A. Ross was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That Earl A. Ross, of Boston, Mass., may, and is hereby empowered to, enter under the homestead laws of the United States 160 acres of land and timber along the border of any national forest in western Washington State, in lieu of lands and timber previously selected by him in Pacific County, Wash., in one or more parcels in the timber areas thereof, with the approval of the Secretary of Agriculture, and that patent be issued to said Earl A. Ross covering the land so selected and approved. Said selections shall not interfere with or include rangers' stations or buildings belonging to said reserves, nor any natural resources within said reserves, such as mineral springs or points or places generally known to be of scenic beauty, and all trails, roadways, approaches within the area taken shall remain property of the United States of America, usable and free to use as though this act had not been passed.

FRANK P. ROSS

The bill (S. 1728) for the relief of Frank P. Ross was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That Frank P. Ross, of Tacoma, Wash., may, and is hereby empowered to, enter under the homestead laws of the United States 160 acres of land and timber along the border of any national forest in western Washington State, in lieu of lands and timber previously selected by him in Pacific County, Wash., in one or more parcels in the timber areas thereof, with the approval of the Secretary of Agriculture, and that patent be issued to said Frank P. Ross covering the land so selected and approved. Said selections shall not interfere with or include rangers' stations or buildings belonging to said reserves, nor any natural resources within said reserves, such as mineral springs, or points or places generally known to be of scenic beauty, and all trails, roadways, approaches within the area taken shall remain property of the United States of America, usable and free to use as though this bill had not been passed.

REIMBURSEMENT OF EDWARD B. WHEELER

The bill (S. 1724) authorizing the reimbursement of Edward B. Wheeler and the State Investment Co. for the loss of certain lands in the Mora Grant, N.Mex., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Edward B. Wheeler, of Las Vegas, N.Mex., and the State Investment Co., of New Mexico, who were declared by the Supreme Court of the United States (*United States* v. *State Investment Co.* (1924), 264 U.S. 206) to be the owners, respectively, of certain lands in the tract known as the Mora Grant, located in San Miguel and Mora Counties, N.Mex., an amount to be computed by the Secretary on the basis of $2.25 per acre for every acre of lands embraced within the claim of any bona fide entryman on such lands holding under patent from the United States or under any entry allowed by the Department of the Interior, the recovery of which lands by the said Edward B. Wheeler and the State Investment Co. is barred by the stipulation entered into between such parties and the United States on January 23, 1918. Such payment shall operate as a full settlement of all claims of such Edward B. Wheeler and the State Investment Co. against the United States or the owners of such lands for damages for the loss of such lands.

EXPENSES OF LOUDERBACK IMPEACHMENT TRIAL

The Senate proceeded to consider the resolution (S.Res. 82) submitted by Mr. BYRNES on May 18 (legislative day of May 15) and reported by the Committee to Audit and Control the Contingent Expenses of the Senate, which was read and agreed to, as follows:

Resolved, That $20,000 is hereby authorized to be expended from the contingent fund of the Senate in addition to the amount previously authorized to defray the expenses in the impeachment trial of Judge Harold Louderback.

BILL PASSED OVER

The bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended, was announced as next in order.

Mr. KING. Over.

The PRESIDING OFFICER. The bill will be passed over.

COMPULSION OF TESTIMONY BEFORE INTERNATIONAL TRIBUNALS

The Senate proceeded to consider the bill (S. 1581) to amend the act approved July 3, 1930 (46 Stat. 1005), authorizing commissioners or members of international tribunals to administer oaths, etc., which had been reported from the Committee on the Judiciary with amendments.

Mr. McNARY. Mr. President, I suggest that a brief statement should be made of this measure.

Mr. KING. Mr. President, the report is very brief. The bill is desired by the Department and by American nationals who are prosecuting claims where evidence is required in foreign lands. It is for the purpose of obtaining testimony more readily than under existing law.

Mr. ROBINSON of Arkansas. Mr. President, the bill will afford the additional and necessary means of compelling the testimony of witnesses and the production of documentary evidence in connection with matters arising before international tribunals or commissions to which the United States is a party. Reading from the report, it is stated:

The necessity for this legislation became apparent in connection with claims pending before the Mixed Claims Commission, United States and Germany, when the American agent, prosecuting meritorious claims on behalf of American citizens, was thwarted by the lack of power under the treaty creating the Commission to compel the testimony of witnesses and the production of documentary evidence.

I take it that the statement of the Senator from Utah and my own statement just concluded are adequate to satisfy the requirements of the Senator from Oregon.

The PRESIDING OFFICER. The first amendment reported by the committee will be stated.

The first amendment of the Committee on the Judiciary was, on page 1, section 5, line 9, after the word "commission", to insert "whether previously or hereafter established"; on page 2, line 1, after the word "party" to strike out "whether previously or hereafter established"; at the beginning of line 6 to strike out "subpenas" and insert "subpœnas"; and in line 9, after the name "United States" to insert "on its own behalf or on behalf of any of its nationals"; so as to make the section read:

That the act of July 3, 1930 (46 Stat. 1005), authorizing commissioners or members of international tribunals to administer oaths, and so forth, be, and the same is hereby, amended by adding at the end thereof the following additional sections:

"SEC. 5. That the agent of the United States before any international tribunal or commission, whether previously or hereafter established, in which the United States participates as a party whenever he desires to obtain testimony or the production of books and papers by witnesses may apply to the United States district court for the district in which such witness or witnesses reside or may be found, for the issuance of subpœnas to require their attendance and testimony before the United States district court for that district and the production therein of books and papers, relating to any matter or claim in which the United States on its own behalf or on behalf of any of its nationals is concerned as a party claimant or respondent before such international tribunal or commission."

The amendment was agreed to.

The next amendment was, in section 6, page 2, line 15, after the word "issued", to insert "or caused to be issued"; in the same line, after the word "such", to strike out "subpenas" and insert "subpœnas"; in line 16, after the words "issuance of", to strike out "subpenas" and insert "subpœnas"; in line 20, after the word "such", to strike out "subpenas" and insert "subpœnas"; in line 23, after the word "such" to strike out "subpenas" and insert "subpœnas"; on page 3, line 4, after the word "representative", to strike out "The" and insert "Reasonable notice thereof shall be given to the"; in line 6, after the word "proceedings", to insert "who"; and in line 10, after the word "such", to strike out "subpenas" and insert "subpœnas"; so as to make the section read:

SEC. 6. That any United States district court to which such application shall be made shall have authority to issue or cause to be issued such subpœnas upon the same terms as are applicable to the issuance of subpœnas in suits pending in the United States district court, and the clerk thereof shall have authority to administer oaths respecting testimony given therein, and the marshal thereof shall serve such subpœnas upon the person or persons to whom they are directed. The hearing of witnesses and taking of their testimony and the production of books and papers pursuant to such subpœnas shall be before the United States district court for that district or before a commissioner or referee appointed by it for the taking of such testimony, and the examination may be oral or upon written interrogatories and may be conducted by the agent of the United States or his representative. Reasonable notice thereof shall be given to the agent or agents of the opposing government or governments concerned in such proceedings who shall have the right to be present in person or by representative and to examine or cross-examine such witnesses at such hearing. A certified transcript of such testimony and any proceedings arising out of the issuance of such subpœnas shall be forwarded by the clerk of the district court to the agent of the United States and also to the agent or agents of the opposing government or governments, without cost.

The amendment was agreed to.

The next amendment was, in section 7, line 17, after the word "such", to strike out "subpenas" and insert "subpœnas", and in line 23, after the word "such", to strike out "subpena" and insert "subpœna", so as to make the section read:

SEC. 7. That every person knowingly or willfully swearing or affirming falsely in any testimony taken in response to such subpœnas shall be deemed guilty of perjury and shall, upon conviction thereof, suffer the penalty provided by the laws of the United States for that offense when committed in its courts of justice. Any failure to attend and testify as a witness or to produce any book or paper which is in the possession or control of such witness, pursuant to such subpœna, may be regarded as a contempt of the court and shall be punishable as a contempt by the United States district court in the same manner as is provided by the laws of the United States for that offense in any other proceedings in its courts of justice.

The amendment was agreed to.

The next amendment was, on page 4, after line 3, to insert the following new section:

SEC. 8. For the purposes of sections 5, 6, and 7 of this act, the Supreme Court of the District of Columbia shall be considered to be a district court of the United States.

The amendment was agreed to.

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

The PRESIDING OFFICER. That completes the calendar.

CONSTRUCTION AND INSPECTION OF BOILERS

Mr. ROBINSON of Arkansas. Mr. President, I ask unanimous consent that the Senate recur to Calendar No. 68, being the Senate bill 1129.

The PRESIDING OFFICER. The Senator from Arkansas asks unanimous consent for the consideration of a bill the title of which will be stated.

The CHIEF CLERK. A bill (S. 1129) to amend sections 361, 392, 406, 407, 408, 409, 410, 411, and 412 of title 46 of the United States Code, relating to the construction and inspection of boilers, unfired pressure vessels, and the appurtenances thereof.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which was read, as follows:

Be it enacted, etc., That sections 361, 392, 406, 407, 408, 409, 410, 411, and 412, of title 46 of the United States Code be, and the same are hereby, amended to read as follows:

"SEC. 361. Every vessel subject to inspection propelled in whole or in part by steam or by any other form of mechanical or electrical power shall be considered a steam vessel within the meaning of and subject to all of the provisions of this act: *Provided, however,* That motor boats as defined in the act of June 9, 1910, are exempt from the provisions of this act.

"SEC. 392. The local inspectors shall also inspect, before the same shall be used and once at least in every year thereafter, the boilers, unfired pressure vessels, and appurtenances thereof, also the propelling and auxiliary machinery, electrical apparatus and equipment, of all vessels subject to inspection; and the inspectors shall satisfy themselves by thorough examination that the same are in conformity with law and the rules and regulations of the board of supervising inspectors, and may be safely employed in the service proposed. No boiler, unfired pressure vessel, or appurtenances thereof shall be allowed to be used if constructed in whole or in part of defective material or which because of its form, design, workmanship, age, use, or for any other reason is unsafe. At each annual inspection all boilers, unfired pressure vessels, and main steam piping shall be subjected to hydrostatic tests or such other tests as may be prescribed by the board of supervising inspectors. The ratio of the hydrostatic test to the maximum working pressure shall be determined by action of the board of supervising inspectors.

"SEC. 406. All boilers and unfired pressure vessels constructed of iron or steel plates or other approved metals for use on vessels subject to inspection shall be made of material that has been tested, inspected, and stamped in accordance with the requirements of this act.

"SEC. 407. Any person, firm, or corporation who constructs a boiler, or steam pipe connecting the boilers, or an unfired pressure vessel for use on vessels subject to inspection, of iron or steel plates or other approved metals which have not been duly tested, inspected, and stamped according to the provisions of this act and the requirements of the board of supervising inspectors; or who knowingly uses any defective material in the construction of such boiler, steam pipe, or pressure vessel; or who drifts any rivet hole to make it come fair; or who delivers any such boiler, steam pipe, or pressure vessel for use, knowing it to be defective in design, material, or construction, shall be fined $1,000. Nothing in this act shall be so construed as to prevent from being used on such vessels any boiler, steam generator, steam pipe, or unfired pressure vessel which may not be constructed of riveted iron or steel plates: *Provided,* That scientific data and facts are submitted to enable the board of supervising inspectors to satisfy themselves that such boiler, steam generator, or pressure vessel is equal in strength and as safe from explosion as one of the best quality of iron or steel plates of riveted construction: *Provided, however,* That the Secretary of Commerce may grant permission to use any boiler, steam generator, or unfired pressure vessel not of iron or steel plate riveted construction upon the certificate of the supervising inspector for the district wherein such boiler, steam generator, or pressure vessel is to be used, and other satisfactory proof that the use of the same is safe and efficient, said permit to be valid until the next regular meeting of the board of supervising inspectors who shall act thereon: *Provided further,* That such boilers, steam generators, or pressure vessels may be constructed with seamless shells or by means of any approved method of welding governed by the rules and regulations prescribed by the board of supervising inspectors.

"SEC. 408. All iron or steel plates, or other material used in the construction of boilers or unfired pressure vessels for use on vessels subject to inspection shall be tested and inspected in such manner as shall be prescribed by the board of supervising inspectors and approved by the Secretary of Commerce, so as to enable the inspectors to ascertain the tensile strength, homogeneity, toughness, and ability to withstand the effect of repeated heating and cooling; and no plate or other material shall be used in the construction of such boilers or pressure vessels which has not been tested, inspected, and approved under the rules and regulations of the board of supervising inspectors: *Provided, however,* That small unfired pressure vessels having diameters not exceeding 30 inches and subject to a maximum allowable working pressure not exceeding 100 pounds per square inch shall be exempt from this requirement.

"The Director of the Bureau of Navigation and Steamship Inspection may, under the direction of the Secretary of Commerce, detail inspectors to inspect iron or steel plates or other

material at the mills where the same are manufactured; and if such plates or material are found in accordance with the rules of the board of supervising inspectors, the inspector shall stamp the same with the initials of his name and the official stamp of the Bureau of Navigation and Steamboat Inspection, which stamp shall be authorized by the board of supervising inspectors; and material so stamped shall be accepted by the local inspectors of the various districts as being in full compliance with the requirements of this section regarding the test and inspection of such plates and material: *Provided*, That any person, firm, or corporation who affixes any false, forged, fraudulent, spurious, or counterfeit of the stamp herein authorized to be put on by an inspector shall be deemed guilty of a felony and shall be fined not less than $1,000 nor more than $5,000 and imprisoned not less than 2 years nor more than 5 years.

"SEC. 409. Every plate of iron or steel, made for use in the construction of boilers, unfired pressure vessels, or riveted steam pipe shall be distinctly and permanently stamped by the manufacturer thereof, and, if practicable, in such places that the marks shall be left visible when such plates are assembled, with the name of the manufacturer, and the minimum tensile strength in pounds per square inch, and the inspectors shall keep a record in their office of the stamps upon all plates, material, and boilers which they inspect.

"SEC. 410. Any person, firm, or corporation who counterfeits, or causes to be counterfeited, any of the marks or stamps prescribed for iron or steel plates or other material tested and inspected under this act, or who designedly stamps, or causes to be stamped falsely, any such plates or material; and every person who stamps or marks, or causes to be stamped or marked, any such plates or material with the name or trade-mark of another, with the intent to mislead or deceive, shall be fined $2,000, and may in addition thereto, at the discretion of the court, be imprisoned not exceeding 2 years.

"SEC. 411. The board of supervising inspectors is hereby empowered to prescribe formulas, rules, and regulations for the design, material, and construction of boilers, unfired pressure vessels, and appurtenances thereof, and steam piping for use on vessels subject to the provisions of this act. The maximum working pressure shall be determined by formulas prescribed by the board of supervising inspectors, and no such boiler, pressure vessel, or appurtenance thereof shall be designed or operated where the factor of safety is less than four: *Provided*, That the minimum thickness and maximum allowable working pressure of valves, fittings, and other appurtenances shall be determined by formulas prescribed by the board of supervising inspectors.

"SEC. 412. The maximum allowable thickness of shell plates and the details of material, design, and construction of externally fired boilers shall be determined by action of the board of supervising inspectors."

All laws or parts of laws which may conflict with the provisions of this act are hereby repealed.

Mr. ROBINSON of Arkansas. Mr. President, this is a bill transmitted to the Senator from Mississippi [Mr. STEPHENS] as Chairman of the Committee on Commerce and having relation to the provisions of the United States Code relating to the construction and inspection of boilers, unfired pressure vessels, and the appurtenances of the same. The bill is a departmental measure; it was unanimously reported by the committee; and I believe improves the present statute, brings it down to date, and makes certain modifications which are regarded as necessary and helpful.

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

The PRESIDING OFFICER. Does the Senator from Arkansas yield to the Senator from Michigan?

Mr. ROBINSON of Arkansas. Certainly.

Mr. VANDENBERG. As a member of the committee I should like to concur in the statement the Senator has just made. The improvements are technical in nature and it is scarcely worth while to survey them in detail. The general net result is of substantial advantage to the service.

Mr. ROBINSON of Arkansas. Yes; and the report of the committee was unanimous.

The PRESIDING OFFICER. The question is on the passage of the bill.

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

GREAT FALLS BRIDGE

Mr. SHEPPARD. Mr. President, earlier in the day I reported from the Committee on Commerce a bridge bill, Senate bill 1564, for the calendar. It is in the usual form and I ask that it may be considered at this time.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

There being no objection, the Senate proceeded to consider the bill (S. 1564) to revive and reenact the act entitled "An act authorizing the Great Falls Bridge Co. to construct, maintain, and operate a bridge across the Potomac River at or near Great Falls", approved April 21, 1928, which had been reported from the Committee on Commerce with an amendment, in line 3, before the word "granting", to insert "heretofore amended by acts of Congress approved March 4, 1929, and May 29, 1930", so as to make the bill read:

Be it enacted, etc., That the act approved April 21, 1928, heretofore amended by acts of Congress approved March 4, 1929, and May 29, 1930, granting the consent of Congress to the Great Falls Bridge Co. to construct, maintain, and operate a bridge and approaches thereto across the Potomac River at or near Great Falls, be, and the same is hereby, revived and reenacted: *Provided*, That this act shall be null and void unless the actual construction of the bridge herein referred to be commenced within 1 year and completed within 3 years from the date of approval hereof.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The amendment was agreed to.

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

WASHINGTON HOME FOR FOUNDLINGS

Mr. KING. Mr. President, I am going to submit a rather unusual request. The Senator from Maine [Mr. WHITE] introduced a few days ago a bill, being Senate bill 1659, to authorize an increase in the number of directors of the Washington Home for Foundlings. It has not been considered by the Committee on the District of Columbia, of which I am chairman, but we have reported a number of bills of a similar character. Under the procedure many years ago Congress would grant special charters to various organizations within the District, hospitals, educational institutions, and so forth, and restricted the number of directors. These organizations have no power to amend their articles of incorporation to enlarge or diminish the number of directors.

This organization is known as the "Home for Foundlings" in the city of Washington, one of the most important humanitarian organizations that is functioning in the city. The Senator from Maine has been very much interested in it. Under the old charter the number of directors is limited to 10. The bill merely enlarges the authority so it may increase the number of directors as the needs of the home may require. That is the only purpose of the bill.

I ask unanimous consent that the Committee on the District of Columbia may be discharged from the further consideration of the bill, and that it may be considered and passed. May I say there is a bill pending before our committee to amend these old charters and to give the directors authority to enlarge or reduce the number of directors as they may see fit.

Mr. NORRIS. Mr. President, I suppose the Senator realizes he is asking something that may establish a precedent which will come home to plague him? The bill has not been considered by a committee.

Mr. KING. I said it was an unusual request; and if the Senator objects, I shall not insist.

Mr. NORRIS. I am not going to object, but I simply invite attention to the fact that it is a procedure of which someone may take advantage in the way of a precedent to bring about the passage of some bill which may not be as desirable as this one.

The PRESIDING OFFICER. The Senator from Utah asks unanimous consent that the Committee on the District of Columbia may be discharged from the further consideration of the bill named by him and that the Senate proceed to its immediate consideration. Is there objection?

There being no objection, the Senate proceeded to consider the bill (S. 1659) to authorize an increase in the number of directors of the Washington Home for Foundlings, which was read as follows:

Be it enacted, etc., That the act entitled "An act for incorporating a hospital for foundlings in the city of Washington", approved April 22, 1870, as amended, is amended by striking out section 3 of said act and by inserting in lieu thereof the following new section:

"SEC. 3. The management of said hospital shall be under the control of a board of directors. The number of directors shall be fixed in the bylaws of the corporation and may be increased or decreased from time to time as may be provided in said bylaws.

The board of directors shall have power to appoint all officers and committees necessary to the proper administration of the affairs of the corporation."

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

SALARY SCHEDULES OF BANKS AND OTHER ORGANIZATIONS

Mr. COSTIGAN. Mr. President, on several different occasions I have asked unanimous consideration for Senate Resolution 75. I move at this time that the resolution be taken from the table and that the Senate proceed to consider it, as modified.

The PRESIDING OFFICER. The question is on the motion of the Senator from Colorado that the Senate prceeed to the consideration of Senate Resolution 75.

Mr. KING. Mr. President, let it be read.

The PRESIDING OFFICER. The resolution will be read for the information of the Senate.

The Chief Clerk read the resolution (S.Res. 75) submitted by Mr. COSTIGAN on the 8th instant, as modified, as follows:

Resolved, That the Federal Reserve Board is requested to prepare and transmit to the Senate, as soon as practicable, a report showing the salary schedule of the executive officers and directors of each Federal Reserve bank and member bank of the Federal Reserve System; be it further

Resolved, That the Reconstruction Finance Corporation is requested to prepare and transmit to the Senate, as soon as practicable, a report showing the salary schedule of the executive officers and directors of each bank not a member of the Federal Reserve System to which loans or advances have been made by the Corporation; be it further

Resolved, That the Federal Power Commission is requested to prepare and transmit to the Senate, as soon as practicable, a report showing the salary schedule of the executive officers and directors of each public-utility corporation engaged in the transportation of electrical energy in interstate commerce, and of all other corporations licensed under the Federal Water Power Act; and be it further

Resolved, That the Federal Trade Commission is requested to prepare and transmit to the Senate, as soon as practicable, a report showing the salary schedule of the executive officers and directors of each corporation engaged in interstate commerce (other than public-utility corporations) having capital and/or assets of more than a million dollars in value, whose securities are listed on the New York Stock Exchange or the New York Curb Exchange.

For the purposes of this resolution, the term "salary" includes any compensation, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services.

Mr. ROBINSON of Arkansas. Mr. President, is the Senator moving to take up the resolution?

Mr. COSTIGAN. Yes.

Mr. ROBINSON of Arkansas. The Senator does not desire to displace the unfinished business?

Mr. COSTIGAN. Certainly there is no disposition to displace the unfinished business.

Mr. ROBINSON of Arkansas. Has the Senator asked unanimous consent for its consideration?

Mr. COSTIGAN. I shall ask unanimous consent if the motion is to have the effect indicated by the Senator from Arkansas. I now ask unanimous consent for the consideration of Senate resolution 75.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Colorado?

Mr. McNARY. Mr. President, is the resolution on the calendar?

The PRESIDING OFFICER. It is on the table calendar.

Mr. McNARY. Is it a resolution coming over from a previous day?

The PRESIDING OFFICER. It has been on the calendar since May 8.

Mr. COSTIGAN. The able Senator from Oregon has twice heretofore objected to immediate consideration of the resolution because of the absence of Republican Senators.

Mr. McNARY. Yes; and at this time I have in mind the same objection. A number of Senators who would like to be present when the resolution is brought up have spoken to me about it. On two former occasions the able Senator from Colorado has called it up just a short time before the Senate took a recess. Under the circumstances I do not feel that I should at this time grant permission. I said to the Senator the other day that some time when there is a full attendance on a call of the calendar I shall have no objection.

The PRESIDING OFFICER. Does the Senator from Oregon object?

Mr. McNARY. For that reason I object at this time.

The PRESIDING OFFICER. The Senator from Oregon objects.

COST OF ELECTRICAL DISTRIBUTION

Mr. COSTIGAN. Mr. President, I now ask unanimous consent for the immediate consideration of Senate Resolution 80.

The PRESIDING OFFICER. The Senator from Colorado asks unanimous consent for the immediate consideration of Senate Resolution 80. Is there objection?

Mr. KING. Mr. President, reserving the right to object, I ask that the resolution may be read.

The PRESIDING OFFICER. The resolution will be read for the information of the Senate.

The Chief Clerk read the resolution (S.Res. 80), submitted by Mr. COSTIGAN on the 15th instant, as follows:

Whereas growing interest is manifest throughout the Nation on the part of householders, both urban and rural, as to present and future uses of electricity and reasonable rates chargeable therefor; and

Whereas a considerable, if not controlling, factor in the cost of rural and domestic electric service is reported to be the expense of distributing transmitted current between local substations and the customers' meters; and

Whereas it is responsibly alleged by engineers that the service companies keep no record of this important distribution cost and that the subject has never been discussed before any engineering society; that technical literature does not deal with it; and that only rarely has it been considered in electric-rate cases: Therefore be it

Resolved, That the Federal Power Commission is hereby requested to furnish the Senate with a report summarizing such information as may be available indicating the cost of electrical distribution expressed in cents per kilowatt-hour under varying service conditions, as contrasted with the more widely known costs of electrical generation and electrical transmission.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the resolution?

Mr. KING. Mr. President, in view of the fact that the Federal Trade Commission for a number of years, probably 2 or 3, have been making a very exacting, intensive, careful, and exhaustive investigation of the power companies in the United States and have submitted considerable data, I wonder if the matter ought not to be referred to the Federal Trade Commission, because it may have very much of the information the Senator seeks.

Mr. COSTIGAN. If agreeable to the Senator from Utah, I am willing to modify the resolution in effect so as to unite the information of the Federal Power and Trade Commissions, or otherwise, to meet the suggestion of the able Senator from Utah. However, I am advised that the Federal Power Commission has sufficient information with which to respond to the request.

Mr. KING. I do not wish to interfere with the course which the Senator from Colorado desires to pursue in the matter, but the thought occurred to me, in view of the great amount of testimony taken and the large amount of money expended in the investigation by the Federal Trade Commission, that that Commission would now have substantially all the information the Senator desires.

Mr. COSTIGAN. I suggest that the resolution be adopted in its present form, if agreeable to the Senate, and that if cooperation is desired between the two commissions it may be subsequently arranged.

Mr. ROBINSON of Arkansas. Mr. President, I was about to observe, when the Senator from Colorado made that suggestion, that it is not certain that the Federal Trade Commission has the data to which the resolution refers. If the Power Commission has it, there probably would be no occasion to complicate the matter by referring it to the Federal Trade Commission.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Colorado?

Mr. HEBERT. Mr. President, I understand there are some Senators on this side of the aisle who are now absent

who desire to be present when the resolution is considered. I hope, under the circumstances, that the Senator from Colorado will not press his request at this time because of the absence of those Senators on this side of the aisle, who are engaged in important committee hearings.

Mr. COSTIGAN. Will it meet the wishes of the able Senator from Rhode Island if the absence of a quorum is suggested?

Mr. HEBERT. I do not know whether the Senators are available at this time. So far as I am concerned, I personally have no objection to the resolution now being considered, but I have information that some Senators on this side of the aisle desire to be present when it is considered.

Mr. COSTIGAN. I trust the Senator will not insist on his objection. As he is aware, it is exceedingly difficult to secure the attendance which appears to be desired on the other side of the aisle for the consideration of any resolution. The resolution merely seeks information.

The PRESIDING OFFICER. Is there objection to the immediate consideration of Senate Resolution 80, as requested by the Senator from Colorado?

Mr. HEBERT. In view of the information that comes to me regarding the desire of Senators to be present when the resolution is considered and in view of their absence from the Chamber at this time, I shall have to object.

The PRESIDING OFFICER. The Senator from Rhode Island objects to the immediate consideration of the resolution.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

REPORTS OF COMMITTEES

The PRESIDING OFFICER. Reports of committees are in order.

Mr. GEORGE. From the Committee on Finance I report back favorably the nomination of Stephen B. Gibbons, of New York, to be Assistant Secretary of the Treasury.

The PRESIDING OFFICER. The nomination will be placed on the calendar.

FEDERAL TRADE COMMISSIONER—EWIN L. DAVIS

Mr. NEELY. From the Committee on Commerce, I report back favorably the nomination of Ewin Lamar Davis, of Tennessee, to be Federal Trade Commissioner for the term expiring September 25, 1939.

Mr. McKELLAR. Mr. President, I ask unanimous consent for the immediate consideration of this nomination. Judge Davis is a former Member of the House; and I take it that there is no opposition to him of any kind, nature, or description on either side of the aisle. I hope the Senator from Oregon [Mr. McNARY] will permit him to be confirmed, and let the President be notified.

The PRESIDING OFFICER. The Senator from Tennessee asks unanimous consent for the immediate consideration of this nomination. Is there objection?

Mr. McNARY. Mr. President, let me ask the Senator if the Committee on Interstate Commerce reported favorably on this nomination.

Mr. McKELLAR. It did.

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

Mr. McNARY. I yield.

Mr. WHITE. I join in the hope expressed by the Senator from Tennessee that this nomination may be presently considered, and that the President may be advised of the action of the Senate.

I served in the House of Representatives with this nominee for 12 years of time. In all that span of years I never knew a man more indefatigable in industry, I never knew a man of loftier ideals of public service, I never knew a man of higher integrity, than this nominee. I join earnestly in the hope that there may be speedy action by the Senate on the nomination, and that notice thereof may be sent to the President, because no man ever was more deserving of such consideration at the hands of this body.

Mr. McKELLAR. I thank the Senator from Maine, and concur entirely in what he has said.

Mr. McNARY. Mr. President, I realize the amenities that exist between this body and the House. I further realize the necessity of conforming, so far as we can, to the practice of referring to the calendar matters that come from the committees.

If the committee has reported this nomination unanimously today, I shall have no objection to its consideration; but I shall object to the President being notified.

The PRESIDING OFFICER. The Senator from Tennessee [Mr. McKELLAR] requests the immediate consideration of the nomination of Mr. Ewin L. Davis. Is there objection? The Chair hears none; and, the nomination is confirmed.

If there be no further reports of committees, the calendar is in order.

THE CALENDAR—THE ADJUTANT GENERAL

The Chief Clerk read the nomination of James Fuller McKinley to be The Adjutant General of the Army.

Mr. TYDINGS. Mr. President, I have no desire to hold up the confirmation of this nomination through dilatory tactics. There are some features connected with the matter which I think the Senate should have brought to its attention. If, when it is in possession of these facts, the Senate desires to confirm General McKinley, it is a matter for each Senator to determine for himself.

I desire to say at the start that I do not wish to reflect upon General McKinley as a man or as a soldier. I understand that he is a splendid man, of fine character, and has a very efficient record as a soldier. The reason for my remarks is the manner in which he has been selected.

General McKinley has 11 more years to serve. For the past 4 years he has been Assistant The Adjutant General of the Army. If he is confirmed for this post, in 4 more years he will retire at $6,000 a year; and, although a young man in his fifties, he will probably go out, as other Army officers have gone, take a job in private industry, and continue to draw $500 a month or $6,000 a year as retired pay, even though he will have 7 more years to serve when the next 4 years shall have passed.

Here we are, at a time when we are cutting down the compensation of ex-service men. The man who lost a leg or was wounded in actual battle is having his compensation reduced 20 percent. The compensation paid in other cases of disability in action, in line of battle, is likewise diminished or eliminated altogether. Yet, in the face of that, we are going to take one of the most efficient Army officers in the whole Army, so I am told, elevate him at a very young age to the highest position to which he can aspire, and allow him to hold it for 4 years and then retire into private life at $500 a month. If there is any consistency in that policy, I am unable to follow it.

General McKinley at this moment has 11 years to serve. He is a very efficient officer. Under normal conditions perhaps his nomination to the top of his profession might be justified; but now, when economy is the watchword, are we by the confirmation of this appointment to take a step which will shortly bring about the retirement from the service of one of the most efficient officers of the Army, now in the heyday of his efficiency, upon whom the Government has expended thousands of dollars to educate him in the first place and to develop his efficiency to the highest point, and upon his retirement pay him $500 a month for the rest of his life?

That, briefly, is the reason why I have objected to the confirmation of General McKinley as The Adjutant General of the Army. It is not because General McKinley is inefficient, for he is not inefficient. He is a very efficient officer, one of the best in the Army. It is not because of any personal reflection on the general, for all that I have heard of him is commendatory in the highest degree. But I do want to ask Senators who but a few months ago voted to reduce the compensation of the man who had been wounded in actual battle, and in many cases to take away his compensation entirely, how they can do that on the one hand,

and on the other hand justify the policy of paying an Army officer in good health, who has not yet finished his tour of duty, $6,000 a year for the balance of his life, even though he has 11 more years to serve.

I called this matter to the attention of the Secretary of War. The Secretary of War said General McKinley was a very efficient officer. I called the Secretary's attention to the fact that General McKinley would draw a pension of $6,000 a year for 7 more years that he still had to serve, and stated that I thought we could not defend that policy in times like these, when Senators are having their compensation reduced from $10,000 a year to $8,500, when all Government employees are having their compensation reduced, when the Navy is about to lose three or four hundred of its officers and any number of its noncommissioned officers, and when, because of economy, several hundred Army officers are to be taken out of the service entirely, even though they are but half way through their military careers. The Secretary was much impressed with that argument, and said it offered a very grave problem for solution; but that as this had been the custom in the past, he felt that he should adhere to that policy.

Mr. KING. Mr. President——

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Utah?

Mr. TYDINGS. I yield to the Senator.

Mr. KING. I ask the Senator if it is not a fact that the officer in question was lifted up—and I do not use the term offensively—over other officers whose records were just as good as his, whose service was just as efficient, and given priority over them? My information is that General McKinley was given his present position over 17 officers who were his seniors, and whose efficiency record was not only excellent but without reproach or blemish.

Mr. TYDINGS. That is a true statement. May I say to the Senator from Utah that I may not have the figures exactly correct, but they are substantially correct.

When General McKinley was promoted the last time, 4 years ago, and made The Assistant Adjutant General of the Army, he was jumped over 17 other men who ranked him in seniority. At that time his selection was said to be based on efficiency. I desire to say now that I am impressed with General McKinley's record, that he is an efficient officer, that he is a man of fine character, and nothing I am saying against his confirmation is a reflection upon him personally. I am attempting to call to the attention of the Senate the fact that at a time when we are in the midst of an economy program we are asked to permit this exception to be made of paying to an Army officer who has 11 years yet to serve a pension of $6,000 a year for 7 years, when there is nothing wrong with his health, permitting him to go out and engage in employment in private life and yet be upon the pay roll of the Federal Government.

Mr. KING. Mr. President——

Mr. TYDINGS. Before I yield to the Senator again—and I will in just a moment—may I say, take the case of Mr. Robert C. Davis, who was also an adjutant general, a very efficient Army officer. He was promoted to the top of his particular branch, and became The Adjutant General of the Army. After 4 years of service, while only 50 years of age, having 14 years to go before retirement, he exercised the option that he had, and retired with the rank of major general, and today draws $6,000 a year, although he is employed in private life as well. By this system we take the most efficient officer in the Army and drive him out of the service, and then, while he is out of the service, pay him for the 14 years he yet has to go before the proper retirement age.

I do not think this is sound policy in normal times; and certainly it is not fair policy in these times, when everybody else is feeling the blow of the ax of economy.

I now yield to the Senator from Utah.

Mr. KING. Mr. President, I desire to ask the Senator whether he defends a policy which permits the lifting up of one officer over many others who are his seniors and whose records are as good as his, thus giving him priority and advantage.

Mr. TYDINGS. No; I am not defending it, although I will say that I do believe there should be some elasticity for the man who is exceedingly efficient. In applying that rule, however, action based upon efficiency ought to be confined to the men in the same class, who have the same number of years to serve, so that the Government, the taxpayers, and the Army itself will not by this policy lose the services of a man before he reaches the proper retirement age.

Mr. KING. Mr. President, will the Senator yield further?

Mr. TYDINGS. Yes; I yield.

Mr. KING. My information is that the record of Gen. Edgar T. Conley is just as good as that of General McKinley. He is a man of ability and integrity and his record as a military officer is not surpassed by that of General McKinley or any other officer in the Army. Why was General McKinley lifted up over him? General Conley was his senior. Why give General McKinley the precedence now?

Mr. McKELLAR. Mr. President——

Mr. TYDINGS. Before I yield to the Senator from Tennessee, let us take the situation which the Senator from Utah conjures up and see where we are.

Here is Col. Edgar T. Conley, who entered West Point as a young man, graduated, and served all his life in the Army without a blot on his record. He is now, I think, 59 or 60 years old. I was told by the Chief of Staff and by the Secretary of War, who had refreshed his mind from the records, that Colonel Conley is one of the two most efficient officers in the Adjutant General's department of our entire Army. If Colonel Conley had received this appointment, he would have retired at the age of 64, as he should retire under the law. He would have had the climaxing laurel placed on his brow as the result of efficient and honorable service. The Government would not have been out a penny of money. They would have kept him as long as he was useful to the Army.

On the other hand we have General McKinley. A number of years after Colonel Conley graduated from West Point, General McKinley graduated. He is a splendid man, with a very efficient record; but when he had 15 more long years to serve he was lifted up over 17 other men, many of them with splendid records by the admission of the War Department itself, and made the Assistant Adjutant General of the Army. Now, forsooth, because he is Assistant Adjutant General of the Army, it is proposed to give him the top rank, and make him Adjutant General of the Army, so that when he completes these 4 years of duty and still will have 7 years to serve he will leave the service and draw $6,000 a year, simply because the alternative is that if he does not leave the service he must then go back to the rank of colonel, and his retirement pay as an Adjutant General would be equal to the pay he would receive as a colonel were he to stay in the Army.

I asked whether there were any exceptions where men who had gone to the top of their profession before retirement age had stayed in the Army. In reply the Chief of Staff, General MacArthur, and the Secretary of War stated that it was the almost universal custom that when a man had reached the top he retired and took his retirement pay for the balance of his life.

Mr. McKELLAR. Mr. President——

Mr. TYDINGS. I yield to the Senator.

Mr. McKELLAR. I think it might be said in behalf of General McKinley that his appointment comes here under the law we have enacted. We have permitted the President to select officers of efficiency——

Mr. TYDINGS. The President never selected General McKinley. I will say that to the Senator from Tennessee.

Mr. McKELLAR. Not only has the present President selected him, but a former President selected him, and a former Secretary of War selected him—by the way, a Republican Secretary of War and a Republican President.

Mr. TYDINGS. The Senator is in error. No former Secretary of War and no former President ever selected General McKinley to be The Adjutant General of the Army.

Mr. McKELLAR. Mr. President, his name was sent to the Senate at the last session, and it was not confirmed; and now a Democratic President and a Democratic Secretary of War have sent in General McKinley's name again. He has been chosen for this position twice, and we must assume that he has been chosen because of his efficiency as an Army officer. The Senator admits that he has made an efficient officer, and I have no doubt of it. Of course, I am not saying anything contrary to General Conley, or any other officer. I only know that here are officers whom the Secretary of War and the President have a right to choose, and they have chosen them. Two Secretaries of War belonging to different parties and two Presidents belonging to different parties have chosen one of them, and he ought to be confirmed.

Mr. TYDINGS. Mr. President, let me put to my friend, the Senator from Tennessee, rather plainly what the issue is in this case. In other words, we have cut off the rolls entirely five totally disabled service men, drawing a hundred dollars a month each as a pension, in order 4 years from now to retire General McKinley at $500 a month, even though he is healthy, even though we spent thousands of dollars on training him up to this point, and he has 7 or 8 years more to go. We take the money away from these disabled service men just to pay his retired pay, notwithstanding he may go into private life and make another five or ten or fifteen thousand dollars.

Mr. McKELLAR. I do not understand that that is being done at all.

Mr. TYDINGS. That is what is being done.

Mr. McKELLAR. It is true compensation has been taken away from certain deserving soldiers, and, so far as I am concerned, I am ready to vote to restore it at the very earliest possible moment when the Government has the money.

Mr. TYDINGS. The Government never will get the money, may I say to the Senator from Tennessee, if we are going to spend $6,000 a year that we do not need to spend.

Mr. CAREY. Mr. President, will the Senator yield to me?

Mr. TYDINGS. I yield.

Mr. CAREY. I should like to ask the Senator whether General McKinley is not already a brigadier general and could he not retire at this time, after 30 years' service, as a brigadier general?

Mr. TYDINGS. I think he could, but I am not certain about it. Whether or not the matter is complete or not I do not know, but the moment his successor is confirmed, then he would become a colonel, and he could not retire except upon disability. It is my understanding, though I may be wrong, that he could not retire as a brigadier general.

Mr. CAREY. I think the Senator is mistaken in that. I think General McKinley is a brigadier general now.

Mr. TYDINGS. He could not retire.

Mr. CAREY. He could retire as such after 30 years' service. He has been in the Army for 35 years, and he would have a right to retire.

Mr. TYDINGS. He has been in the Army for 35 years?

Mr. CAREY. Yes.

Mr. TYDINGS. How old is General McKinley?

Mr. CAREY. I do not know, but I know he received his commission when he was very young. I think before he was 21 he went into the Spanish War.

Mr. McKELLAR. He is about 53 years old.

Mr. SHEPPARD. He was born February 22, 1880.

Mr. TYDINGS. I am not going to make any point about General McKinley's nomination. I simply felt that, as a matter of justice, I should call the matter to the attention of the Senate. I want to reiterate what I said at the beginning, that General McKinley, as far as I know, is a man of splendid character, and a man with a very efficient record. I have no aspersion to cast on him at all. I think he has done only what anybody would do, namely, try to advance to the top in the shortest possible time. But in a Congress which has cut the ex-service man to the extent which this Congress has cut him in his compensation, in a Congress which has cut every employee of this Government, in a Congress which has taken Army and Navy officers and Army and Navy personnel by the wholesale in the early part of their careers and turned them out, it seems to me that in such a Congress there at least might be a desire to meditate and reflect upon a policy which would allow a very efficient Army officer to retire on $6,000 a year 7 or 8 years before the expiration of his service.

Mr. SHEPPARD. Mr. President, it seems to me that the situation alluded to by the Senator from Maryland is one which should be remedied by law. It is certainly one for which General McKinley is not responsible. It would be most unfair to penalize him by denying him a promotion which he has earned by exceptional efficiency under a system which he had no voice in establishing. Let us by legislation cure the inequalities to which the Senator from Maryland refers, and let us not make General McKinley bear the blame for an unfair system, if indeed it is unfair.

Mr. McKELLAR. Mr. President, was this nomination unanimous on the part of the committee?

Mr. SHEPPARD. The nomination was unanimously reported by the Committee on Military Affairs.

Mr. TYDINGS. Mr. President, of course what the Senator from Texas has been arguing is that if a system is wrong keep on with the system, even though it is wrong, until the whole system is changed; do not correct some injustice that may be done by an erroneous system when you have an opportunity.

Mr. SHEPPARD. Not at all. I say let us not punish an innocent individual for a system over which he has no control. The Secretary of War, after earnest consideration, decided that General McKinley was entitled to this promotion. We could change the system by law tomorrow if we should so desire.

Mr. BULKLEY. Mr. President, the argument of the Senator from Maryland is a very extraordinary one. Because of the very efficiency and merit which General McKinley has shown the Senator from Maryland would have him suffer the humiliation of having the Senate reject his nomination in order to save a few hundred or a few thousand dollars for the Government.

Congress has a right to adopt a policy that Army officers shall be promoted by seniority, and by seniority only. It has not adopted such a policy. As long as we permit the promotion of officers based on the merit of their service we run some risk that it may cost the Government in individual cases more money than the seniority system would cost.

For reasons which have seemed good to the Congress we have maintained the policy of permitting promotions based upon merit and good service to the Government. General McKinley has won this promotion. The Senator from Maryland does not seriously question that. General McKinley has been designated for this promotion on recommendation of the Chief of Staff and by the action of the Secretary of War. He has his nomination from the President of the United States, and the nomination is unanimously reported by the Military Affairs Committee of the Senate. I submit that no reason has been shown for failing to confirm the appointment.

Mr. TYDINGS. Mr. President, only because the Senator from Ohio inadvertently has misconstrued something I have said do I rise further to detain the Senate.

I do not concede for a single moment that General McKinley is any more efficient than General Conley. I happened to see the efficiency records, and looked them over with my own eyes, and I am in possession of the same facts which the Secretary of War has in his possession.

As for the humiliation of General McKinley now, how about the humiliation of those officers who ranked General McKinley when 4 years ago he was taken from number 17 on the list and jumped over all the officers in between him and the top, cutting them out of the possibility of reaching the top of their profession before the time of retirement came? How was that for an injustice? The records in the case of General Conley 4 years ago showed

that the then Adjutant General of the Army recommended him as being fitted in every way for the promotion which General McKinley got.

May I say to my friend from Ohio that it was not only efficiency, although General McKinley did have efficiency. There were certain Members of this body on the other side of the aisle who saw that that efficiency was called to the attention of the appointing power, and when I went to three of the Senators in this body and told them of the injustice that was then being done to Colonel Conley, I was told that I might as well save my legs and my breath, because those gentlemen were going to name the next Adjutant General of the Army.

When it comes down to the question of justice or injustice, my connection with this matter has been such that I happen to know that the real injustice was done 4 years ago, when certain Members of this body brought all the pressure they could bring to secure the appointment of a certain gentleman to a then very high office.

I am rising now not only because of the present injustice, but because I happen to know that 4 years ago efficiency was not the only thing that counted in making promotions in the Army.

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

Mr. TYDINGS. I yield.

Mr. LONG. What reason have we to think that that has been changed?

Mr. TYDINGS. What I am trying to prove to the Senate is that it has not been changed.

Mr. LONG. We have been told that 4 years ago efficiency was not the sole reason for promotion. I do not find anything here to indicate any great departure from the practice we were following in that regard at that time.

Mr. TYDINGS. General McKinley will still be Adjutant General of the Army if he does not get this promotion, if he lives. Long before his term of service is up, if he is so efficient, he would render this service at the top of his profession anyway, and in the meantime the Government would have his exclusive services for the money which is being paid. But under this policy at the end of 4 years the Government will continue to pay the money but will lose the services of one of the most efficient men it has in the Army.

Mr. LONG. Mr. President, this is one of the things which keeps the Army mysterious, which apparently is necessary.

Mr. TYDINGS. I should like to get a roll call on this matter. I have no doubt in the world but that the Senate will confirm the nomination. We are still in the goose-step period, and I am ready to take my licking, but I should like to have a roll call, so that those who vote for and against may be known.

Mr. GEORGE. Mr. President, General McKinley will draw his retirement pay if the Congress permits the retirement act to stand as it now does stand, but the Congress will have 4 years in which it may, if it wishes, provide that retirement pay shall not be due and payable until the officer who claims it has reached the regular retirement age.

Mr. McKELLAR. Mr. President, it cannot only do that but it can change the law at any time so as to make the pay any amount it sees fit to make it.

Mr. GEORGE. It can change it entirely or take it away entirely. Because General McKinley was jumped over 17 officers would, I submit, be no fair reason why we should deny him the right to promotion to this office to which he has been advanced. I suspect that has occurred at every session of the Senate since promotions have been made in the Army.

I may remind the Senator from Maryland now that something similar is occurring in the case of the Chief of Infantry, where the senior colonel is by no means given the advancement although his efficiency is beyond question and although, I dare say, in Army circles he would be regarded as entirely capable of filling that important post.

If we are to correct an evil by eliminating the retired pay in a case of this kind, it ought to be done directly by Congress, and it ought not to be done by denying promotion to a deserving officer who has received the nomination of the President of the United States for the position to which he has been promoted.

May I say, Mr. President, that it is a very serious question whether the Congress has any right to impose a limitation upon the power of the President to appoint to public office. The term "public office" within the meaning of the Constitution, and within the meaning of the phrase as I now use it, is as applicable to military service as it is to civil life. It has been recognized that the Congress has the right, and the exercise of that right has been acquiesced in, to provide for promotion by seniority up to and through to the rank of colonel; but it is a serious question whether, under the Constitution, the power of the President to appoint anyone Adjutant General or to any office in the Army, even below the rank of colonel, might not be exercised without regard to anything the Congress might do.

However, the point is that Congress has provided for promotions on the basis of seniority up to and through the rank of colonel; but it has left to the President, unrestrained and unrestricted, the full right that is given him under the Constitution to make promotions among general officers and of general officers in the Army. If what the distinguished Senator from Maryland [Mr. TYDINGS] says should transpire, to wit, that General McKinley should elect to retire at the end of his 4 years' service as Adjutant General of the Army and receive his retired pay as of that rank, the Congress itself, if it believes that practice to be wrong in principle, would be remiss in not remedying it long before the opportunity for retirement after the 4 years' service has arisen in this case. If we are now to deny confirmation to a general officer simply and solely because he has been stepped up over other officers, his seniors, we will have instituted a practice which, had it been adhered to through the years, would have made a vastly different picture of the whole official set-up of the Army.

Mr. KING. Mr. President, will the Senator from Georgia yield to me?

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Utah?

Mr. GEORGE. I yield to the Senator.

Mr. KING. Having been called from the Chamber I have not heard all the observations of my friend, but the last sentence that he uttered leads me to the conclusion that because the President, as he contends, is given authority to name the senior officers the Senate's authority to reject them is restricted. It seems to me, Mr. President—and I ask the Senator if that is not the correct view to take—that the President has no greater authority or power to name officers for the higher positions in the Army than he has to name persons for other positions in the Government where the Constitution gives him the right to nominate. The Senate has the same authority to confirm or reject military nominations as it has to confirm or refuse to confirm the nominations of persons to be ambassadors, judges, or to hold other important positions in the Government service.

Mr. GEORGE. I am sure the Senator is right, and I was not making the argument that the Senate did not have the responsibility and power to act in this case as in any other, but I was making the point that the power of the President to appoint general officers, given him under the Constitution, has not been restrained or restricted by Congress nor has there been any attempt to do so in the case of those officers beyond the rank of colonel. It would be true, of course, that the Senate would have the power to reject the nomination of an ambassador to Great Britain, for instance, solely because the majority party, or the Senate itself without regard to party, believed that someone else had seniority right or by virtue of his qualifications ought to have received the appointment; but the point is that the seniority rule does not apply, and it ought not to, I think, be argued against a worthy officer who has received his nomination any more in this case than in the case to which the Senator has referred, to wit, the nomination of any civil officer of the Government.

Mr. KING. Mr. President, will the Senator yield for another question?

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Utah?

Mr. GEORGE. I yield the floor, Mr. President.

Mr. KING. I am sure the Senator is familiar with the fact that both in the Army and the Navy there have been complaints because of the alleged unfairness and favoritism in the matter of promotions. There have been many heartburnings and grounds for complaint by reason of the fact that favoritism has been exhibited in the selection of officers for promotion. In my opinion there have been abuses, by those in authority, and not infrequently political or other improper influences exerted in securing promotions and advancements. This has affected the efficiency and morale of the military branch of the Government.

I ask the Senator if it is not manifestly unfair for those in authority to select officers and promote them over many of their seniors whose records are of the highest character and against whom there can be found no blot or blemish? It seems to me—and I ask the Senator if it is not a fact—that such a procedure as that is bound to produce confusion and inefficiency? Will it not lead to discouragement, to heartburning, and criticisms, all tending to produce demoralization in the military service of the Government?

Mr. GEORGE. Mr. President, I am not called upon to answer that question because I have not the appointing power; there may be a great deal of justice in what the Senator says; but I have suffered from the application of the doctrine before, and I have just called attention to the fact that the Chief of Infantry is not the senior nor ranking colonel in the service today. While, if I had the appointing power, I might select the senior colonel for that important post, I do not concede that it would be fair to the nominee of the President to reject him solely because I might have been of the opinion that the rule of seniority should have been applied in principle, although it is not required to be applied under the law.

Mr. McKELLAR. Mr. President, of course the Congress, if it sees fit, can provide a system by which the higher-ranking officers are promoted just as are officers who are below the grade of colonel.

Mr. GEORGE. That is, if it would not infringe the Constitution, and so long as the requisite qualifications are present.

Mr. McKELLAR. So long as it conforms to the constitutional requirement; but Congress has never seen fit to take his present privilege away from the President; it allows him to exercise it; and, having allowed him to exercise it, if we should now decline to do so we would not be carrying out the law.

Mr. GEORGE. Exactly; and for very good reasons Congress never will take that power away from the President.

Mr. TRAMMELL. Mr. President, I have listened to the discussion and understand the position taken by different Senators. According to my idea, the Senate should not become a party to a system of jumping up and lifting officers up over a number of others of higher rank and equal efficiency. There is a duty upon the Senate in the matter of confirmation, just as there is in the matter of nominations upon the Chief of Staff of the Army, or upon the President for that matter.

I may be wrong, but I have been impressed with the fact that during the Hoover administration, more or less through political activities, this officer became a pet of the administration; not that he was not efficient, but he was then promoted over 17 other officers of higher rank and of acknowledged efficiency. Then, in the latter part of the Hoover administration, he still had the star of favoritism—I call it a "star of favoritism" setting over him because he was again recommended for appointment as Adjutant General over a number of officers of higher rank and of equal efficiency according to the records. So far as I am concerned, I do not care to go on record in exercising my prerogative on the question of confirmation and vote to perpetuate or to encourage any such system in our Army.

It is foolish and ridiculous and absurd for anybody to close his eyes and say that there is not more or less favoritism or more or less manipulation in the Army in regard to promotions. I do not know of anybody who is familiar with such matters who is not aware of that. I know in the case of the selection of the Chief of Infantry, mentioned by the Senator from Georgia, a senior officer, with a splendid and excellent record throughout his entire military service, was passed over and some other officer was recommended by the Chief of Staff. It is all right to retire and to retreat and to try to extricate oneself by trying to talk about the President making the appointment, but the selection is really made by the Chief of Staff, and, in a routine way, generally speaking, the President goes ahead and recommends to Congress a certain man be placed in a certain office. That is a feature of the administration of the Army that I do not approve of; it is favoritism.

It is true that we have a law that authorizes what is done, but it was never intended that that law should be abused or that that law should be utilized as a vehicle for favoritism against other worthy officers of the Army of equal efficiency; and it has been utilized in many instances in such a way, and for the purpose of promoting and advancing the cause of some officer who happened to be a pet or who happened to have the favor of those having the selecting power. I believe that the officer who has not the favor of those in power has some right and should have some consideration.

Mr. LONG. Mr. President——

The VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Louisiana?

Mr. TRAMMELL. I yield.

Mr. LONG. I wish to ask the Senator if he has not heard—it has been pretty generally known here for some time—that this particular party was going to be jumped over a number of others and made the choice for this position? I have heard that around here for quite a little while.

Mr. TRAMMELL. I have heard that, and I heard during the Hoover administration when he got in The Adjutant General's office, when he got the first step-up promotion over 17 others, many of whom had just as good records as he had, that he was then probably headed for The Adjutant Generalship, because President Hoover appointed him, and the only reason that he was not confirmed during the latter part of the Hoover administration was that the Democrats, being in control, adopted a general rule that they would not confirm anyone, but now he is here again, and I think that all the circumstances fully justify me in not voting for his confirmation.

Mr. LONG. Mr. President, I had not intended to say anything except what I have contributed; but I was a member of the committee appointed by the Democratic caucus to attempt to determine the exceptions which should be made during the closing days of the Hoover administration. As I recall, this officer was one of those at that time, and there was no one who thought that this supposed-to-be routine matter justified an exception. There was not a single man, as I recall, in the entire caucus that looked upon this case as being one that justified an exception, and his nomination was held up at that time and was kept from being confirmed.

I wish to confirm what the Senator from Florida said. It has been in the brewing here. I have understood that this thing was going to be manipulated ever since I have been in the Congress. It has been generally understood that a certain gentleman who had been the object of some favoritism or had some "Knight of the Garter" standing was going to be slipped over and made Adjutant General. That has been well known. The fact of the case is we have been given notice that this thing was coming, and apparently now it is being put over, to pay a man $500 a month for 7 years, while the crippled boys who are getting $10 a month are being taken off the pay roll on the ground of economy.

Mr. President, I do not know that the Senator from Maryland will get a roll call on this matter. I am going to help him to get a roll call, but I want it to be known in line with the way I have been voting on these matters that the

Senate is about to advise and consent in this matter, and I think that some of the sources of our military operations need some senatorial advice. My part of the advice is going to be that this mysterious brewing that is going on in the Army is not of the solacing kind to meet with what I think is for the welfare and benefit of the country.

Mr. President, I ask for the yeas and nays.

Mr. KING. Mr. President, it is obvious we cannot get a vote tonight. There is no quorum present and I do not want to call a quorum. I ask if it is not agreeable that we pass over the nomination at this time?

Mr. McKELLAR. Mr. President, let us get through with the nomination. We can ask for a quorum. The Assistant Adjutant General has already been appointed. It will complicate matters very much unless this nomination is acted upon. I think it ought to be acted upon and I hope it will be.

Mr. KING. Let me say to the Senator from Tennessee that I do not want to call a quorum, but I shall be compelled to do so if he insists upon a vote on this nomination tonight. I suggest that we pass it over and take up the rest of the calendar and dispose of it. Then I shall move for a recess of the Senate until the conclusion of the Court of Impeachment proceedings tomorrow.

Mr. BULKLEY. Mr. President, there is no reason why we should not vote tonight, as I see it. However, if Senators desire to have a record vote on this question, I realize the difficulty of getting a quorum at this hour. There is, however, a serious complication if another executive session should go by without acting upon this nomination. The nominations of The Adjutant General and of General Conley as Assistant Adjutant General were sent to the Senate at the same time. They were reported by the Committee on Military Affairs to the Senate at the same time. General Conley's nomination as Assistant Adjutant General was confirmed at the session of the Senate last Saturday.

Mr. TYDINGS. Mr. President, I think the Senator is under the impression that the confirmation of General Conley and notification of the President would constitute an immediate confirmation. My understanding, in talking with the Secretary of War, is that even though both confirmations were made today and the President notified today, it would be at some date in the future, the 30th of June, before the actual change in place will occur, so that General McKinley, as I see the situation, would not be prejudiced by having it go over until tomorrow.

Mr. BULKLEY. I think the Senator is correct in saying that if both notifications went to the President at the same time, it would work out as the President and the Secretary of War intend. But I am advised that if the President should be advised of the confirmation of General Conley first, before the confirmation of General McKinley, it would complicate the situation. Cannot we have unanimous consent that notification of the President of the confirmation of the nomination of General Conley may be withheld until this matter is disposed of?

Mr. TYDINGS. I do not want to take any small advantage of General McKinley. I have no objection, and if the Senator from Ohio submits the request I shall not object; but let me say it will not be necessary. However, I have no objection.

Mr. BULKLEY. I feel constrained to make that request.

The VICE PRESIDENT. Is there objection to the request of the Senator from Ohio that notification of the President of confirmation of the nomination of General Conley be withheld temporarily?

Mr. KING. I hope that will be granted.

The VICE PRESIDENT. Is there objection? The Chair hears none and it is so ordered.

Mr. KING. Mr. President, I suggest that we pass over the pending nomination and take up the remainder of the calendar.

The VICE PRESIDENT. Is there objection? The Chair hears none.

Mr. BULKLEY. Mr. President, may I inquire if the consent given to withhold notification to the President of the confirmation of General Conley will leave that matter within the disposition of the Senate as completely as if a motion was made to reconsider the confirmation at this time?

The VICE PRESIDENT. That is the interpretation of the Chair. The clerk will state the next nomination on the calendar.

ASSISTANT ATTORNEY GENERAL

The legislative clerk read the nomination of Pat Malloy, of Oklahoma, to be Assistant Attorney General.

Mr. THOMAS of Oklahoma. Mr. President, the nominee is from my State. I have known him for 20 years. I endorsed his nomination and I am glad to move his confirmation.

Mr. KING. The Judiciary Committee unanimously reported the nomination.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

Mr. THOMAS of Oklahoma. Mr. President, because there are so many vacancies in the Department of Justice and because I understand the Attorney General himself is out of the city, I ask unanimous consent that the President may be notified of the confirmation of Mr. Malloy.

The VICE PRESIDENT. Is there objection?

Mr. McNARY. Mr. President, in view of the practice that has obtained during this session and the last session, I shall have to object.

The VICE PRESIDENT. Objection is made.

JUDGE OF THE CIRCUIT COURT OF HAWAII

The legislative clerk read the nomination of Norman D. Godbold to be first judge, circuit court, first circuit of Hawaii.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

UNITED STATES DISTRICT ATTORNEY, MIDDLE DISTRICT, GA.

The legislative clerk read the nomination of T. Hoyt Davis, of Georgia, to be United States attorney for the middle district of Georgia.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

UNITED STATES MARSHAL, NORTHERN DISTRICT, INDIANA

The legislative clerk read the nomination of Al W. Hosinski to be United States marshal for the northern district of Indiana.

The VICE PRESIDENT. Without objection, the nomination is confirmed. That completes the calendar.

RECESS

The Senate resumed legislative session.

Mr. KING. Mr. President, if there is nothing further, I move that the Senate, as in legislative session, take a recess until tomorrow following the proceedings of the Senate sitting as a court of impeachment.

The motion was agreed to, and (at 5 o'clock and 23 minutes p.m.) the Senate, as in legislative session, took a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on Wednesday, May 24, 1933, the hour of meeting of the Senate sitting as a Court of Impeachment being 10 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 23 (legislative day of May 15), 1933

ASSISTANT ATTORNEY GENERAL

Pat Malloy to be Assistant Attorney General.

FIRST JUDGE, CIRCUIT COURT, FIRST CIRCUIT OF HAWAII

Norman D. Godbold to be first judge, circuit court, first circuit of Hawaii.

UNITED STATES ATTORNEY, MIDDLE DISTRICT OF GEORGIA

T. Hoyt Davis to be United States attorney, middle district of Georgia.

UNITED STATES MARSHAL, NORTHERN DISTRICT OF INDIANA

Al W. Hosinski to be United States marshal, northern district of Indiana.

FEDERAL TRADE COMMISSIONER

Ewin Lamar Davis to be Federal Trade Commissioner.

HOUSE OF REPRESENTATIVES

TUESDAY, MAY 23, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Eternal God, who hast given us life with all its countless blessings and promises, we rejoice in Thee, knowing that Thou art the source of perfect peace and understanding; all good things cometh from Thy merciful and bountiful hand. We thank Thee for the kindly sunlight, for the beauty and the glory of the radiant sky. O teach us, our Heavenly Father, the joy of that life made responsive to the messages of the flowers, the songbirds, the fragrant hillsides, and the sweet, quiet murmur of the valley. O forgive us, Lord, for only man is out of harmony. By these ministries may we be led to labor joyously and enter into helpful relations with every good thing that lives. Speak to us in the manifold voices of Thy loving creatures and allow nothing, O Lord, to preclude inward largeness, strength, and vision. In the name of Jesus. Amen.

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

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate insists upon its amendment to the bill (H.R. 4220) entitled "An act for the protection of Government records", disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. PITTMAN, Mr. ROBINSON of Arkansas, and Mr. BORAH to be the conferees on the part of the Senate.

The message also announced that the Senate had passed, without amendment, a joint resolution of the House of the following title:

H.J.Res. 159. Joint resolution granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof.

The message also announced that the Senate had passed a joint resolution of the following title, in which the concurrence of the House is requested:

S.J.Res. 48. Joint resolution authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point, Posheng Yen, a citizen of China.

CONFERRING DEGREE OF BACHELOR OF SCIENCE ON GRADUATES OF NAVAL ACADEMY

Mr. VINSON of Georgia. Mr. Speaker, I call up the conference report upon the bill (S. 753) to confer the degree of bachelor of science upon the graduates of the Naval Academy and move its adoption.

The SPEAKER. The gentleman from Georgia calls up a conference report, which the Clerk will report.

The Clerk read the conference report.

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows: After the word "academies", at the end of the said amendment, insert the following: ", from and after the date of the accrediting of said academies by the Association of American Universities"; and the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

CARL VINSON,
FRED A. BRITTEN,
Managers on the part of the House.

PARK TRAMMELL,
FREDERICK HALE,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommend in the accompanying conference report:

The Naval Academy and the Military Academy are now approved and listed by the Association of American Universities.

The curriculum of the Coast Guard Academy has been submitted to the association, but its approval has not yet been extended, pending further observation of the success of graduates of the Coast Guard Academy in post-graduate study.

CARL VINSON,
FRED A. BRITTEN,
Managers on the part of the House.

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

Mr. VINSON of Georgia. Yes.

Mr. SNELL. As I understand, this is agreeable to the gentleman from Illinois [Mr. BRITTEN]?

Mr. VINSON of Georgia. Yes. This merely requires the three institutions to be accredited in accordance with the rules and regulations of the Association of American Universities.

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

Mr. VINSON of Georgia. Yes.

Mr. GOSS. What is going to happen to the degrees of bachelor of science to be conferred on the cadets of the Military Academy? That was in another bill.

Mr. VINSON of Georgia. This takes care of all of them. This takes care of the Coast Guard, the Military Academy, and the Naval Academy. They may each issue the degree of bachelor of science to the cadets when the institutions qualify in accordance with the regulations of the American Association of Universities.

Mr. GOSS. That is, all three of them?

Mr. VINSON of Georgia. Yes. The Naval Academy and the West Point Academy have already qualified. The Coast Guard Academy has not yet qualified, and until it does the degree cannot be issued to the Coast Guard cadets.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

PURCHASE OF PREFERRED STOCK OF INSURANCE COMPANIES BY RECONSTRUCTION FINANCE CORPORATION

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to proceed for a few minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. O'CONNOR. Mr. Speaker, yesterday I introduced in the House H.Res. 156, providing for the consideration of S. 1094, a bill from the Committee on Banking and Currency authorizing the Reconstruction Finance Corporation to purchase the preferred stock of certain insurance companies.

Public confidence in American insurance companies, particularly fire and casualty companies, has been shaken by rumors and also by rehabilitation proceedings against the third largest American fire company and one of the great American casualty companies, namely, Globe & Rutgers Fire Insurance Co. and the National Surety Co.

The result of this loss of confidence has been to cause more or less serious runs on American insurance companies similar in nature to runs on banks; that is, policyholders cancel policies and demand payment of unearned premiums. The effect is to seriously threaten the ability of the insurance companies to continue in business because of the cash drain, irrespective of whether their assets at a fair value exceed their liabilities.

There are many unfortunate effects flowing from such wholesale cancelations of policies. In the first place, the insurance companies throw into the securities market their best securities in order to provide cash to meet the demands for return of unearned premiums, and this has a depressing effect upon the market.

Moreover, just as in the case of banks, the insurance companies have a vast network of interlocking credits and debits; that is to say, each reinsures in other companies. Accordingly, if one substantial company is threatened, it injures the credit of a number of other companies, and the danger pyramids as in the case of the failure of a large metropolitan bank.

Another effect of rehabilitation or other proceedings against a fire or casualty company is to tie up funds of American industries and institutions which have insured in the company and also to tie up the funds of home owners and other mortgagors and add one more burden to their effort to carry their property.

Legal proceedings against such a company also throws out of work a large number of employees and threatens the solvency and the ability to carry on of thousands of individuals throughout the country acting as agents and brokers who have written business in such a company.

One of the most unfortunate results of the present lack of confidence in American fire and casualty companies is the flow of business to foreign companies operating in this country. This flow of business and premium money is enormous, and is a serious permanent damage to American business institutions. It is, naturally, most difficult to obtain accurate figures as to the volume of this flow of premium money and business. However, it is known that one of the British companies, the operations of which in this country have been on a smaller scale than those of the other British companies, and which expected to do a current annual business of only $5,000,000 in premiums, did approximately $23,000,000 in premium business during the first few weeks after the low point of the depression evidenced by the bank moratorium. It is also known that one of the great American universities ordered all of its insurance canceled in American companies and replaced in foreign companies.

The reason for this confidence in foreign companies, as compared with the lack of confidence in American companies under present conditions, is that the foreign companies are fortified by their resources in their home countries. Thus they may draw on funds at home to meet obligations here, and the liquidity of these home funds are not affected by bank failures, by bank moratoria, and by the holding up of inflow of premiums from agents.

On the other hand, the liquidity of American companies is damaged by the tying up of deposits in closed banks, by the depression in value of their holdings of securities in American railroads, industrials, and mortgages, and by the slow payment of premium balances owed by agents throughout the country, whose funds in turn are tied up in closed banks and in depressed investments.

The difficulties of the American companies are not due in any degree to bad underwriting practices but solely to the banking and mortgage situation and the extreme depression in the market prices for American securities and by their faith in American investments and institutions.

Accordingly the American companies are suffering solely from their confidence in American investments and institutions, and unless they are given assistance and stabilized and sustained by the Government through the Reconstruction Finance Corporation they will become more and more subject to inroads of competition from foreign fire and casualty companies.

It is freely stated by important insurance agents and brokers that unless the important companies which are now in rehabilitation are put in a position to resume business it will be a black eye to all the American fire and casualty companies and a severe blow to that field of American business.

There are not only these large and imponderable effects of a failure to rehabilitate these companies through a lack of legislation permitting the Reconstruction Finance Corporation to purchase their preferred stock, but there is a direct effect through the freezing of assets of other American insurance companies which have direct claims against the companies in present difficulties.

If this bill permitting the Reconstruction Finance Corporation to purchase preferred stock in insurance companies is passed and the purchase is made in a few cases, in all probability confidence in American companies will be restored by the belief in the determination of the Government to stabilize and protect them, and there will be no need for further purchases.

The Reconstruction Finance Corporation funds will be fully protected in the purchase of preferred stocks, and the Reconstruction Finance Corporation will not be asked to contribute any funds to make up any deficiency in assets. The companies will first be made solvent by the conversion of claims against them into an issue of preferred stock junior to that offered to the Reconstruction Finance Corporation. The Reconstruction Finance Corporation will then get a prior claim on the assets, not in the form of a secured loan but in the form of a prior stock. To repeat, the Reconstruction Finance Corporation will not be asked to contribute money so as to bring the assets up level with or above liabilities, but simply to take a prior position, at the same time freeing the pledged assets so as to make the companies liquid. This will enable the companies to carry on in business and take advantage of their enormous good will. The argument has been made that the good will of the companies against which proceedings have been taken has been destroyed. However, careful inquiry has been made among insurance men, and they have estimated that not less than 75 percent of the advantageous agency relationships of these companies are still intact. It is known that when the new National Surety Corporation resumed it received a flood of new business. In fact, the opposite is true. When a company has been rehabilitated and it is seen that the Government intends to sustain it, confidence in the company is more than restored, particularly in a case where claimants against a company convert their claims into stock. The result is customer ownership, and the claimants have every motive to place new business with that company.

Furthermore, in the case of Globe & Rutgers Fire Insurance Co., which is now in rehabilitation proceedings, if the law is passed, the Reconstruction Finance Corporation will not be asked to put new money into the company, but simply to convert all or a portion of its already existing $10,000,000 loan into a prior preferred stock of a company already made solvent. The Reconstruction Finance Corporation will be given controlling voting power which it may exercise when and as it sees fit and thus insure the prompt retirement of the stock it receives after the emergency passes.

If, on the other hand, this, the third largest American fire-insurance company, is permitted to go into liquidation, the record shows that 5 years will probably elapse before any payment whatever is made to claimants. This has been the history of the liquidation of stock companies in New York State in the past. This long freezing of credits is not due to any incompetence or laxity on the part of the insur-

ance department officials, but simply to the necessity for reducing all the claims to definite amounts before any distribution can be made. It would be most unfortunate to freeze the $20,000,000 of claims of policyholders against Globe & Rutgers Fire Insurance Co. for this long period.

Furthermore, the liquidation of this company would have a disastrous effect upon the credit abroad of American insurance companies. The company had a vast amount of foreign business all over the civilized world, in addition to approximately 400,000 policyholders in the United States This company has had a distinguished record of over 34 years, particularly marked by its patriotic achievements during the war. Before the Government established other means of insuring shipment of American goods abroad, Globe & Rutgers time and again increased its maximum risks under marine policies and thus enabled American manufacturers and shippers to protect their shipments to Europe at a time when they were unable to obtain protection in substantial amounts from other companies.

At a meeting of over 100 insurance brokers and agents in New York City last week a resolution was unanimously adopted urging the rehabilitation of the company, and the management has been flooded with letters urging rehabilitation from all parts of the country. Furthermore, the plan for the reorganization of the company has had the endorsement and formal assent of leading American industrial concerns, banking institutions and individuals, who are claimants.

The passage of this law and its consequent immediate rehabilitation of Globe & Rutgers and these few other pressing situations will restore confidence in American fire and casualty companies and do away with any further need of action in this field by the Government, and stop the flow of business and premium money to foreign companies.

(By unanimous consent, Mr. O'CONNOR was granted permission to extend his remarks.)

THE ECONOMY ACT

Mr. KLEBERG. Mr. Speaker, I ask unanimous consent to extend my own remarks concerning the regulations affecting the administration of the Economy Act.

The SPEAKER. Is there objection?

There was no objection.

Mr. KLEBERG. Mr. Speaker, study of the new regulations providing for benefits to veterans under the provisions of the Economy Act has convinced me that they are going to cause grave injustices in many cases, and in fairness to the former service men, as well as to the other citizens of the country, I feel that immediate revision of the new orders and regulations is imperative.

ADMINISTRATION SHOULD CORRECT ALREADY APPARENT INJUSTICES

I am firmly conviced that neither the Congress nor the President had any desire to work any injustice on any veteran to whom the country owes a great debt that must be repaid as best we can. It has been my consistent practice to support the Executive in his recommendations for emergency legislation to bring the Nation out of the critical economic situation that confronted it. I supported him in his request for power to readjust the schedule of benefits to veterans, and voted for the economy bill. President Roosevelt, in discussing the farm-relief legislation, frankly admitted that it was experimental in character; and he asserted that if it failed to achieve the desired results, he would be the first to admit its faults and seek changes in it. I am confident, therefore, that this same attitude of honesty and fairness will characterize his attitude toward the veterans legislation.

SERIOUS ABUSES OF JUSTICE MUST BE AVOIDED

Laws affecting the former soldiers of the Nation form a bulky volume of statutes, and there are many intricate details in them. In sweeping alternations, therefore, it is not surprising that some mistakes have been made, but my hope is that those charged with the administration of the laws will be quick to accept suggestions for modifications and that they would not hesitate to make such changes when it can be clearly shown that they are necessary if serious abuses of justice are to be avoided.

NARROW, UNFAIR, AND ARBITRARY INTERPRETATIONS

There are thousands of former service men in the Fourteenth Congressional District of Texas, and I have corresponded with many of them concerning the details of their cases. From evidence submitted to me by these veterans, I have come to the conclusion that some of the new regulations must be altered if the intent of the Congress is to be followed in administration of the Economy Act. Some of these injustices have been caused by the regulations themselves and others have been occasioned by what I consider harsh, arbitrary, and unfair interpretations placed upon them by officials of the Veterans' Administration.

SERVICE-CONNECTION AND CAUSATIVE-FACTOR REQUIREMENTS

One of the phrases that is depriving many worthy men, with service-connected disabilities, of fair benefits is that in Regulation No. 5, which provides that emergency officers will continue to receive retirement pay for their service-connected disabilities as long as "the causative factor therefor is shown to have arisen out of the performance of duty during such service." According to letters from the Veterans' Administration to retired officers in my district, it is apparent that the Administration is placing a literal interpretation upon this phase that is not warranted by the terms of the act itself. Obviously it is often impossible for a man, who was injured or who incurred disease in the service, to point to the explicit causative factor which originated his trouble. In fact, my observation of cases which have thus far come to my attention leads me to the conclusion that very few disabled men can submit such evidence.

I have numbers of cases of officers who have served for periods of from 10 to 30 years and who were finally discharged after the World War with a surgeon's certificate of disability by reason of tuberculosis; yet they have been removed from the rolls because they cannot point to the exact hour and date when such tuberculosis began. It appears that few, if any, tuberculosis cases in this category will remain on the rolls despite the fact that the men affected were discharged with statements showing that they had the disease. A similar situation exists with regard to other diseases and to many injuries. The veteran became disabled while in service, it is apparent, and the records disclose the fact that it was admitted that he was disabled when he was discharged. Yet lack of technical evidence prohibits establishment of the exact "causative factor" in the case. No one could possibly believe that this was the intent of the Congress or of the President in the enactment of this legislation.

SOLICITOR'S DECISION OF APRIL 21 AND RETROACTIVE EFFECT

Another example of the miscarriage of justice in the interpretation of these regulations is seen in the action of the Administration in actually making some of them retroactive. The act provided that payments should continue for 3 months after its passage. Naturally, it would be assumed that in cases where an award had been made by the Administration the beneficiary would receive payment for those 3 months. However, the officials of the Administration, in numbers of cases affecting my constituents, have ruled that payment must have actually been started to the beneficiary; in other words, if the award had been made, but the payment held up through the inevitable delays of the Administration so that the check was not forwarded prior to March 20, 1933, the beneficiary is wrongfully deprived not only for 3 months after the enactment of the act but in actuality payment from the date of application, which in several cases dates as far back as December 1932. Is there any justifiable reason for depriving a claimant of benefits for December, January, and February under which he was entitled and had been awarded because of an act of March 20, 1933, and a department decision of April 21, 1933?

DISCHARGE FROM HOMES AND HOSPITALS MINUS TRANSPORTATION

Attention should be given immediately to the provisions of the new rules requiring discharge of certain veterans

from hospitals and veterans' homes. In many instances the Government moved these disabled veterans hundreds of miles to these homes; the least it can do now is to return them to their places of residence, and I feel that neither the Congress nor the Executive intended that these veterans be put out into the street with no place to go. I recall the case of a veteran who resides in my home city of Corpus Christi, Tex. He was admitted to the Veterans' Administration home at Leavenworth, Kans. He has now been notified that he will be dismissed; and despite the fact that the Government took him from south Texas to Kansas to place him in the home, it is not going to provide transportation back to Corpus Christi for him. Of course he is without funds to pay for such travel. The Administration states: "There are no funds available to pay return transportation for beneficiaries discharged." If he, and the thousands of other veterans in his situation, are to be turned loose at the homes, a great burden will be placed upon the local charity institutions in the cities where these Government institutions are located, and a gross injustice will be done the veterans. Furthermore, if these veterans attempt to go home on foot or by soliciting rides upon the highways, they are going to expose themselves to needless suffering. I fear that grave results will be apparent in their health; it is not improbable to suppose that this action might even result in fatalities.

VETERAN CANNOT BE HEARD. WHY NOT CHANGE PROCEDURE?

A further change should be made in the method of reducing the allowances and benefits given to service-connected cases of disability. In no instance should the veteran be penalized without the opportunity of presenting his side of the case in an attempt to establish once more the service-connected nature of his disability to the satisfaction of the Government. The Administration advises me the approved procedure does not contemplate affording the veteran or his representative a personal appearance. I earnestly hope that immediate provision will be made for hearings on all of these cases.

SERVICE-CONNECTED CASES NOT REDUCED BY 20 PERCENT BUT MORE OFTEN BY 60 TO 70 PERCENT

I have noted instances where veterans have been reduced in their allowances far more than the percentage specified in the Economy Act. This has been done by the Administration's revising the schedule of ratings of disability and at the same time paying a reduced allowance for each rating. The veteran is thus cut two ways, and the percentage of reduction in some cases under my personal observation will amount to as much as 70 percent. The intent of Congress, clearly shown in the act, should be followed by the Administration in this matter.

INJUSTICES MUST BE POINTED OUT AND REMEDIAL ACTION TAKEN

It is my intention to do all in my power to bring these injustices to the attention of the proper authorities here in order that remedial action can be taken at once. The present crisis is no less serious than that which confronted our Nation in 1917. The same high order of patriotism is needed now as was essential in those critical days. No citizens realize this more than the former service men. They have made sacrifices for the country before, and they are willing to make them again. They should not be called upon to suffer, however, and I hope and believe that the persons who are charged with the administration of the Economy Act should not cause them to do so.

VETERANS WITH SERVICE-CONNECTED DISABILITIES

Mr. KVALE. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. KVALE. Mr. Speaker, sufficient cases of veterans with service-connected disability have now been reviewed so that we can begin to see how the Economy Act is actually going to operate. Fifteen regional offices have reviewed and analyzed a total of 14,227 cases.

Mr. Speaker, I want this record to show that of these cases receiving service-connected compensation of an average of $46 per month, service connection has been broken on 6,253, or 44 percent of them. Two percent, or 289, are getting the monthly statutory award of $20 for total and permanent disability; 7,427 are still on the rolls, but now, instead of $46 a month, they are receiving an average of $20 a month.

This means an actual average cut on these 14,227 cases of 75 percent.

Mr. Speaker, we will not even need the $65,000,000 which is carried for service-connected cases in the independent offices appropriation bill in place of the $221,000,000 previously carried.

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

Mr. KVALE. Yes.

Mr. GIBSON. I understand, from the statement made by the gentleman, that of these cases that have been reviewed, the service-connected disability men will get an average of only 25 percent of what they had received.

Mr. KVALE. The average is 25 percent. The gentleman is entirely correct.

THE RECORD

Mr. McGUGIN. Mr. Speaker, I rise to call the attention of the Chair to what I think should be a correction in the RECORD. I think the correction is necessary unless the RECORD is to carry a deception to the country. On page 3939 the RECORD states:

The Clerk read as follows:

Then included within the portion read by the Clerk are section 15 and subsections (a) and (b). They were not read by the Clerk. Thereby amendments were shut off. I think the RECORD should be corrected to speak the truth.

The SPEAKER. The Chairman held yesterday that the sections had been read. That is the only information the Chair has.

REGULATION OF BANKING

Mr. STEAGALL. Mr. Speaker, I move that the House now resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H.R. 5661, the banking bill, with Mr. CANNON of Missouri in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose yesterday an amendment offered by the gentleman from Wisconsin [Mr. BOILEAU] was pending.

Without objection, the Clerk will again report the amendment.

There being no objection, the Clerk again reported the Boileau amendment.

Mr. BOILEAU. Mr. Chairman, I ask unanimous consent to proceed for 1 minute to explain the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin [Mr. BOILEAU]?

There was no objection.

Mr. BOILEAU. Mr. Chairman, the amendment I have offered is to strike out section 24 of the bill, which appears on pages 30 and 31.

At the present time national-bank stock has what is known as the "double-liability feature." In other words, if a person has a thousand dollars' worth of stock and a bank fails or goes into the hands of a receiver to liquidate the bank there is an assessment of $1,000 against the owner of the stock. To my mind, that is a just and fair provision of the law. This section of the present bill would repeal that double-liability feature. If we vote in favor of my amendment it will leave the situation just as it is at the present time, leaving the double-liability feature so far as national banks are concerned.

Most of the States have this double-liability feature in connection with State-bank stock, and it would be unfair to those State banks which have that double-liability feature if we were to remove that feature from the national-bank stocks.

I believe this is not the proper time to further weaken the financial structure. I believe the depositors should have that additional guaranty, and I hope the Members will support my amendment.

The CHAIRMAN. The time of the gentleman from Wisconsin [Mr. BOILEAU] has expired.

The question is on the amendment offered by the gentleman from Wisconsin [Mr. BOILEAU].

The question was taken; and on a division (demanded by Mr. BOILEAU) there were—ayes 31 and noes 83.

So the amendment was rejected.

The Clerk read as follows:

SEC. 202. Section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, secs, 321–331; supp. VI, title 12, secs. 321–331), is amended by adding at the end thereof the following new paragraphs:

"Each bank admitted to membership under this section shall obtain from each of its affiliates other than member banks and furnish to the Federal Reserve bank of its district and to the Federal Reserve Board not less than three reports during each year. Such reports shall be in such form as the Federal Reserve Board may prescribe, shall be verified by the oath or affirmation of the president or such other officer as may be designated by the board of directors of such affiliate to vertify such reports, and shall disclose the information hereinafter provided for as of dates identical with those fixed by the Federal Reserve Board for reports of the condition of the affiliated member bank. Each such report of an affiliate shall be transmitted as herein provided at the same time as the corresponding report of the affiliated member bank, except that the Federal Reserve Board may, in its discretion, extend such time for good cause shown. Each such report shall contain such information as in the judgment of the Federal Reserve Board shall be necessary to disclose fully the relations between such affiliate and such bank and to enable the Board to inform itself as to the effect of such relations upon the affairs of such bank. The reports of such affiliates shall be published by the bank under the same conditions as govern its own condition reports.

"Any such affiliated member bank may be required to obtain from any such affiliate such additional reports as in the opinion of its Federal Reserve bank or the Federal Reserve Board may be necessary in order to obtain a full and complete knowledge of the condition of the affiliated member bank. Such additional reports shall be transmitted to the Federal Reserve bank and the Federal Reserve Board and shall be in such form as the Federal Reserve Board may prescribe.

"Any such affiliated member bank which fails to obtain from any of its affiliates and furnish any report provided for by the two preceding paragraphs of this section shall be subject to a penalty of $100 for each day during which such failure continues, which, by direction of the Federal Reserve Board, may be collected, by suit or otherwise, by the Federal Reserve bank of the district in which such member bank is located. For the purposes of this paragraph and the two preceding paragraphs of this section, the term 'affiliate' shall include holding company affiliates as well as other affiliates.

"State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under paragraph 'Seventh' of section 5136 of the Revised Statutes, as amended.

"After 2 years from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any State member bank shall represent the stock of any other corporation, except a member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such bank be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank.

"Each State member bank affiliated with a holding-company affiliate shall obtain from such holding-company affiliate, within such time as the Federal Reserve Board shall prescribe, an agreement that such holding-company affiliate shall be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes, as amended, in the case of holding-company affiliates of national banks. A copy of each such agreement shall be filed with the Federal Reserve Board. Upon the failure of a State member bank affiliated with a holding-company affiliate to obtain such an agreement within the time so prescribed, the Federal Reserve Board shall require such bank to surrender its stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section. Whenever the Federal Reserve Board shall have revoked the voting permit of any such holding-company affiliate, the Federal Reserve Board may, in its discretion, require any or all State member banks affiliated with such holding-company affiliate to surrender their stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section.

"In connection with examinations of State member banks, examiners selected or approved by the Federal Reserve Board shall make such examinations of the affairs of all affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such banks. The expense of examination of affiliates of any State member bank may, in the discretion of the Federal Reserve Board, be assessed against such bank and when so assessed shall be paid by such bank. In the event of the refusal to give any information requested in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, or in the event of the refusal to pay any expense so assessed, the Federal Reserve Board may, in its discretion, require any or all State member banks affiliated with such affiliate to surrender their stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section."

Mr. RAMSPECK. Mr. Chairman, I move to strike out the last word. I wish to ask the Chairman of the Committee on Banking and Currency to explain what effect this section which has just been read will have upon a group system of banks, where a holding company owns three or four banks in a State. Will it be necessary for the banks affiliated in this group to become separate institutions, or can they continue to operate under the group system?

Mr. STEAGALL. There is not anything that prevents their continued operation.

Mr. RAMSPECK. Then what is the effect of this section on them? If the different elements of a group are separate members of the Federal Reserve System, as I understand it, they lose their vote?

Mr. STEAGALL. It regulates their right to vote and limits the vote, but it does not in any way interfere with their operation.

Mr. RAMSPECK. Is there any change in this act as to their rights to become branches?

Mr. STEAGALL. There is not anything in this section, nor in this bill, that deals with branch banks, except in one trivial manner, namely, that State banks having branches and joining the Federal Reserve System may continue to operate their branches if a national bank in the same territory or city is permitted to continue to operate. There will be so few occurrences of that kind that it is not regarded as of any importance.

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

The Clerk read as follows:

Amendment offered by Mr. DIRKSEN: Page 33, line 21, after the word "after", strike out the word "two" and insert the word "one."

Mr. DIRKSEN. Mr. Chairman, I ask to be heard very briefly on the amendment to substitute the word "one" for the word "two" in line 21 on page 33.

You are familiar with the fact that this section provides for the divorcing of affiliates from national banks, and 2 years is provided to accomplish that end. In the first bill that was introduced in the last Congress, as I understand, 5 years were provided in which to accomplish this divorcement. The present bill recites 2 years, but I submit some reasons why I believe 1 year is ample.

In the first place it occurs to me that 1 year is sufficient for any bank to get its house in order. In the second place, I think the gentlemen on the Democratic side anticipate we are going to have a boom season one of these days. We are at least hoping so. We hope there will be an upturn in all forms of markets and industrial and commercial enterprises, and if that upturn should come within the space of a year, and we provide 2 years for the divorcement of the affiliates from banks, it still gives them an additional year in such a new lush, boom period in which to connive and operate to the detriment of the investors of the country.

The third reason I submit for the change from 2 years to 1 year is this: The distinguished Senator from Virginia, former Secretary of the Treasury, only a few days ago expressed and uttered the hope in the Senate of the United States that perhaps the body at this end of the Capitol would reduce the 2-year period to 1 year. I do not believe

any more conclusive or cogent logic is necessary to show the advisability of reducing that period.

Mr. STEAGALL. Mr. Chairman, I think we are all agreed in purpose. We are agreed as to the desirability of remedying of what is generally regarded as a serious evil. The only question is the manner in which we shall go about the task. The Senate has considered this provision and discussed it at great length, and it has been agreed among those who have given most thought to this provision and who are responsible for its origin, that in the present condition of the country and the existing disturbance in economic affairs, reasonable time should be allowed for bringing about this reform.

I think perhaps if I had been asked to draw this section I should have agreed with my friend in the thought he has. I should probably have written it 1 year, but having heard the matter discussed as I have and having witnessed developments in the centers where the evil at which this section is aimed exists, I am convinced no harm will result in giving 2 years to bring about this reform.

We need not be unduly hard. We just want to clean up and straighten up if we can. I can understand how in some communities there might be a division of interests, commercial, industrial, and agricultural between two banks. Half the interests of the community would gather around one institution, a State bank having an affiliate. Across the street is a national bank of similar size serving the other half of the community. Everybody is satisfied in both cases. We have instances like this.

To call upon one of those institutions at this time to put this into effect might result in some instances in hardship and in cases where there never has been criticism against the operation of these institutions.

So, in order to be scrupulously fair and considerate we thought 2 years should be allowed.

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

Mr. STEAGALL. I yield.

Mr. DIRKSEN. For the benefit of the House I want to read from the RECORD of May 19, about four sentences. Senator GLASS in debating this section said:

> We have modified that provision of the bill, however, changing it from 5 years to 2 years rather with the expectation, if not the confident hope that the other branch of Congress, or the Senate, may reduce it to 1 year.

I submit this simply for the purpose of showing what has been taking place in the other body and their probable attitude toward it.

Mr. STEAGALL. I am aware of the attitude of the Senator to whom the gentleman refers.

Mr. Chairman, I ask unanimous consent that debate on this section and all amendments thereto do now close.

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

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois.

The question was taken; and on a division (demanded by Mr. DIRKSEN) there were—ayes 45, noes 76.

So the amendment was rejected.

The Clerk read as follows:

> SEC. 203. The Federal Reserve Act, as amended, is amended by inserting between sections 23 and 24 thereof (U.S.C., title 12, secs. 64 and 371; supp. VI, title 12, sec. 371) the following new section:
>
> "SEC. 23A. No member bank shall (1) make any loan or any extension of credit to, or purchase securities under repurchase agreement from, any of its affiliates, or (2) invest any of its funds in the capital stock, bonds, debentures, or other such obligations of any such affiliate, or (3) accept the capital stock, bonds, debentures, or other such obligations of any such affiliate as collateral security for advances made to any person, partnership, association, or corporation, if, in the case of any such affiliate, the aggregate amount of such loans, extensions of credit, repurchase agreements, investments, and advances against such collateral security will exceed 10 percent of the capital stock and surplus of such member bank, or if, in the case of all such affiliates, the aggregate amount of such loans, extensions of credits, repurchase agreements, investments, and advances against such collateral security will exceed 20 percent of the capital stock and surplus of such member bank.
>
> "Within the foregoing limitations, each loan or extension of credit of any kind or character to an affiliate shall be secured by collateral in the form of stocks, bonds, debentures, or other such obligations having a market value at the time of making the loan or extension of credit of at least 20 percent more than the amount of the loan or extension of credit, or of at least 10 percent more than the amount of the loan or extension of credit if it is secured by obligations of any State, or of any political subdivision or agency thereof: *Provided*, That the provisions of this paragraph shall not apply to loans or extensions of credit secured by obligations of the United States Government, the Federal intermediate credit banks, or the Federal land banks, or by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal Reserve banks. A loan or extension of credit to a director officer, clerk, or other employee or any representative of any such affiliate shall be deemed a loan to the affiliate to the extent that the proceeds of such loan are used for the benefit of, or transferred to, the affiliate.
>
> "For the purposes of this section the term 'affiliate' shall include holding company affiliates as well as other affiliates, and the provisions of this section shall not apply to any affiliate (1) engaged solely in holding the bank premises of the member bank with which it is affiliated, (2) engaged solely in conducting a safe-deposit business or the business of an agricultural credit corporation or livestock loan company, (3) in the capital stock of which a national banking association is authorized to invest pursuant to section 25 of the Federal Reserve Act, as amended, or (4) organized under section 25 (a) of the Federal Reserve Act, as amended; but as to any such affiliate, member banks shall continue to be subject to other provisions of law applicable to loans by such banks and investments by such banks in stocks, bonds, debentures, or other such obligations."

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

Mr. Chairman, I rise only to call attention to a provision which advertently or inadvertently was left out of the next section on page 38, so-called "section 5144", of the House bill.

I have examined the companion bill in the Senate, S. 1631, and I find that this section provides for what is known as cumulative voting for directors of banks.

I shall not offer an amendment, but I do hope the leaders of the Committee on Banking and Currency in the House, and the conferees thereof, having received notice of the fact that at least one Member is anxious to have the bill in the House conform to that in the Senate, will provide for cumulative voting for bank directors in the conference report of both Houses. Indeed, Chairman STEAGALL said he reviewed the matter with great favor and pledged support to have it inserted. In the light of that pledge I shall not embarrass the committee now and press an appropriate amendment.

I rise at this time to point out what cumulative voting is. You will find that in most corporations, usually nonbanking corporations, provision is always made, or ought to be made, in charters for cumulative voting so that minority interests shall have a voice in the management and operation of the corporate entity.

There are some very flagrant situations arising in various banking institutions where substantial, large minority interests are kept out in the cold, have no voice whatsoever in the management of the bank. In one particular instance in New York City, of which I have actual knowledge, there are some 5,000,000 shares of stock outstanding. It concerns one of the largest banks in the world. One individual controls about 10 percent of that entire stock, and through another entity controls another 10 percent. So we might say that gentleman—and, incidentally, he is a very upright, honest, righteous, and efficient banker—himself controls about 20 percent of the stock of this very large institution; but the persons in majority control thereof, freeze him out, and refuse to let him have anything to do or say in connection with the operation of this bank. This bank lost a vast sum of money. One of its officials is on trial in New York today for utter disregard and violation of income-tax laws. He has offended in many other respects. He never was a respecter of law or persons. Had this man controlling this 20 percent of stock been on the board—and he would have been on the board had there been cumulative voting—he would have prevented many of the excesses, many of the abuses, much of the malfeasance and misfeasance that occurred in that bank by its officers.

He would have been in the nature of a brake upon the wild and extravagant practices of that institution in New

York; and I do now implore that the Members give some consideration, as the Senate has, at least in its Banking and Currency Committee, to the principle of cumulative voting for directors of banks. So that, for example, if anyone here had, say, 30 shares of stock in a bank, and there were 10 directors to be voted for, he then would have the equivalent of 300 votes. The number of shares is multiplied by the number of directors to be voted for. These votes can be concentrated on one or more directors. So in this way the minority can have at least a chance for their "white alley." As it is today, in these large banks and in many smaller ones, a small coterie cabal together keep out the minority, and, if there are wise counsels and prudence in the minority, the stockholders of the institution and the depositors thereof never get the benefit of such wise counsel and such prudence.

[Here the gavel fell.]

Mr. KVALE. Mr. Chairman, I rise in opposition to the pro-forma amendment.

Mr. Chairman, yesterday when section 21 was being discussed, page 28 of the bill, I sought by amendment to reduce the requirements for directors, as to holdings of stock, from $2,000 to $1,000.

We were told at that time by members of the committee—and I know the misinformation was not intentional—that the present law provided for a minimum of $1,000, and that they saw fit, for good and valid reasons, to lift the requirement to $2,000.

I have looked up the law, and I find that title XII, section 72, of the code places requirements upon directors as follows:

Every director must own in his own right at least 10 shares of the capital stock of the association of which he is a director, unless the capital of the bank shall not exceed $25,000, in which case he must own in his own right at least five shares of such capital stock.

In other words, instead of a requirement of $2,000 worth of stock, the present law requires each director of the $25,000 bank to have $500 worth of stock.

Now, I envision the many business men, professional men, retired farmers, and others, as I said yesterday, who make up the directorates of these small banks.

Mr. SNELL. Will the gentleman yield?

Mr. KVALE. Yes.

Mr. SNELL. As I understand, if this bill goes through in its present form, there will be no more of these $25,000 banks. They will all be at least $50,000.

Mr. KVALE. That is true, but that applies to banks that are going to be organized in the future, and does not apply to banks that already exist.

If it is the intention of the bill, if it is the intention of the committee, if it is the intention of the leaders to kill off all the $25,000 banks that now exist, in addition to preventing their organization in the future, let us say so and let us understand that now, because that is exactly what will happen unless unanimous consent is given to return to this particular section and modify this requirement.

You cannot find enough men in these towns of under 6,000 population to make up a board of directors with men who have $2,000 blocks of stock. Common sense will tell this to every member of the committee here, and I hope the committee will permit us to return and reduce the figure, or, preferably, to leave the law as it is now written.

It is just as ridiculous to require a small bank to live up to this requirement as it would be to say that every director of every bank, regardless of its size, should own 3 percent of the capital stock. Think what such a provision would mean if you applied such a provision to the $100,000,000 banks, and yet that would be no more unfair than the provision to which I am calling your attention.

Common sense seems to me to warrant the request, and I hope it may be granted, so that we can return to section 21 for the purpose of offering and considering such an amendment. Therefore, Mr. Chairman, I do now ask unanimous consent to return to section 21 of the bill for the purpose of offering the amendment suggested.

Mr. BYRNS. May I ask the gentleman to withhold that request until after the reading of the bill is completed? I am sure the gentleman can then be accommodated.

Mr. KVALE. Then I withdraw the request for the present, Mr. Chairman.

The pro-forma amendment was withdrawn.

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

The Clerk read as follows:

Amendment offered by Mr. LUCE: Page 37, line 3, after the word "banks" where it first appears, strike out the word "or" and insert after the word "banks" as it secondly appears the words "or any other Federal corporation."

Mr. LUCE. Mr. Chairman, the purpose of this amendment is to secure that the securities of the Federal Mortgage Corporation that we are in process of creating, shall be put on a level with those of the Federal farm banks.

This change was made in committee on the previous page and the insertion of it at this place was overlooked. I am sure there is no opposition to the amendment.

The amendment was agreed to.

The Clerk read as follows:

SEC. 204. Section 5144 of the Revised Statutes, as amended (U.S.C., title 12, sec. 61), is amended to read as follows:

"SEC. 5144. In all elections of directors and in deciding all questions at meetings of shareholders each shareholder shall be entitled to 1 vote on each share of stock held by him; except (1) that shares of its own stock held by a national bank as sole trustee shall not be voted, and shares of its own stock held by a national bank and one or more persons as trustees may be voted by such other person or persons, as trustees, in the same manner as if he or they were the sole trustee, and (2) shares controlled by any holding company affiliate of a national bank shall not be voted unless such holding company affiliate shall have first obtained a voting permit as hereinafter provided, which permit is in force at the time such shares are voted. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or bookkeeper of such bank shall act as proxy; and no shareholder whose liability is past due and unpaid shall be allowed to vote.

"For the purposes of this section shares shall be deemed to be controlled by a holding company affiliate if they are owned or controlled directly or indirectly by such holding company affiliate or held by any trustee for the benefit of the shareholders or members thereof.

"Any such holding company affiliate may make application to the Federal Reserve Board for a voting permit entitling it to cast 1 vote at all elections of directors and in deciding all questions at meetings of shareholders of such bank on each share of stock controlled by it or authorizing the trustee or trustees holding the stock for its benefit or for the benefit of its shareholders so to vote the same. The Federal Reserve Board may, in its discretion, grant or withhold such permit as the public interest may require. In acting upon such application, the Board shall consider the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of such bank, but no such permit shall be granted except upon the following conditions:

"(a) Every such holding company affiliate shall, in making the application for such permit, agree (1) to receive, on dates identical with those fixed for the examination of banks with which it is affiliated, examiners duly authorized to examine such banks, who shall make such examinations of such holding company affiliate as shall be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks, such examinations to be at the expense of the holding company affiliate so examined; (2) that the reports of such examiners shall contain such information as shall be necessary to disclose fully the relations between such affiliate and such banks and the effect of such relations upon the affairs of such banks; (3) that such examiners may examine each bank owned or controlled by the holding company affiliate, both individually and in conjunction with other banks owned or controlled by such holding company affiliate; and (4) that publication of individual or consolidated statements of condition of such banks may be required;

"(b) After 5 years after the enactment of the Banking Act of 1933, every such holding company affiliate (1) shall possess, and shall continue to possess during the life of such permit, free and clear of any lien, pledge, or hypothecation of any nature, readily marketable assets other than bank stock in an amount not less than 12 percent of the aggregate par value of all bank stocks controlled by such holding company affiliate, which amount shall be increased by not less than 2 percent per annum of such aggregate par value until such assets shall amount to 25 percent of the aggregate par value of such bank stocks; and (2) shall reinvest in readily marketable assets other than bank stock all net earnings over and above 6 percent per annum on the book value of its own shares outstanding until such assets shall amount to such 25 percent of the aggregate par value of all bank stocks controlled by it;

"(c) Notwithstanding the foregoing provisions of this section, after 5 years after the enactment of the Banking Act of 1933, (1)

any such holding company affiliate the shareholders or members of which shall be individually and severally liable in proportion to the number of shares of such holding company affiliate held by them, respectively, in addition to amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks, shall be required only to establish and maintain out of net earnings over and above 6 percent per annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount not less than 12 percent of the aggregate par value of bank stocks controlled by it, and (2) the assets required by this section to be possessed by such holding company affiliate may be used by it for replacement of capital in banks affiliated with it and for losses incurred in such banks, but any deficiency in such assets resulting from such use shall be made up within such period as the Federal Reserve Board may by regulation prescribe;

"(d) Every officer, director, agent, and employee of every such holding company affiliate shall be subject to the same penalties for false entries in any book, report, or statement of such holding company affiliate as are applicable to officers, directors, agents, and employees of member banks under section 5209 of the Revised Statutes, as amended; and

"(e) Every such holding company affiliate shall, in its application for such voting permit, (1) show that it does not own, control, or have any interest in, and is not participating in the management or direction of, any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally in, the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail or through syndicate participation, of stocks, bonds, debentures, notes, or other securities of any sort (hereinafter referred to as 'securities company'); (2) agree that during the period that the permit remains in force it will not acquire any ownership, control, or interest in any such securities company or participate in the management or direction thereof; (3) agree that if, at the time of filing the application for such permit, it owns, controls, or has an interest in, or is participating in the management or direction of, any such securities company, it will, within 5 years after the filing of such application, divest itself of its ownership, control, and interest in such securities company and will cease participating in the management or direction thereof, and will not thereafter, during the period that the permit remains in force, acquire any further ownership, control, or interest in any such securities company or participate in the management or direction thereof; and (4) agree that thenceforth it will declare dividends only out of actual net earnings.

"If at any time it shall appear to the Federal Reserve Board that any holding company affiliate has violated any of the provisions of the Banking Act of 1933 or of any agreement made pursuant to this section, the Federal Reserve Board may, in its discretion, revoke any such voting permit after giving 60 days' notice by registered mail of its intention to the holding company affiliate and affording it an opportunity to be heard. Whenever the Federal Reserve Board shall have revoked any such voting permit, no national bank whose stock is controlled by the holding company affiliate whose permit is so revoked shall receive deposits of public moneys of the United States, nor shall any such national bank pay any further dividend to such holding company affiliate upon any shares of such bank controlled by such holding company affiliate.

"Whenever the Federal Reserve Board shall have revoked any voting permit as hereinbefore provided, the rights, privileges, and franchises of any or all national banks the stock of which is controlled by such holding company affiliate shall, in the discretion of the Federal Reserve Board, be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended."

Mr. ARENS. Mr. Chairman, I move to strike out the last word. I do this for the purpose of getting an opinion of those in charge of the bill whether my contention is right or not. I came to the conclusion in reading the bill that in order for a State bank to come under the operation of this bill it will have to have a capital stock of $25,000 or more. I want to ask the chairman of the committee whether my contention is correct or not.

On page 23 is a paragraph, which says that—

No applying bank shall be admitted to membership in the Federal Reserve bank unless it possesses a paid-up, unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act as amended.

Now, I have the National Bank Act here, and it provides in relation of the conversion of State banks into national banks.

It reads as follows:

SEC. 5154. Any bank incorporated by special law of any State, or of the United States, or organized general laws of any State, or of the United States, and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of the shareholders owning not less than 51 percent of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency, be converted into a national banking association, with any name approved by the Comptroller of the Currency.

Under that same act, section 217, provides:

No national banking association shall be organized with a less capital than $100,000, except that such association with a capital of not less than $50,000 may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed 6,000 inhabitants, and except that such association with a capital of not less than $25,000 may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed 3,000 inhabitants.

So my contention is that under the National Banking Act a national bank must have $25,000 capital or more in places where there is a population of less than 3,000 people and a State bank to become a national bank must have the same capital.

Mr. GOLDSBOROUGH. It is true that no State bank can become a member of the Federal Reserve System unless it has a minimum amount of capital stock.

Mr. ARENS. That is $25,000.

Mr. GOLDSBOROUGH. Yes; but that is not true as far as the insurance provision of this bill is concerned. There is no prescribed capital a State bank shall have in order to be admitted to the insurance fund.

Mr. ARENS. It says that it must have the same capital as a national bank.

Mr. STEAGALL. There is no prescribed amount of capital in the bill which a bank is required to have to become a member of this insurance fund.

Mr. ARENS. I think according to the bill it must have $25,000, at least.

Mr. STEAGALL. The gentleman is mistaken.

[Here the gavel fell.]

Mr. GOLDSBOROUGH. Mr. Chairman, I ask for recognition.

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

Mr. GOLDSBOROUGH. Yes.

Mr. BLANCHARD. It was my understanding that in order to become eligible to participate in the insurance fund they had to qualify under the Federal Reserve Act.

Mr. GOLDSBOROUGH. That is a mistake.

The Clerk read as follows:

SEC. 205. After 2 years from the date of the enactment of this act, no member bank shall be affiliated in any manner described in section 1 (b) of this title with any corporation, association, business trust, or other similar organization engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities.

For every violation of this section the member bank involved shall be subject to a penalty not exceeding $1,000 per day for each day during which such violation continues. Such penalty may be assessed by the Federal Reserve Board, in its discretion, and, when so assessed, may be collected by the Federal Reserve bank by suit or otherwise.

If any such violation shall continue for 6 calendar months after the member bank shall have been warned by the Federal Reserve Board to discontinue the same, (a) in the case of a national bank, all the rights, privileges, and franchises granted to it under the National Bank Act may be forfeited in the manner prescribed in section 2 of the Federal Reserve Act, as amended, or, (b) in the case of a State member bank, all of its rights and privileges of membership in the Federal Reserve System may be forfeited in the manner prescribed in section 9 of the Federal Reserve Act, as amended.

Mr. FISH. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. FISH: Page 44, line 1, after the word "after", strike out the word "two" and insert the word "one."

Mr. FISH. Mr. Chairman, I would like to hear some discussion of the reason why these security affiliates should be permitted 2 years in which to divorce themselves from national banks. My amendment eliminates the word "two" and substitutes the word "one", so as to compel them to be separated in 1 year. I am not sure but 1 year is more than sufficient. Perhaps 90 days would be better. According to my way of thinking, the Congress should have acted a number of years ago and passed legislation to prohibit national

banks from having these security affiliates. Why should we now give them 2 years to divorce themselves from the national banks? I can remember back in 1928 and 1929, during the boom times, when these bank presidents, Mr. Charles Mitchell, of the National City Bank, and Mr. Wiggin, of the Chase National Bank, which are the two worst offenders, as far as affiliates are concerned, said to the Congress, "We don't want any interference with business by the Congress; we know how to handle our own business and we want to be left alone." The only fault that I find with Congress as I look back is that we listened to this call from the big business men, Mitchell and Wiggin and others in Wall Street, and let business alone. They got us into this inflation largely through these security affiliates connected with the big banks. The banker, instead of looking after the deposits of his own depositors, was paying more attention to the security affiliate, where he got his money from. Only in the last year we found out that Charlie Mitchell, of the National City Bank, obtained in 1 year $3,000,000, whereas his pay as bank president was $100,000 a year.

Probably the same thing applied to the other banks, particularly to the Chase National Bank and to Mr. Wiggin. Those were the men who said to Congress at that time that there must be no interference with business. No wonder when these two bank presidents were making enormous profits for themselves largely at the expense of their depositors. All the time they were saying to their depositors, "You have got money in our banks, and you ought to take it out of our banks and invest it. We will sell you some foreign bonds, some A B C bonds, some South American bonds." The depositors would reply that they did not know anything about the bonds and the bank presidents, and their associates would then advise them that these bonds pay 7 and 8 percent, and would say, "Don't leave your money idle in our banks, you should take it out and invest in these bonds." When the depositor again said that he did not know anything about the bonds the bankers said, "Of course our bank is behind them, and that is enough, for we have investigated them", and then the depositor took his money out and he bought Argentine, Chile, and Brazilian bonds paying 7 and 8 percent, and, of course, the commissions went to the presidents of those banks and their associates. Those security affiliates did more harm in promoting the inflation and the resulting deflation that caused the financial ruin of hundreds of thousands of bank depositors than any other agency in America. So why should we give them 2 years more to divorce themselves from national banks and to carry on this unethical and vicious practice in case of better times and renewal of investment activity.

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

Mr. FISH. I am sorry, but I have only 5 minutes. There is nothing new about this depression, as far as the principle involved. It is exactly the same as any other. There was an enormous inflation brought about because of the mass overproduction of stocks, bonds, and other securities largely emanating from these affiliates, which were sold to the American people often without much investigation, and as a result it meant a mass overproduction of factories, commodities, real estate, and everything else—an enormous inflation that sooner or later had to crash, and when it did crash and the pendulum swung back, it did not stop at normalcy but went right on down into the depths where we are now. I do not indict the big bankers alone. The American people were also responsible. They went into an orgy of gambling and speculating and extravagance. But the big business and banking leadership was at fault. These international bankers and the biggest bankers in America were making all kinds of money. They naturally said that they did not want interference from Congress. They wanted to grab off all the money they could while the going was good, regardless of consequences to their depositors or anyone else. The Congress should have acted long before this to protect the American public. We should have told the big bankers long ago to get rid of these affiliates, and should not permit them now more than 1 year to put an end to their security affiliates. I think this amendment should be agreed to. [Applause.]

Mr. STEAGALL. Mr. Chairman, I move that all debate upon this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment of the gentleman from New York.

The question was taken; and on a division (demanded by Mr. FISH) there were—ayes 44, noes 64.

Mr. FISH. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. STEAGALL and Mr. FISH to act as tellers.

The Committee again divided; and the tellers reported there were ayes 64 and noes 68.

So the amendment was rejected.

The Clerk read as follows:

TITLE III

FEDERAL DEPOSIT INSURANCE CORPORATION

SEC. 301. (a) There is hereby created a Federal Deposit Insurance Corporation (hereinafter referred to as the "Corporation"), whose duty it shall be to purchase, hold, and liquidate as hereinafter provided the assets of national banks which have been closed by action of the Comptroller of the Currency, or by vote of their directors, and the assets of State member banks, and to make loans to State banks and trust companies as hereinafter provided, which have been closed by action of the appropriate State authorities, or by vote of their directors.

(b) The management of the Corporation shall be vested in a board of directors, consisting of 5 members, 1 of whom shall be the Comptroller of the Currency, 1 a member of the Federal Reserve Board designated by the Board for the purpose, and 3 citizens of the United States appointed by the President, by and with the advice and consent of the Senate, who shall hold their offices during a term of 6 years. Not more than two of the appointive members of the board shall be members of the same political party. The terms of the appointive members first appointed shall be for 2, 4, and 6 years, as designated by the President. The appointive members of the board shall receive compensation at the rate of $10,000 per annum, payable monthly out of the funds of the Corporation, but no other member of the board shall receive additional compensation for service as a member.

(c) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $150,000,000, which shall be available for payment by the Secretary of the Treasury for capital stock of the Corporation in an equal amount, which shall be subscribed for by him on behalf of the United States. Payments upon such subscription shall be subject to call in whole or in part by the board of directors of the Corporation. Such stock shall be in addition to the amount of capital stock required to be subscribed for by Federal Reserve banks and member and nonmember banks as hereinafter provided and the United States shall be entitled to the payment of dividends on such stock to the same extent as member and nonmember banks are entitled to such payment on the class A stock of the Corporation held by them. Receipts for payments by the United States for or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury and shall be evidence of the stock ownership of the United States.

(d) The capital stock of the Corporation shall be divided into shares of $100 each. Certificates of stock of the Corporation shall be of two classes, class A and class B. Class A stock shall be held by member and nonmember banks only and they shall be entitled to payment of dividends out of net earnings at the rate of 6 percent per annum on the capital stock paid in by them, which dividends shall be cumulative, or to the extent of 30 percent of such net earnings in any one year, whichever amount shall be the greater, but such stock shall have no vote at meetings of stockholders. Class B stock shall be held by Federal Reserve banks only and shall not be entitled to the payment of dividends. Every Federal Reserve bank shall subscribe to shares of class B stock in the Corporation to an amount equal to one half of the surplus of such bank on January 1, 1933, and its subscriptions shall be accompanied by a certified check payable to the Corporation in an amount equal to one half of such subscription. The remainder of such subscription shall be subject to call from time to time by the board of directors upon 90 days' notice.

(e) Every member bank shall subscribe to the class A capital stock of the Corporation in an amount equal to one half of 1 percent of its total net outstanding time and demand deposits on January 1, 1933, as computed in accordance with regulations of the Federal Reserve Board governing the computation of reserves. One half of such subscription shall be paid in full within 90 days after receipt of notice from the chairman of the board of directors of the Corporation, and the remainder of such subscription shall be subject to call from time to time by the board of directors of the Corporation.

(f) The amount of the outstanding class A stock of the Corporation held by member banks shall be annually adjusted as hereinafter provided as of the last preceding call date as member banks increase their time and demand deposits or as additional

banks become members, or subscribe to the stock of the Corporation, and such stock may be decreased in amount as member banks reduce their time and demand deposits or cease to be members. Shares of the capital stock of the Corporation owned by member banks shall not be transferred or hypothecated. When a member bank increases its time and demand deposits it shall, at the beginning of each calendar year, subscribe for an additional amount of capital stock of the Corporation equal to one half of 1 percent of such increase in deposits. One half of the amount of such additional stock shall be paid for at the time of the subscription therefor and the balance shall be subject to call by the board of directors of the Corporation. A bank admitted to membership in the Federal Reserve System at any time after the organization of the Corporation shall be required to subscribe for an amount of class A capital stock equal to one half of 1 percent of the time and demand deposits of the applicant bank as of the date of such admission, paying therefor its par value plus one half of 1 percent a month from the period of the last dividend on the class A stock of the Corporation. When a member bank reduces its time and demand deposits it shall surrender, not later than the 1st day of January thereafter, a proportionate amount of its holdings in the capital stock of the Corporation, and when a member bank voluntarily liquidates it shall surrender all its holdings of the capital stock of the Corporation and be released from its stock subscription not previously called. The shares so surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Board, a sum equal to its cash-paid subscriptions on the shares surrendered and its proportionate share of dividends not to exceed one half of 1 percent a month, from the period of the last dividend on such stock, less any liability of such member bank to the Corporation.

Mr. GOLDSBOROUGH. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. GOLDSBOROUGH: On page 49, in line 20, after the word "President", insert "one of whom selected by the vote of the three shall be chairman of the Corporation."

Mr. GOLDSBOROUGH. Mr. Chairman, that amendment was adopted by the Committee on Banking and Currency, but through inadvertence of the clerk it was not inserted in the new bill as it was introduced.

Mr. PATMAN. Mr. Chairman, I offer a substitute for the amendment just offered by the gentleman from Maryland.

The Clerk read as follows:

Amendment offered by Mr. PATMAN as a substitute for the amendment offered by Mr. GOLDSBOROUGH: On page 49, in line 17, after the word "Currency", strike out the following language in lines 17, 18, and 19: "one a member of the Federal Reserve Board designated by the Board for the purpose, and three citizens of the United States appointed by the President" and insert the following: "and four citizens of the United States appointed by the President."

Mr. PATMAN. Mr. Chairman, I would not oppose the amendment offered by the gentleman from Maryland, and I should like to have that adopted first, and then offer my amendment as an amendment.

The CHAIRMAN. As a matter of fact, the amendment offered by the gentleman from Texas is not a substitute at all.

Mr. McFADDEN. I should like to ask the gentleman from Maryland a question. The usual provisions in the Federal Reserve Act or other pieces of legislation which have been enacted provided that a choice should be made between the two political parties.

Mr. STEAGALL. That is provided in this bill.

Mr. McFADDEN. That is what I wanted to know.

Mr. STEAGALL. As to the 3 members appointed by the President, not more than 2 shall be of the same political party.

The CHAIRMAN. The substitute amendment offered by the gentleman is not in order at this time.

The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The amendment was agreed to.

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

The Clerk read as follows:

Amendment offered by Mr. PATMAN: On page 49, line 17, after the word "Currency", strike out the following language: "one a member of the Federal Reserve Board designated by the Board for the purpose, and three citizens of the United States appointed by the President" and insert in lieu thereof the following: "and four citizens of the United States appointed by the President."

THE FEDERAL DEPOSIT INSURANCE CORPORATION—BOARD OF DIRECTORS

Mr. PATMAN. Mr. Chairman, I wish to be heard on the amendment.

This is a board set up for the purpose of determining who will be permitted to take advantage of this law. There are 6,000 national banks and 12,000 State banks in this country. It occurs to me that this board should be a fair board, one that would administer the law fairly and impartially. It should not be composed of representatives of the State banks, neither should it be composed of representatives of the Federal Reserve banks. It should be composed of citizens of the United States who are not directly interested in either State or National banks. If the bill is passed as proposed by the committee, the set-up of 5 members will be 2 members of the Federal Reserve Board, another member of the opposite party, and 2 of the party in power. So if a State bank comes before members of that board asking for admission there will probably be 2 votes on the board immediately influenced against their admission. In other words, the committee did not intend it, but it looks very much like a stacked board. I do not say that to reflect on the committee. I do not impugn their motives. I have the utmost confidence in those gentlemen, and I know they do not propose it to be a stacked board, but nevertheless, 2 members of the 5 will be particularly interested in Federal Reserve banks and naturally will be opposed to State banks coming into the system.

May I suggest that unless this law is fixed in some way so that it will be administered in a manner that is lenient toward State banks, it is likely to cause at least five or six thousand State banks in this country to fail.

SQUARE DEAL FOR STATE BANKS

I say it is not fair for every national bank and every member bank of the Federal Reserve to automatically come within the terms of this law, without so much effort as the turning of a hand. Every one of them will automatically come in, whereas the State banks are excluded and will have to pass an examination and submit themselves to this board, which I say is somewhat of a stacked board. Unless they can convince that board they will have no opportunity to come in. So we certainly should have a fair board, and if the board is arranged as I want it we will have the Comptroller of the Currency as a member of the board. He is also a member of the Federal Reserve Board. We will have a representative of the Federal Reserve Board on the board, as I propose it. Then the President can appoint four other citizens of the United States. They should not be directly interested in the Federal Reserve System nor in the State banking system, but in a position to fairly and impartially pass upon the facts as presented to them.

I hope this amendment will be adopted.

There is a good reason why this should be done. This is an insurance corporation guaranteeing the deposits in banks. Ordinarily, if you insure your own property, you pay the insurance premium. Ordinarily any corporation that insures its own property will pay the insurance premium, but in this case two thirds of the insurance premium is paid by the Government of the United States and the other one third is paid by the banks participating.

The CHAIRMAN. The time of the gentleman from Texas [Mr. PATMAN] has expired.

Mr. STEAGALL. Mr. Chairman, it was my purpose in the preparation of this provision to safeguard State nonmember banks against any possible discrimination by the board administering the deposit insurance corporation. Of course, there are differences of view at this point. It was my thought that we should give recognition to the Federal Reserve System by having a member of the Federal Reserve Board serve on the insurance deposit corporation board, and that it was necessary and wise to have the Comptroller of the Currency serve on the board, not because he happens to be an ex-officio member of the Federal Reserve Board but because he is Comptroller of the Currency and possesses a vast store of information that would be useful in the administration of the deposit guaranty corporation.

The provision of the bill is for three members to be appointed by the President—citizens to represent all public interests involved. Now, I had no thought whatsoever of politics in writing that provision in this bill except that in a hurried manner I did attempt to provide for political division so that the minority party would not get an unfair deal. For that reason provision is made for the appointing of three members, not more than two of whom shall belong to the same political party.

The gentleman is quite correct when he says the board will be made up of two members of the Federal Reserve Board and one Republican, but if his amendment is adopted there will be two Republicans instead of one.

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

Mr. STEAGALL. I am not saying that there is anything destructive in that or that it is unfair or hurtful. I merely call his attention to what his amendment would accomplish, since he seems to attach importance to the political complexion of the board.

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

Mr. STEAGALL. I yield.

Mr. PATMAN. I have another amendment, providing that not more than three shall be of one political party. So we can change it if the gentleman desires, if this amendment is adopted.

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

Mr. STEAGALL. I yield.

Mr. ARENS. Could not the other member be appointed from the Farmer-Laborite Party? That would be the proper way to construe it.

Mr. STEAGALL. After all, Mr. Chairman, this is not a seriously controversial matter. I simply desired to explain the amendment and let the Committee understand just what we are voting on.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. PATMAN].

The amendment was agreed to.

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

The Clerk read as follows:

Amendment offered by Mr. STOKES: Page 51, line 12, strike out the word "not", and in line 13, after the word "dividends", insert "to the same extent as the member banks."

Mr. STEAGALL. Mr. Chairman, there will be no objection on the part of the committee to the adoption of this amendment.

Mr. PATMAN. Is this the amendment dealing with dividends to Federal Reserve banks?

Mr. STOKES. It is.

Mr. PATMAN. That they shall be paid dividends on the amount of money——

Mr. STOKES. I will explain it to the gentleman from Texas.

Mr. PATMAN. I want to rise in opposition to this amendment. I did not know this amendment was up for consideration.

Mr. STOKES. Mr. Chairman, this amendment merely permits Federal Reserve banks to receive the same amount of dividends which the member banks and the Treasury Department will receive on their stock subscriptions. This is only fair.

The Federal Reserve banks are the fundamental basis of our whole banking system and we do not want to weaken them in any way. The Federal Reserve Bank of the City of Philadelphia, whence I come, has a surplus of $29,000,000. Of this surplus it must take, under the provisions of this bill, $14,500,000, or one half, to be advanced toward this guaranty fund. At the present time it is receiving an income on this $14,500,000. According to the provisions of this bill, this money would be invested in this stock and no dividends would be received thereon. My amendment merely authorizes them to receive the same dividends as the Treasury Department and as the member banks, which I think will be agreed is only fair and just.

FEDERAL RESERVE NOT ENTITLED DIVIDENDS ON SURPLUS FUNDS

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment. The way this fund is made up is in the first place by a contribution of $150,000,000 from the Treasury of the United States. The other $150,000,000 is taken from the Federal Reserve funds and Federal Reserve banks. The remainder of the $150,000,000 is taken from the depositors by levying an assessment of one half of 1 percent against their deposits. There is no question but that the Government is entitled to 6-percent dividends on the part it appropriates directly from the Treasury.

NOT FEDERAL RESERVE FUNDS

The member banks which subscribe to the $150,000,000 are also entitled to 6-percent dividends. That will be the law, and it is right.

But now the gentleman comes in and wants the Federal Reserve banks to have a 6-percent dividend on money that they do not own, are not entitled to, and which the House yesterday said they should not receive. That is not the Federal Reserve banks' money.

Why give the Federal Reserve banks a dividend on money they are not entitled to receive? It is not their money. It belongs to the Government. That is in the Reserve fund, a surplus fund that the law says does not belong to the Federal Reserve banks, but belongs to the people of the United States. That is what it says.

CONVINCING EXAMPLE

Now, in order to convince absolutely the gentleman, suppose a member bank decides to withdraw from the System. It can get the amount of capital stock that it pays in, but it does not get a penny of the surplus. Why? Because this surplus does not belong to the Federal Reserve bank. This surplus belongs to the people. It is written into the law. There cannot be any mistake about it when it is written into the law itself.

Another convincing example is that in the event a Federal Reserve bank is liquidated, voluntarily or otherwise, after the creditors are paid, the law says that the remainder, the surplus, shall go into the Treasury of the United States. Why should it not go to the member banks, if the gentleman is correct in his statement that it belongs to them? No. Everywhere throughout this bill it is written in coal-black letters that this surplus does not belong to the Federal Reserve banks. They are not entitled to it. It belongs to the Treasury of the United States; and certainly the gentleman would not have the Government, or this insurance corporation, pay dividends on money the Federal Reserve banks do not own and are not entitled to receive.

SECTION 3 OF PRESENT BILL

On yesterday the committee agreed to strike out of this bill section 3. I offered the amendment, and it was accepted. Section 3 attempted to give these surplus earnings to the Federal Reserve banks, but we made such a hard fight on it I think we convinced the committee that the Federal Reserve banks are not entitled to this surplus. Now, are we here today, just 1 day later, going to turn around and say that although they are not entitled to the surplus, we are going to give them a 6-percent dividend on an investment paid out of that surplus? It is unreasonable. I cannot see why the gentleman would even argue that the Federal Reserve banks are entitled to it. The amount of money that the member banks put up they will get dividends on, and the amount of money that the Government puts up the Government will get dividends on, and this money, really, the Government of the United States should get dividends on instead of the Federal Reserve banks; and I respectfully submit that this amendment should be defeated.

Mr. STEAGALL. Mr. Chairman, I do not regard this amendment as in any sense vital to this legislation.

This is the situation. The present law provides that the 12 Federal Reserve banks shall set aside in a surplus fund all their net earnings until the fund equals the amount of its subscribed capital stock. This amount they have on hand. They paid this year into the Treasury something over $2,000,000, as I remember.

The bill provides that the amount of one half of the surplus of the 12 Federal Reserve banks shall be subscribed by the Federal Reserve banks for stock in the deposit insurance corporation. Originally the bill was drawn so as to

omit the Federal Reserve stock from the provision which permits the payment of dividends on stock in the deposit insurance corporation. This was done because of the fact that we formerly provided that hereafter all the earnings of the Federal Reserve banks should go into a surplus fund, leaving nothing for the Treasury. At the instance of gentlemen who opposed this, and without the slightest violence to my own feeling about the matter—and to be frank about it, without the slightest effect whatever on the practical results—I agreed to this amendment and it was adopted.

I may say, in passing, that at the rate which the 12 Federal Reserve banks are now earning profits under existing law, it will be sometime before there will be anything left for the Treasury, but having taken half of the surplus of the Federal Reserve banks which they were permitted to accumulate under unqualified, lawful authority, having taken away their surplus, I do not think it is unreasonable or destructive to permit them to share in the earnings of the deposit insurance corporation and receive dividends on the amount of the stock invested by them if, happily, we are to have substantial dividends to the stockholders of the deposit insurance corporation.

Mr. PATMAN. Will the gentleman yield for a question?

Mr. STEAGALL. Certainly.

Mr. PATMAN. I will ask the gentleman if it is not a fact that if the Federal Reserve member banks had paid their 6-percent assessment or had paid in the amount they are required under the law to subscribe, they would now have $321,000,000 capital stock instead of $160,500,000, and this surplus would not be needed at all, and the only reason they ask that this surplus that has been accumulated be arrested or captured before it gets to the Treasury is that they have not paid in the other half of their capital stock and they are using the Government's money to take its place?

Mr. STEAGALL. I will say to the gentleman that I have never believed that the Federal Reserve banks needed the entire amount of surplus they have been permitted to acquire. I may say to my friend that for 10 years I have introduced bills providing for an administration upon the earnings of the Federal Reserve banks and the payment into the Treasury of such portion of the earnings as of right ought to go into the Treasury, and to distribute the balance of the earnings of the Federal Reserve banks among their member banks, out of which the profits of the System are made. But that subject is broad enough for a separate bill.

I regard it all as an insignificant detail in connection with the bill now under consideration.

Mr. ROGERS of Oklahoma. Will the gentleman yield?

Mr. STEAGALL. Certainly.

Mr. ROGERS of Oklahoma. I just want to ask the gentleman this question. Since it is not vital, will it not be all right to leave it in, because it will not affect the bill very much one way or the other?

Mr. STEAGALL. It will not destroy the bill if it is changed, and it will not harm anybody if it remains as it is.

Mr. ROGERS of Oklahoma. I was quite sure the gentleman felt that way about it, and that is the reason I asked the question.

Mr. MARTIN of Colorado. Mr. Chairman, I should like to be recognized for 1 minute to ask the gentleman a question.

Mr. STEAGALL. I yield to the gentleman.

Mr. MARTIN of Colorado. What becomes of the dividends on this class B stock? Is it a donation to the insurance fund?

Mr. STEAGALL. If there are no dividends allowed, half of the surplus of the Federal Reserve banks will go into the deposit insurance corporation as a contribution. In other words, it is a subscription to stock that stands without any right of revocation or any right to dividends.

Mr. MARTIN of Colorado. In other words, this class B stock is a pure donation to the insurance system.

Mr. STEAGALL. Yes.

Mr. PATMAN. Will the gentleman yield?

Mr. MARTIN of Colorado. Yes.

Mr. PATMAN. May I say that the $150,000,000 will be a donation from the surplus fund of the 12 Federal Reserve banks, which really belongs to the Treasury.

The CHAIRMAN. The time of the gentleman has expired, and the question is on the amendment offered by the gentleman from Pennsylvania.

The question was taken, and the amendment was rejected.

Mr. HOEPPEL. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 50, line 9, strike out the figures "$150,000,000" and insert in lieu thereof "$1,000."

Mr. HOEPPEL. Mr. Chairman, if gentlemen will read this section they will see that it takes $150,000,000 from the Public Treasury. When we voted to protect the national credit, we were told that the house was on fire. We voted to cut the veterans, and the wages of Federal employees, and yet here we are providing $150,000,000 to be taken from the Treasury in order to give the private bankers of America a guaranty on bank deposits.

If the Government is justified in entering the guaranty-deposit business, it is equally justified in entering the banking business. I understand from the gentleman from Texas that the Government is providing two thirds of the guaranty. In other words, the Government is going to guarantee deposits. Why should not the Government have some stock in the banks? If it did, there would be no necessity of a guaranty provision.

We have been exceptionally liberal to the banks of America, and that liberality has been reflected parsimoniously on the people of the country.

The first bill I voted for was to give the banks $2,000,000,000 at practically no interest, on the urge of the President that an emergency existed. We have in addition given to the banks through the Reconstruction Finance Corporation $1,122,000,000; and through the Postal Savings we have given the banks another billion or more.

All we are doing is making contributions to the bankers and doing nothing for our unemployed citizens.

Congress is not the only one culpable—the various legislatures of the States seem to be doing the same thing. I have a letter from California, my own State, advising me that the legislature enacted a law protecting building-and-loan associations.

Under the new law I may be compelled to wait 8½ years before I can secure the return of my modest passbook account.

We are doing everything to protect the bankers and nothing to relieve the mortgagors and men out of employment. If we wish to do the proper thing for the people, we should give the bankers a fair deal; but at the same time we should enact a moratorium so that the unemployed and others will be protected against the loss of their homes.

The building-and-loan associations state that the provisions with relation to the recently enacted home-loan bank will be of no benefit to them. The mortgagees will not accept the benefits of the act. Our citizens are going to lose their homes.

I hope that the chairman of the committee will be a little more liberal in this matter and help protect the taxpayer and bring relief to the unemployed.

I may vote for this guaranty bill, although it seems to me like a nice, rosy, well-polished apple. It looks nice, but I am afraid that there are defects inside—that it is rotten at the core. [Laughter.] I may vote for it, but it will be a strain on my conscience to do so. [Laughter and applause.] I am hoping that the time will come when the chairman of this committee will bring in a humanized bill which will protect the interest of all the people and not one solely for the bankers.

Mr. FULLER. Mr. Chairman, it certainly is amusing to hear such an argument as that just listened to. It is absolutely ridiculous for men who claim to be business men, who claim to represent constituencies that are composed of busi-

ness men, to listen to such utter absurdities. It is said that we are giving the big bankers of the country a big benefit because we allow these bankers to act as depositories for post-office money.

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

Mr. FULLER. In a moment. There is not a bank in the United States that is making any money by reason of being a depository for post-office money. I will tell you how it happens. I happen to be the president of a small bank. It was wished on me after I came here. The banks were failing over all the country and the boys elected me president of this bank, and I have never found an opportunity to resign. I do not know much about banking, but mine is standing up. This bank has stood the acid test. We wanted to be a depository for post-office money.

Mr. HOEPPEL. I wish the gentleman would advise us what ladies' aid society he belongs to.

Mr. FULLER. None. Banks make no money off postal savings. They buy bonds, mostly Government, drawing a small rate of interest, and these are deposited as security for the postal savings. Then these banks must pay 2½ percent on the postal savings, and thus make nothing out of these Postal Savings deposits.

Mr. HOEPPEL. I am not speaking for the banks, I am speaking for the American people. If you examine the records, you will find that postal deposits have increased over 1,100 percent since the bank holiday.

Mr. FULLER. And they have a gentleman like you in Congress who just got out of a Republican post office and came here on the Democratic landslide and occupies a seat on the Democratic side. You do not know what it is to go along with this Democratic administration. The only time anybody ever knew of you voting with the administration was when you voted for beer; and if you did as you should, you would go over to the Republican side where you rightfully belong. [Laughter and applause.]

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

Mr. FULLER. No; I do not want to hear any more. I cannot spend a lot of time in 5 minutes shooting cannon balls at a canary bird. [Laughter and applause.]

Mr. HOEPPEL. But I have a cannon ball to shoot at you. Why do not you yield?

Mr. FULLER. It is not the big banks that want security or guaranty. None of them wants it. It is the people who are demanding this law.

Mr. HOEPPEL. Will the gentleman yield?

Mr. FULLER. No.

Mr. HOEPPEL. What about Dawes getting charity?

Mr. FULLER. Who?

Mr. HOEPPEL. Dawes, the man with the friendly pipe. He borrowed $90,000,000, and we will lose at least $30,000,000 on the securities.

Mr. FULLER. I expect that is true, but it has nothing to do with the merits of this bill. What we are trying to do is to correct the American banking system so that we can regulate the banks. I am amused at other Members on this side of the House who make every objection and every argument they can in criticism of this bill, especially the guaranty system. The gentleman from Texas says in his own State two thirds of the banks cannot qualify under this law. This is an acknowledgment of their insolvency. If they cannot pass inspection and examination, they should not be permitted to take advantage of the guaranty feature. If they are not solvent, they should not be permitted to operate. Yet the people of his State and the people of America everywhere are demanding at the hands of Congress that we give them a guaranty bank system. The only way that we can do that is for the Federal Government to get back of it all. I say to you that two thirds of this money is not being contributed by the Federal Government.

Mr. HOEPPEL. Will the gentleman yield? Mr. PATMAN is a Democrat.

Mr. FULLER. Yes; and he is a good one, and he is going to be regular, and he will vote for this bill. He is all right. You need not worry about PATMAN. He will go along with this measure and the administration. They say that these little banks are insolvent and cannot come into this System. Then they should cease to operate. The Government cannot afford to guarantee insolvent banking institutions. If it did, the guaranty would prove a failure and almost bankrupt the Government. The deposits should not be guaranteed in any bank which cannot stand examination.

This panic, causing general bank failures, has caused the people to lose confidence in banks. The best way to restore that confidence is to examine strictly and regulate banking and guarantee the deposits of all banks sufficiently solvent to pass a rigid examination. We should make it impossible for banks to accept deposits, fail, and pay only a small percentage. [Applause.]

The CHAIRMAN. The time of the gentleman from Arkansas has expired. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. GOLDSBOROUGH. Mr. Chairman, a few moments ago an amendment was adopted which read like this:

One of whom, selected by the third, shall be chairman of the Corporation.

Since that time, by an amendment offered by the gentleman from Texas, which was adopted, that no. 3 has been changed to 4, so that the previously adopted amendment has no meaning. I ask unanimous consent that that previous amendment which I have just read be stricken out.

The CHAIRMAN. Is there obejection?

There was no objection.

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

The Clerk read as follows:

Amendment offered by Mr. GOLDSBOROUGH for the committee: Page 49, line 20, after the word "President", insert: "one of whom shall be chairman of the Corporation."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The amendment was agreed to.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

Mr. McGUGIN. Mr. Chairman, I move to strike out the enacting clause.

Mr. Chairman, before we get to the next section of this bill and before the gentleman from Texas [Mr. PATMAN] will have an opportunity to offer his amendment thereto there are some things I wish to bring before the Membership of this House.

There seems to be a prevailing idea that those of us who are opposing this bill or parts of it in its present form are unduly stubborn in our position.

I have some communications which I should like to bring to the attention of this House. Our position is based upon the proposition that we believe sincerely that this bill, placed in operation, is detrimental to the welfare of the country banks.

I hold in my hand a letter from Hon. H. W. Koeneke, bank commissioner of the State of Kansas. The banks out in the agricultural section have become very apprehensive in this matter. Mr. Koeneke tells me that as a result of a certain conference of Kansas bankers, a meeting was called in Des Moines, Iowa, and at that meeting there attended as representatives from the various agricultural States bank commissioners, representatives of the State banking departments, presidents, secretaries, and chairmen of the legislative committees. Mr. Koeneke would have been here at this time as a representative of the State banking departments of 14 agricultural States, except that he met with an automobile accident on his way to Washington.

Speaking of the Des Moines meeting, he has this to say:

This meeting was attended by more than 40 representatives from 14 Midwest States, consisting of the following States: Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, and Wisconsin.

At this meeting the proposed national legislation was thoroughly discussed, and the consensus of opinion of the entire group was that we should not stand idly by and permit the enactment of Federal legislation which would be detrimental to the individual unit banks throughout these agricultural States.

I hold in my hand a telegram which I received this morning from the president of the Kansas Bankers Association:

Kansas bankers, State and National, in convention at Salina, May 17, expressed by resolution strong opposition to the features of the Glass-Steagall bill. One being concerned chiefly over provisions which would inevitably operate to annihilate fully 400, or more than half, of existing Kansas banks now opened and serving well their respective communities. The convention urged strongly the preservation of the dual system and maintenance of present capital limitations for existing banks and admission of State banks thereunder to the Federal Reserve System.

Now, under the present law, State banks in towns of under 3,000 people can enter the Federal Reserve with $25,000 capital. When you pass this bill any bank in any size town, even if it only has a hundred people, must have a minimum capital stock of $50,000. Pass this bill; and if a bank is located in a town of over 6,000, it must have a capital of $100,000 in order to enter the Federal Reserve. Study this bill as you may, and you can reach but one logical conclusion, and that is that in the end no bank is safe unless it ultimately qualifies and enters the Federal Reserve System. In fact, it is the purpose of the bill to force all banks into the Federal Reserve.

I should like to go along on a bill which would provide for the guaranty of deposits. The country bankers of Kansas want to do that. The banking departments of the 14 agricultural States want to do that, but you have not given them that kind of bill. This bill discriminates against them. I protest against the wrong about to be done to the small country unit banks.

The CHAIRMAN. The time of the gentleman from Kansas [Mr. McGUGIN] has expired.

Mr. STEAGALL. Mr. Chairman, I have been in this fight for 15 years to accomplish this reform on behalf of independent community banking in the United States, and the passage of the legislation during all these years has been defeated by messages flooding Congress from bankers such as those just read. Many of those bankers, guided by short-sighted, selfish interests, did not even understand at times the purport of the legislation under consideration. No doubt the messages that have been read were predicated upon the bill introduced in the Senate.

Some of the advocates of bank-deposit insurance at this time favor restricting such insurance to member banks of the Federal Reserve System. I am as much opposed to that as is the gentleman from Kansas [Mr. McGUGIN]. The Congress passed last year a bill setting up a plan for insuring bank deposits, and we incorporated in that bill a method for the admission of State banks upon the same terms and conditions that had to be met by member banks of the Federal Reserve System. This bill has incorporated in it almost every suggestion that any advocate of the interests of State nonmember banks has seen fit to offer to safeguard the System against discrimination as between the two classes of banking.

I know the service that has been rendered by the small community banks. They constitute the pillar of the financial and economic structure of this country.

Mr. McGUGIN. Will the gentleman yield?

Mr. STEAGALL. And the figures that have been read on this floor by the gentleman from Kansas [Mr. McGUGIN] and by others relating to the number of bank failures in the United States, and the comparative figures relating to the two systems in the reports of bank failures, do not tell the whole story.

The records show while there is a far greater number—practically one and one half times as many—of State nonmember banks than there are member banks of the Federal Reserve System, and while deposits in State nonmember banks far exceed the deposits in member banks, the records show that there is slight difference between the amount of deposits that have been tied up by bank failures in member banks and nonmember banks of the Federal Reserve System.

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

Mr. STEAGALL. Not for the moment; I will a little later. I have the figures which show during the 10-year period from 1921 to 1931 that the total number of deposits tied up in nonmember banks were a fraction less than the deposits tied up in member banks that failed. I have the figures for 1931. They tell the same story, comparatively. I have the figures showing the distress that has come upon the country and the conditions that have arisen because of the failure of large banks, of chain banks, and branch banks. I am not going to take the time to read these figures.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

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

There was no objection.

Mr. STEAGALL. I shall incorporate the figures in my statement.

No man is more concerned about preserving the independent community banks in the United States than I am. The same statement is true of the members of this committee, who have stood together in this House and defeated for years all efforts to undermine independent community banks. We have beaten back the effort that has been made to unify the banking system and to set up centralized banking. We have made this fight through the years, and this bill is the culmination of that struggle.

This bill will preserve independent, dual banking in the United States to supply community credit, community service, and for the upbuilding of community life. That is what this bill is intended to do. That is the purpose of this bill; that is what the measure will accomplish.

In addition to the deposits insurance provisions which have been discussed and which I think the Members of this House favor, and which I know the citizenship of this country desires, I may say that the measure represents years of effort of a great Senator who wishes to restrict commercial banking and the great Federal Reserve System to service of the public interest. Everybody now regards these regulatory provisions as wise and constructive.

Besides these provisions and the plan for insuring deposits, we are setting up a great fund with resources of something like $2,000,000,000 to be used for the purpose of relieving the distress caused by the wave of bank failures that has come upon us in recent years. We pray God these experiences will never be repeated in the United States, and they will not be repeated if the Congress is alive to the responsibilities and duties of this hour.

If there were nothing else in this bill, the plan for making loans upon the assets of closed banks for the purpose of enabling communities that have their deposits tied up in failed banks to realize a portion of the value of those deposits would alone make this bill one of supreme importance.

Mr. Chairman, I think I know that it is unnecessary to argue with this House against the motion to strike out the enacting clause of this bill. [Applause.]

The CHAIRMAN. The question is on the motion of the gentleman from Kansas.

The question was taken; and on a division (demanded by Mr. Goss) there were—ayes 1, noes 148.

So the motion was rejected.

The Clerk read as follows:

SEC. 302. (a) Any State bank or trust company, not a member bank of the Federal Reserve System, with the approval of the State authority having supervision of such bank or trust company and certification to the Corporation by such authority that such bank or trust company is in solvent condition, after examination by, and approval of, the Corporation, shall be entitled to the privileges of this title upon agreeing to comply with this title and upon subscribing to the same amount of stock as would be required if such bank or trust company became a member bank. The Corporation is authorized to prescribe rules and regulations for the further examination of such bank or trust company and fix the compensation of examiners employed for such examination. All the provisions of subsections (e) and (f) of section 301 and of section 303 shall apply to such State bank or trust company and to its holding of such stock as if it were a member bank. If

at any time the board of directors of the Corporation is of opinion that any such State bank or trust company has failed to comply with the provisions of this title applicable to such State bank or trust company or that the continued participation by any such State bank or trust company is detrimental to the safe and economical carrying out of the duties of the Corporation under this title, the board shall give notice thereof to such State bank or trust company and, after hearing, the board may by order require the withdrawal of such State bank or trust company from participation in the benefits of this title, which order shall become effective at such time, not less than 30 days after the issuance thereof, as the board may fix, and the Corporation shall pay to such State bank or trust company the amount paid for stock held by it (and its stock shall be retired and canceled).

(b) In case any State bank or trust company, not a member of the Federal Reserve System, is prohibited by State law, or by the State authority, from complying with the requirement of subscribing for stock in the Corporation pursuant to subsection (a) of this section, it shall be entitled to the privileges of this title upon complying with the other requirements of such subsection, and upon making a deposit in lawful money with the Corporation equal to the face amount of stock which it would be required to subscribe for if it became a member bank. The Corporation shall pay interest on any such deposit to the bank or trust company making such deposit at a rate equal to the rate of the dividend paid on stock of member banks. Such deposit shall be adjusted in like manner as holdings of stock in the Corporation by member banks are adjusted under subsection (f) of section 301. Upon insolvency of the State bank or trust company making the deposit, such deposit and accrued interest thereon shall be applied in the same manner as cash-paid subscriptions and dividends are applied under section 303. The provisions of the last sentence of subsection (a) of this section shall apply to any bank or trust company making such deposit, except that in lieu of payments by the Corporation to the bank or trust company of amounts paid for stock the Corporation shall return to such bank or trust company the amount of the deposit.

Mr. GOLDSBOROUGH. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Mr. GOLDSBOROUGH, for the committee, offers the following amendment: Page 55, add a new sentence between what are now lines 3 and 4, as follows: "It is not the purpose of this subsection to discriminate in any way or manner against State nonmember and in favor of national or member banks, but the purpose is to provide all banks with the same opportunity to obtain and enjoy the benefits of this title. No bank shall be discriminated against because its capital stock is less than the amount required for eligibility for admission into the Federal Reserve System."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The amendment was agreed to.

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

The Clerk read as follows:

Amendment offered by Mr. PATMAN: Page 54, line 2, after the word "condition", strike out the following language in lines 2 and 3: "after examination by and approval of, the corporation"; and on page 54, line 13, after the word "time", insert the following: "After 1 year."

NATIONAL BANKS HAVE ADVANTAGE

Mr. PATMAN. Mr. Chairman, under the terms of this amendment all State banks will automatically come into this insurance system in the same way and manner that national banks and member banks of the Federal Reserve System have come in.

When this law is passed there will be no examination of national banks or member banks. I see no reason why we should not permit the State banks to come in under the same terms and conditions, with the understanding that they shall have a year before any examination of any kind will be required. We are hopeful that during this period of time commodity prices will come back and other prices will come back and the State banks can qualify under this system the same as the national banks can qualify. If they do not, no bank will be any good. It is all dependent entirely upon this condition.

REASONABLE AMENDMENT

So I see no reason why this amendment should not be adopted. It is reasonable. We are using the Government's money in order to pay an insurance premium for banks. Should the Government spend money to pay two thirds of the insurance premium just to protect 6,000 banks or should we pay the premium for all the 18,000 banks in the country, the State banks as well as the national banks?

I invite your attention to the CONGRESSIONAL RECORD of Saturday. I inserted a table which gives the number of State banks in each State in the United States and also the deposits in the banks of each State. This is shown at page 3841 of the RECORD.

There are 6,011 national banks and there are 12,379 State banks.

In order that you may know how it will affect certain States, for instance, the State of the gentleman from Wisconsin has 654 State banks that cannot go into this system unless and until they are certified by the supervisor and an examination is made and this board passes upon them. Until that time 127 national banks in the gentleman's State will have every advantage.

In the State of Kansas there are 209 national banks, but 625 State banks. Maryland, 140 State banks and only 68 national banks; in Kentucky 108 national banks, but 362 State banks; in Alabama 77 national banks, but 158 State banks; Texas, 483 national banks and 540 State banks.

Will it be right to say to the 77 national banks in Alabama, the gentleman's home State, that they shall automatically come into this system and the Government is going to pay their premium, except what the depositors pay, but that twice that number of banks, or 158 State banks, are going to be excluded unless and until they can qualify according to the rules and regulations that are laid down by this board of five members.

In the State of Arkansas there are only 52 national banks, but 220 State banks.

If you pass this bill as it is, you will use the Government's money to protect deposits in national banks aggregating $16,000,000,000, but you will exclude from any protection of any kind whatsoever deposits in State banks amounting to $25,541,000,000.

I should like to know what excuse can be given for using the Government's money to pay an insurance premium just for the protection of one third of the banks of this country.

Mr. GOSS. Will the gentleman yield?

Mr. PATMAN. I will be pleased to yield to the gentleman.

Mr. GOSS. If the gentleman's amendments are adopted, does the gentleman think the sum of $150,000,000 will be large enough?

Mr. PATMAN. It will be much more than that. It will be $150,000,000 from the Government, it will be $150,000,000 from the Federal Reserve banks' surplus fund, which really belongs to the Government, and then it will be one half of 1 percent of the deposits, which will amount to from $200,000,000 to $350,000,000, instead of just the $150,000,000, if you put in only the national banks.

[Here the gavel fell.]

Mr. TRUAX. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I want to say to you that in my State of Ohio the State banking department has not only the little bank to supervise but many of the large financial institutions as well.

But during the past 2 years no more sordid tales have been written on the pages of history than that of mismanagement, criminal blindness by the State bank departments in examinations of our banking and financial institutions.

In the campaign of 1932 the Governor of our State, George White, boasted that at last they had secured the greatest, most efficient State superintendent of banks in the world. They said that this man had not been selected for political preferment, but that his name had been suggested by the big bankers of Cleveland.

And that was true, but now the chickens have come home to roost. The failure that rocked the State was that of the Union Trust Co., of Cleveland, and the Guardian & Savings Trust Co., of Cleveland. These men had suggested the name of Ira G. Fulton as the man to be named as State superintendent of banks.

Woven into this tale is the story of the Van Sweringen brothers, owners of many railroads, and Cyrus K. Eaton, the man who started Sam Insull on the downward path—all dreamed of a world empire.

The projects of these super crooks of the twentieth century were financed by the Union Trust Co. That is typical of their selfishness and greed—they wanted a world empire which emanated in the minds of Eaton and the Van Sweringens—they wanted it to become their own little baby. They wanted it all, and after the crash, or rather before it, the holding company was born, known as the Western Reserve Mortgage Co. They pooled all their mortgages in that holding company—many of them of no market value and not worth the paper they were written on.

Thanks to the former Speaker of this House, JACK GARNER, and the present Speaker, HENRY T. RAINEY, publicity had to be given to all loans made by the Reconstruction Finance Corporation, and these gentlemen borrowed $25,000,000 under the name of the Western Reserve Mortgage Co.

I want to tell you gentlemen that this company which robbed widows and orphans of trust funds which had been left to them were under the supervision of this banking superintendent, Ira G. Fulton.

When the gentleman from Kansas was talking about the State bank department of Ohio objecting to this provision in this bill it made me stronger than ever for the bill. I want to commend this committee for their labor on the bill, and for having the courage and the guts to at last recommend to Congress a bill that will guarantee deposits of people's money in these banks. [Applause.]

Gov. George White's indifference to the cry of robbed depositors of defunct banks was first registered when the Standard Trust Co. of Cleveland, Ohio, closed its doors in December 1931. This institution was founded upon the savings of the members of the Brotherhood of Locomotive Engineers throughout the United States and Canada, and the savings of the members of kindred labor organizations in northern Ohio.

Shortly after the failure of this institution, through the influence of Governor White, one Maurice Bernon, an ostensible power in the Democratic organization of Cleveland was appointed liquidating agent in charge of this bank, despite the fact that the records disclosed at the time that Mr. Bernon and his brother had secured from the Standard Trust Co., shortly before it failed, the sum of $25,000 on a nonsecured note. As liquidating agent, this individual drew several thousands of dollars in fees before he resigned, about 6 months ago, not one cent of which was applied to offset his indebtedness to this bank.

A trail of ruined homes and suicides followed as a result of the defalcations of the president and officers of this bank.

During the process of liquidating a certain law firm in Cleveland, contrary to all established law, by court action set off certain fees due them for legal services performed for this bank against their double liability as stockholders due to this institution under the law.

This action was so reprehensible that protests from the newspapers and depositors were forwarded to Governor White urging him to cause an independent investigation of the action of this law firm. Instead of responding to the appeal of the robbed depositors, Governor White passed the buck by asking the Cleveland Bar Association to make the investigation. To date no report has been made.

At the present time the members of the Brotherhood of Locomotive Engineers and other depositors are eagerly waiting action by the prosecutor of Cuyahoga County looking to the indictment of those who were responsible for the failure of this institution, and who long ago should have been behind prison bars.

In Ohio the State banking department for the past several years has been nothing but a political machine for the Governor who happens to be in power. During the third term of Governor Vic Donahey, 1927–28, it was discovered that all was not well with the State banking department, and the resignation of the superintendent was "accepted." An efficient and faithful employee of the department was then elevated to the superintendency by Governor Donahey. With the retirement of Governor Donahey on January 14, 1929, the incoming Governor reverted to the spoils system and a political appointment was made. Governor Cooper's administration lasted one term only, being followed by Gov. George White, a Democrat, who was inaugurated in January 1931.

The political set-up in the State banking department under Governor White was intensified to the *n*th degree for the sole purpose of building up a political vehicle in which Governor White could ride into a second term as Governor and thence to the United States Senate, George White, himself the head of a large banking institution in his home city of Marietta and a director of the Tidewater Oil Co.

During the first term of the Governor many State banks collapsed, but thanks to his political henchmen, appointed to positions of trust and responsibility, the mess was covered up so that a good front could be made in the election campaign of November 1932. During that campaign Governor White and his high priest of banking and finance, Hon. Theodore Tangeman, director of commerce, traveled around the State in State-owned airplanes and automobiles and boasted that in Ohio the banks had been saved—the crisis was over—the banking problem had been solved for all time because of the masterful judgment and unexampled executive ability of George White, the Governor, and Theodore Tangeman, the director of commerce, and Ira G. Fulton, the State superintendent of banks.

So great was the egoism of the first two named that they boasted in public addresses of the unique manner in which their scintillating jewel of all State bank superintendents, Mr. Ira G. Fulton, had been discovered. Admitting that practically all other appointments, including the cabinet members, had been named by the political bosses, Brunner, Gongwer, Pyke, Leonard & Co., they fearlessly asserted that Ira G. Fulton was selected by the big bankers of Cleveland as the outstanding bank expert in Ohio, the one man to bring light out of darkness, who could bring order out of chaos, and who could, as if by magic, clear the muddy waters of the tangled and stinking bank cesspool in Ohio.

So elated did the pair, White and Tangeman, become because of the glib mess of pottage that had been swallowed by the unsuspecting voters at the November 8 election, hook, line, and sinker; so swollen did the head of the governor then become and so pronounced his well-known asininity manifested itself, that forthwith and then did he declare himself to be a full-fledged candidate for President of the United States. No more amusing picture has ever imprinted itself on the pages of history, no more ludicrous was the attempt of Don Quixote to charge the windmill, than was the abortive campaign of George White for the presidency of the United States, climaxed by the now-famous caucus of the Ohio delegation in the Chicago convention after nomination had been made of the greatest President this country has ever known, Franklin D. Roosevelt.

Now the chickens are home to roost, the biggest bank collapse in Ohio is that of the Union Trust Co., of Cleveland. The officials of this bank were among those who recommended Ira G. Fulton for State banking superintendent. With the collapse of this huge financial institution it now develops that no greater example of twentieth century piracy, no more shining illustration of banks' being looted by bankers themselves will ever befoul the pages of banking history than the looting of the sacred funds and trusts of fathers and widows to their children and their children's children than the sacking and pillaging of the Union Trust Co. by those who were supposed to be the watch dog of its funds.

Like a story from the Arabian Nights it unfolds: The Van Sweringen brothers, originally smooth-tongued real-estate operators, after successfully developing the Shaker Heights addition to Cleveland, like Napoleon, longed for new and bigger worlds to conquer. They directed their attention to two streaks of rust, a right of way, a few cars and antiquated locomotives, officially known as the Nickel Plate Railroad, and amazing though it seems, transformed this line into a modern, profitable enterprise. Then, commendable as it is, the Van Sweringen boys dreamed of a new and greater Cleveland to be known as the Union Terminal Development, the hub of which was a mighty skyscraper

containing hundreds of offices. The Union Trust Co. was the white angel that made these vast projects of the Van Sweringens possible by financing the project with not only depositors' money, but those who had left their all with this supposedly Gibraltar of finance to administer safely, honestly, and wisely, their incomes to their posterity.

Then along came Cyrus K. Eaton, who in dreams of world power and wealth towered above the puny Van Sweringens, as Saul towered above his brethren. Eaton it was who conceived the creation of Continental Shares, Inc., a bucket shop extraordinary, having as one of its directors the young David S. Ingalls, Assistant Secretary of the Navy under President Hoover, and defeated Republican candidate for Governor of Ohio in 1932. Eaton, Ingalls, and their Continental Shares Co. started that supercrook of all times, Samuel J. Insull, on the downward path to ruin. They bought so many shares of Middle Western Securities, an Insull subsidiary, that Insull was forced to go into the open market and buy them back at enormously advanced prices.

Cyrus Eaton and David Ingalls controlled Otis & Co., the largest investment and speculative brokers in Ohio, who were also drawn into the net and now are compelled to confine their business strictly to the handling of legitimate investment securities. Eaton, still dreaming of a world empire, reached out his greedy hand and tried to corner the stock of the Youngstown Sheet & Tube Co., but the directors of these two great corporations, craftier than Eaton, and guided by the great legal mind of the Hon. Newton D. Baker, immediately announced a coming merger with Bethlehem Steel Co. and Charlie Schwab. Eaton was forced to go into the open market and buy stock for as high as $180 a share to prevent the merger with Bethlehem.

During the melee and mad spree with other peoples' money, the Allegheny Corporation, a holding company, was formed to pool stocks and assets for the Van Sweringens' railroads, terminal development projects, and real estate. The point which interests us is the Union Trust Co., with characteristic hoggishness and greed of the big bankers, wanted this sweet little child of world empire, conceived in the minds of the Van Sweringens and Eaton, for their own baby. They financed these modern Captains Kidd to the limit.

In the meantime, directors of the Union Trust Co. had borrowed huge sums upon their personal unsecured notes. The financial institutions were milked and the depositors ruined.

The sequel to this gruesome story of frenzied finances is known to every American citizen who reads the newspapers. Insull fled to Greece with his ill-gotten millions, Eaton took what was left of Continental shares to Canada, where he has a holding company in the name of his wife and family. There his ill-gotten millions repose to enable him, like Insull, to live like a king upon the spoils stolen from brokenhearted men and women, who were once high in the financial and industrial world, and helpless widows and orphans who hold the bag.

Do not forget that the Union Trust Co., Guardian Trust Co., and more than 200 State banks have collapsed and fallen down under the administration of Governor George White and under the mismanagement of his superintendent of banks, Ira G. Fulton. Protests and complaints have poured in to the governor by hundreds. Demands for Fulton's removal reach him by the score. Threats of impeachment are heard freely, yet the governor moves on, unperturbed, serenely, apparently secure in the thought that is typical in the mind of all big bankers, namely, government of, by, and for bankers.

Mr. STEAGALL. Mr. Chairman, I am sure the gentleman from Texas [Mr. PATMAN] does not want to destroy the results of the enormous labors expended in connection with this bill and which have brought us to this moment where victory and success seem about to crown our efforts. I am sure the gentleman understands that there have been many differing views as to the methods to be employed in setting up this plan for insurance of bank deposits. I desire to say to my friend that if we tear down the reasonable safeguards that are provided for the soundness and success of this plan, we shall endanger ultimate success. If this board, which is to be selected in accordance with the wishes of the gentleman himself and in accordance with the wishes of all of us who view this problem from the standpoint of utmost consideration for State banks, cannot be trusted to examine a bank honestly and fairly and decide whether it should be permitted to join other banks in the benefits of this corporation, we may as well abandon the undertaking. Who will say that a bank that cannot pass a fair examination, whether its difficulties were due to crookedness, or incompetency, or unavoidable insolvency, should be imposed upon others who are to bear the burden? Banks that come in automatically are examined now under Federal authority.

If the amendment were adopted, it would automatically exclude banks in a number of States that could not qualify at all and that the Board would have no right to admit, because some States have no examining authority. I cannot call the list now, but there are some.

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

Mr. STEAGALL. Certainly.

Mr. PATMAN. I wonder why the gentleman inserted in the bill the language:

> With the approval of the State authority having supervision of such bank or trust company.

Mr. STEAGALL. We require that in States where they have examining authorities. Of course, any bank in a State that has examining authorities should prepare to submit a certificate of good character, but a number of States cannot submit those certificates and the banks of those States would be automatically excluded under the gentleman's amendment.

Mr. PATMAN. Would it not be all right then if this amendment——

Mr. STEAGALL. I did not yield except for a question.

Mr. PATMAN. Should provide, where they have no supervising authority, that then the board can pass upon them.

Mr. STEAGALL. Mr. Chairman, I do not think the gentleman ought to keep splitting hairs and chasing shadows in an effort to delay the passage of this bill. This House, if I know its temper, desires this legislation. This problem has been worked out as best it can be worked out. I do not say that claiming the credit to myself, but it represents the combined judgment of the men who desire an honest-to-God system of mutual bank-deposit insurance in this country that will admit every bank that is worthy of admission and that will give us a new start with a clean slate and dignify and elevate banking to a plane worthy of the banking system of this great Republic. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 20, noes 88.

So, the amendment was rejected.

Mr. DIRKSEN. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

> Amendment by Mr. DIRKSEN: Page 54, line 6, after the word "bank", at the end of the sentence, strike out the period and insert: "*Provided*, That any State bank or trust company not a member bank of the Federal Reserve System which shall have been certified by the State authority having supervision of such bank or trust company as in solvent condition and which shall have agreed to comply with this title and have subscribed for the amount of stock required by this title, shall be entitled to the privileges of this title pending examination by and approval of the Corporation."

Mr. DIRKSEN. Mr. Chairman, under the existing language of the bill, there are three requirements for membership under the benefits provided by the bill. First of all, a bank must get a certificate from the banking authority of its State. Second, it must be examined and approved by the corporation set up by this act. Third, it must subscribe to its quota of stock under this act. The amendment I propose does not take away any one of those requirements. This amendment does require, first of all, the certification of

the banking authority in the State; second, the subscription to the required amount of stock; and then provides that such bank shall be entitled to the benefits of the act pending an examination and approval by the corporation.

I am not insensible to the arguments against this amendment. It will be said that this is a proposal to bring banks within the provisions of this act and give them the benefits and privileges of this act before having been examined by the corporation herein set up. That is absolutely true; but I am just a little alarmed by this fact: The former Secretary of the Treasury indicates that it will take approximately 12 months or more for the corporation to make all the necessary examinations, before all banks that may apply can be properly approved. You can readily understand that in a town which has four or five banks it is quite possible to examine one bank and approve it and then go on to some other town and leave three or four banks in the first town that have not been approved under the provisions of this act. The result will be what? If you were a depositor in one of the other banks and the first bank was insured, you would take your money out of the uninsured banks and place it in the insured bank, because there is a transition period of 1 year, and perhaps more, before the corporation can approve banks that will come under the purview of this title. I say there is a bit of danger, and I am alarmed about it.

I confess that my dilemma is about the same as yours. I have a score of State banks in my district. On the other hand, I have 60,000 or 70,000 depositors who are clamoring for bank insurance. Incidentally, we have been using the words "insurance" and "guaranty" interchangeably. I think we should be more careful about that. I do not look upon this as a guaranty but, rather, as insurance. But I say here are depositors on one hand and State banks on the other, serving agriculture, serving mining districts in my district, and I like to be a little solicitous about the State banks in my district. However, I am more interested in this transition period which will be set up when they start approving the various banks under this title, because it is possible for depositors to rush from an uninsured bank to a bank that has been previously insured under this act and thereby possibly disrupt the banking fabric in a great many cities.

Mr. BROWN of Michigan. Will the gentleman yield?

Mr. DIRKSEN. I will.

Mr. BROWN of Michigan. Has the gentleman's attention been called to section 311 of the bill on page 75, in which it is provided that surveys shall be made by the President before the act goes into effect?

Mr. DIRKSEN. That is not very conclusive.

Mr. BROWN of Michigan. Well, that provision is made for a survey. It means a survey of State banks.

Mr. DIRKSEN. But it does not make it particularly mandatory to confer the benefits of this act on any bank that has met two requirements and is willing to meet the third requirement as soon as the corporation can examine that bank.

Mr. BROWN of Michigan. Does not the gentleman think the President will be fair to the State banks?

Mr. DIRKSEN. Yes; but it is nothing more than lip service, as a matter of fact.

I yield back the balance of my time, Mr. Chairman.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

Mr. McGUGIN. I hope the gentleman will give me an opportunity to offer an amendment.

The CHAIRMAN. The question is on the motion of the gentleman from Alabama [Mr. STEAGALL].

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. DIRKSEN].

The question was taken; and on a division (demanded by Mr. DIRKSEN) there were ayes 28 and noes 51.

So the amendment was rejected.

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

The Clerk read as follows:

Amendment offered by Mr. McGUGIN: Section 302 (a), page 53, line 22, strike out subsection (a) and insert in lieu thereof:

"(a) Any State bank or trust company, not a member of the Federal Reserve System, with the approval of the State authority having supervision of such bank or trust company and certification to the Corporation by such authority that such bank or trust company is in a solvent condition, shall be entitled to the privileges of this title upon agreeing to comply with this title and upon subscribing to the same amount of stock as would be required if such bank or trust company became a member bank. Such State bank or trust company shall thereafter continue to be entitled to the privileges of this title upon semiannually supplying the Board with a certificate of solvency from the proper State authority. All the provisions of subsections (e) and (f) of section 301 and section 302 shall apply to such State bank and trust company and to its holding of such stock as if it were a member bank. Any such State bank or trust company that fails or refuses to furnish such semiannual certificate of solvency from the proper State authority shall by the Board be ordered to withdraw from participation in the benefits of this title, which order shall become effective at such time, not less than 30 days after the issuance thereof, as the Board may fix, and the Corporation shall pay to such State bank or trust company the amount paid for stock held by it (and its stock shall be retired and canceled)."

Mr. GOSS. Mr. Chairman, I reserve a point of order. I want to ask the gentleman if in reality the language of this amendment——

Mr. STEAGALL. Mr. Chairman, a point of order. All debate on this section and all amendments thereto have been closed.

Mr. GOSS. Very well. I am reserving the point of order. I want to ask if this amendment——

Mr. BYRNS. Well, Mr. Chairman, I make the point of order that that is getting around just what the House did a moment ago.

Mr. GOSS. I am willing to make a point of order and take a chance on it. I make the point of order that the House has already passed upon this question, that the gentleman from Texas [Mr. PATMAN] made a motion to strike out line 2, "after examination by and approval of the corporation"; and if I heard the reading of the gentleman's amendment correctly, it seeks to do the same thing by indirection which the House has already passed upon directly.

Mr. McGUGIN. Mr. Chairman, I wish to be heard on the point of order.

The CHAIRMAN (Mr. McMILLAN). The Chair is ready to rule. The point of order is overruled.

The question is on the amendment offered by the gentleman from Kansas [Mr. McGUGIN].

The amendment was rejected.

The Clerk read as follows:

SEC. 303. If any member bank shall be declared insolvent, the stock held by it in the Corporation shall be canceled, without impairment of the liability of such bank, and all cash-paid subscriptions on such stock, with its proportionate share of dividends not to exceed one half of 1 percent per month from the period of last dividend on such stock shall be first applied to all debts of the insolvent bank or the receiver thereof to the Corporation, and the balance, if any, shall be paid to the receiver of the insolvent bank.

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

The Clerk read as follows:

Amendment by Mr. McCLINTIC: Page 56, add at the end of the section the following: "*Provided*, That in case of a bank failure no official connected with such institution shall in the future be eligible to obtain a bank charter or to be employed in any department that has jurisdiction over banking activities."

Mr. LUCE. Mr. Chairman, I make the point of order that the amendment is not germane.

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

Mr. McCLINTIC. Mr. Chairman, we are dealing with banking matters. We are trying to place in the bill provisions that will safeguard the people's money. If this amendment is not germane, I do not see how one can be written that will be germane, because it deals specifically with the subject matter of this section and refers to insolvent banks.

The CHAIRMAN. Does the gentleman from Massachusetts desire to be heard on the point of order?

Mr. LUCE. No, Mr. Chairman; I rely upon the good judgment of the Chair.

The CHAIRMAN. The Chair feels that the amendment offered is not pertinent to the section under consideration.

The Chair sustains the point of order.

The Clerk read as follows:

SEC. 304. Upon the appointment of all the appointive members of the board of the Corporation, the Corporation shall become a body corporate and as such shall have power—

First. To adopt and use a corporate seal.

Second. To have succession until dissolved by an act of Congress.

Third. To make contracts.

Fourth. To sue and be sued, complain and defend, in any court of law or equity, State or Federal.

Fifth. To appoint by its board of directors such officers and employees as are not otherwise provided for in this section, to define their duties, fix their compensation, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees. Nothing in this or any other act shall be construed to prevent the appointment and compensation, as an officer or employee of the Corporation, of any officer or employee of the United States in any board, commission, independent establishment, or executive department thereof.

Sixth. To prescribe by its board of directors, bylaws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this section and such incidental powers as shall be necessary to carry out the powers so granted.

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

The Clerk read as follows:

Amendment offered by Mr. McFARLANE: On page 57, in line 2, strike out the period after the word "employees" and insert the following: "*Provided*, That no such officer or employee shall be paid more than $10,000 per annum: *And provided further*, That in no case shall any such officer or employee receive a salary at a rate in excess of the rate of salary paid for like or similar positions which are subject to the provisions of the Classification Act of 1923, as amended, and the Civil Service laws and regulations."

LET US LIMIT THE SALARIES OF THE OFFICERS AND EMPLOYEES OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Mr. McFARLANE. Mr. Chairman, this is an amendment similar to the amendment offered on yesterday to limit the pay or salary to be received by the officers or employees of the corporation set up under title I of the Federal Reserve Board.

I want to call to your attention section 301 on page 50 wherein you are limiting the pay to be received by the officers of this corporation to $10,000 per annum, one of whom is a member of the Federal Reserve System, and to call your attention further to the fifth paragraph of section 304 on pages 56 and 57 of the bill, the authority under which the board set up herein appoints and selects officers and employees to administer the act.

Then I wish to refer you back to paragraph (L), section 248, of the United States Code, which sets up the same provision under which the Federal Reserve Board selects the officers and employees under the act under which you voted on yesterday by a close vote to decide against adopting this same amendment.

DO YOU FAVOR ECONOMY IN GOVERNMENT?

Now, there is not any half-way ground about it, Mr. Chairman. If the membership is in favor of limiting the pay to be received by the officers and employees in the administration of this act, let them say so by their votes. Do not be misled. You are spending Government money. Many of the officers and employees under the Federal Reserve Act draw as high as $50,000 a year. I submit in all fairness that we ought to regulate the salary of these employees for that money comes out of the Treasury of the United States, and when they are paid exorbitant salaries it cuts down the profits that would go to the United States Treasury if we do not encourage the squandering of the people's money.

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

Mr. McFARLANE. I yield.

Mr. GREEN. Is there any other place where a limitation can be put on salaries?

Mr. McFARLANE. This is the place where it should be done. There is no other place where it can be done. If you are in favor of paying these high salaries, if you believe these employees of the institution we are setting up under this bill should receive from $20,000 to $50,000 a year of the people's money, if you believe they are justified in having it, then just vote against this amendment, but do so fully realizing that you are saying by your vote that you are unwilling to fix the salaries of these employees, many of whom are receiving anywhere from $20,000 to $50,000 a year.

SURPLUS EARNINGS OF THE FEDERAL RESERVE BOARD SHOULD GO INTO UNITED STATES TREASURY

Under the law, after the necessary expenses of the Federal Reserve System have been paid and the stockholders paid 6 percent on the paid-in capital stock, the remainder of the profits, under the law, should be placed in the Treasury of the United States as a franchise tax after a surplus fund of 100 percent of the subscribed capital stock has accumulated.

The bank records show they have accumulated about two hundred and eighty millions surplus, and this large sum, regardless of the reckless expenditure of the Federal Reserve System, which is annually expending about $27,000,000, salaries of officers and employees of the 12 Federal Reserve banks combined.

Officers	Number		Annual salaries	
	Dec. 31, 1931	Dec. 31, 1930	Dec. 31, 1931	Dec. 31, 1930
Chairman and Federal Reserve agent	12	12	$289,000	$278,000
Governor	12	12	360,000	355,000
Other officers	246.1	247	2,064,540	2,070,840
Employees by departments:				
Banking department	8,366.7	8,623.5	12,947,313	13,112,875
Federal Reserve agent	286.4	293.4	695,692	691,833
Auditing department	190.5	192.5	436,055	439,400
Fiscal agency department	226.3	228.6	447,175	453,942
Total	9,340	9,609	17,239,825	17,401,890

This Congress has cut the disabled war veterans more than 50 percent, and the Federal employees, most of whom receive very meager salaries, 15 percent.

It seems to me we should take advantage of this opportunity to save the taxpayers money and to stop this flagrant and extravagant abuse of enormous salaries being doled out to these big bankers. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. GOLDSBOROUGH) there were—ayes 54, noes 70.

Mr. McFARLANE. Mr. Chairman, I ask for tellers.

Tellers were refused.

So the amendment was rejected.

The Clerk read as follows:

SEC. 305. The board of directors shall administer the affairs of the Corporation fairly and impartially and without discrimination. The board of directors of the Corporation shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid. The Corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The Corporation with the consent of any Federal Reserve bank or of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this section.

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

The Clerk read as follows:

Amendment offered by Mr. PATMAN: Page 57, line 21, strike out the sentence beginning with the words "The Corporation" and ending with the word "Government", in line 23.

FRANKING PRIVILEGES

Mr. PATMAN. Mr. Chairman, this corporation is a private corporation. It will be allowed to use a corporate seal. It will exist until dissolved by Congress, which makes it a perpetual character. It can make contracts, sue and be sued, complain and defend in any court, State or Federal, in the United States.

I believe that this will be the only donation that the Government of the United States will have to make to it. I think it will be self-sustaining by reason of the assess-

ments on the depositors of the banks under this system. Therefore, it should not be allowed the franking privilege.

USE OF MAILS FREE

This bill gives this corporation the right to use the mails free of charge. At the same time it allows dividends to the stockholders. Can you defend giving dividends to stockholders and then allow the corporation to have the free use of the United States mails?

Certainly they should not be allowed dividends and the free use of the mails. The mailing privileges should be paid before dividends. Last year the Federal Reserve banks spent over $1,600,000 for postage. I venture to say that if this corporation is organized it would spend $1,500,000 for postage. The Federal Reserve banks are not allowed the franking privilege.

Are you willing to take $1,500,000 out of the taxpayers' pockets and pay 6-percent dividends to holders of the stock of this private corporation? I do not believe you can defend this.

Mr. O'MALLEY. Will the gentleman yield?

Mr. PATMAN. Yes.

Mr. O'MALLEY. Under this provision they could mail out the dividend checks in franked envelopes, could they not?

Mr. PATMAN. Certainly they could, and when they have a lawsuit they can communicate with their witnesses by using the mails free. They can use the mails free for any purpose on earth, defending lawsuits or suing people.

INVESTMENT TRUST

This is an investment trust. It is not just an ordinary corporation; it is an investment trust. It is going into the business of buying and selling stocks and bonds, and under this privilege it can use the mails to transport the stocks and bonds that they buy.

I do not think the Members of the House want to do this. The franking privilege has probably been abused too much already, and certainly we should not give them this privilege and pay dividends to stockholders on the stock.

Last year we had a postal deficit of about $200,000,000 by reason of the users of the United States mails not paying a sufficient sum for the use of the privilege. The postage on newspapers and magazines alone amounted to $102,000,000, and on third-class parcel-post matter it amounted to about $36,000,000.

Certainly we have extended the franking privilege too far already, and there is no excuse or reason why we should pay dividends to private stockholders on private stock in an investment trust at the expense of the taxpayers of the United States, and I ask that this section, which allows this privilege, be stricken out.

Mr. REILLY. Will the gentleman yield?

Mr. PATMAN. I yield.

Mr. REILLY. Will not the Government of the United States make money out of this corporation?

Mr. PATMAN. If it does, it is entitled to it. It has stock in it, and while the Government would get 6 percent on the $150,000,000, all the private banks will get dividends on their stock, and I say do not pay the Government, the private banks, or anybody else any dividends if you have to take it out of the pockets of the taxpayers, because for every dollar the Government gets, the private bank also gets a dollar.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this amendment and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken, and on a division, demanded by Mr. STEAGALL, there were—ayes 88, noes 75.

Mr. STEAGALL. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. PATMAN and Mr. STEAGALL.

The Committee again divided, and the tellers reported that there were—ayes 90, noes 88.

So the amendment was agreed to.

Mr. COCHRAN of Missouri. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COCHRAN of Missouri: On page 57, line 23, after the word "Government", strike out all down to and including line 2, on page 58.

Mr. COCHRAN of Missouri. Mr. Chairman, I request the committee to read the sentence that I desire stricken out. I should like the attention of the members of the Banking and Currency Committee. The sentence reads:

The corporation, with the consent of any Federal Reserve bank, or of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this section.

Mr. Chairman, this is wide open. If I understand the English language it means, whether you want it to mean it or not, that this private corporation can avail itself of the services and facilities of any Government institution or agency, if a Federal Reserve bank or any branch of the Government says so.

Do you think this is good business? If you think it is good business to turn over to this private corporation the services and facilities of all Government agencies, well and good. If this is not what the sentence means and someone can show me that it is not what it means, then I shall withdraw my amendment.

I should like for the chairman of the committee to advise us if he can make anything out of this sentence other than what I have just stated.

Mr. STEAGALL. I will say to the gentleman that there is no provision for the corporation to avail itself of anything except with the consent of the Federal Reserve bank or any board, commission, independent establishment, or executive department of the Government.

Mr. COCHRAN of Missouri. That is what I have just explained. In other words, if the Federal Reserve bank in St. Louis, a private institution under Government control, says to this corporation, "Avail yourself of the facilities of the Department of Agriculture or the Department of Commerce or any other Government department", under the terms of this sentence the corporation will have authority to do it.

Mr. STEAGALL. The purpose of the language is to try to supply the new corporation with the benefit of any information or aid that may be extended from other departments without attempting to set up a separate personnel to do the work.

Mr. COCHRAN of Missouri. Why should you do that? Let the corporation hire its own help and set up its own facilities.

Mr. STEAGALL. This is the customary language used in every bill of this type I have ever read.

Mr. COCHRAN of Missouri. Well, it should not be in any bill.

Mr. STEAGALL. It requires the consent of each separate agency and is the customary language employed in bills of this kind.

Mr. COCHRAN of Missouri. I do not see where there is provision for the consent of any separate agency. One agency can say, Use another agency. It even goes so far as to include the language "including any field service thereof." If any field service of a department gives its consent to this corporation to avail itself of Government facilities, it may do so. It also uses the word "services", and the first sentence of the section provides that—

The board of directors shall administer the affairs of the corporation fairly and impartially and without discrimination.

If the word "services" means anything, it means that this corporation can employ Government agencies to carry out the purposes of this section.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri [Mr. COCHRAN].

The question was taken, and the amendment was rejected.

Mr. ZIONCHECK. Mr. Chairman, I am in a peculiar position. I came here promising my constituents that I would not represent the bankers, big and small, and I am, therefore, opposed to the measure before us at the present time, for the reason that it is a bankers' bill pure and simple. In doing this I realize that I will be one of very few who will vote in the negative.

Before going into my reasons for opposing this bill generally I want to refer to a statement made upon the floor of this House yesterday by the gentleman from Maine which I do not think should be allowed to go unchallenged. He stated that every Member who had taken the solemn oath to support the Constitution of the United States before the bar of this House was in duty bound to serve both classes. I have better than a bowing acquaintance with the Constitution, and I reread it to ascertain whether there was any foundation for the statement made and I was unable to find anything to bear out that position. I for one have come to this Congress solemnly believing that it is impossible to represent all of the people. My position is that you cannot represent the oppressed and the oppressors, the robbed and the robbers, the poor and the rich, at the same time. It just cannot be done because of the absolute conflict of interests. I took the position during the campaign that there had been too many congressional representatives of bankers, power companies, and chambers of commerce, and that, if elected, I would not in any respect or particular represent them in any manner where it conflicted with the interest of the workingman, the farmer, or the small business man. I intend to do this and I hope that, contrary to the opinion of the gentleman from Maine, I will not be rendering myself an unconstitutional Representative in the Congress of the United States of America.

Some may think that one cannot be a good Representative taking such a position, but I would rather be a bad Representative, in their opinion, working for the interests of those who produce all the wealth, than be such a good Representative that I would enter the category of the man who was so good that he was good for nothing.

The bankers in my district took me at my word and believed me, for I have not received a letter or a telegram from any of them suggesting how I should vote on any matter. So in order to determine whether the bankers were for this bill I made inquiry among several other Representatives to ascertain whether or not they had received any protests against this measure from any bank of an appreciable size. I learn that no such protests were received, but that, on the contrary, they received many communications from their bankers asking them to vigorously support this measure. To my mind that is the best proof that this bill is not for the interests of the people, generally speaking.

I have tried to carefully study this measure, which is 76 pages long, and as a lawyer I must confess that I do not entirely understand its provisions, so, therefore, must depend to some extent upon my intuition and negative line of reasoning. In the first place, the whole measure seems to be drawn so as to fool the public into believing that all the wrongs of our banking system will be rectified as soon as we get branch banking. I am not so sure of this, for here are the results of our experience with branch banks in the United States.

I insert the following excerpt from volume 136 of the Financial Chronicle on page 51:

> In Canada we have an undeveloped country, due without doubt to the banking system. The portfolios of the Canadian banks indicate that the major portion of their funds are invested in Government securities or in securities of industries controlled by the Government, leaving very little to loan to the individual and none for real-estate loans. The citizens of Canada do not use banks to any extent, therefore runs on banks are not common and after all, the real way to compare systems is to put them to the same test. Is there anyone who really believes that the Canadian branch-banking system could have stood the test to which our 19,000 banks have been subjected, and which are paying 100 cents on the dollar when a dollar has now the purchasing power of $1.30, whereas the Canadian dollar is worth about 90 cents and the English pound $3.30, when a year ago it was worth $4.86.
>
> Is there safety in branch banking? Witness the closing of the branch-banking systems in the United States when they were put to the test. The most disastrous failures we had were branch, group, and chain failures, such as the following:

	Branches
Bank of United States, New York	59
Federal National, Boston	8
Banco Kentucky Group	7
A. B. Banks, American Chain	27
Manley Chain, Georgia	87
Bain Banks, Chicago	12
Bankers Trust Co., Pennsylvania	20
United States National, Los Angeles	8
Security Home Trust, Toledo	10
Peoples State Bank, South Carolina	44
Arizona State Bank	5
Foreman National Group, Chicago	6

> To this rather impressive group, with deposits running into hundreds of millions of dollars, of branch and chain bank collapses, which were due to many of the same abuses that weaken unit banks, we could name important branch, group, and chain banking systems in Detroit, Boston, San Francisco, and other cities which got into trouble and merged or were supported by other banks or United States credit until the crisis was past.
>
> The weakest links in our banking system proved to be the "branch banks," and they went down comparatively early in the depression; it was their failures that caused public confidence to be shaken so badly that runs were precipitated on and closed many well-managed small independent banks.

The so-called "attractive" feature of the bill—yes, one may say the "enticing" feature—is the provision for bank insurance, the fund to be created to amount to approximately $2,000,000,000 to set up a private insurance corporation to insure the deposits of the depositors of the member banks against further loss. I confess that I am unable to see how you can insure against losses under our present banking set-up, for the deposits aggregate approximately $45,000,000,000 and all the money and currency and gold in the vaults of the private banks today amount to less than $1,000,000,000.

This statement has been made on innumerable occasions on this floor and has not been challenged. Even with a $2,000,000,000 fund in this insurance corporation, there would be only approximately $3,000,000,000 to pay off $45,000,000,000, and I am unable to see how that can be done, and I think that it is the worst form of deception to lead the public to believe that they will have security in the future and that the Government stands behind the security. Some may say that the people will know better, but I say that 95 percent of the people yet believe that the Federal Reserve System is a governmental institution and not a private bank for private bankers. I for one will not lend myself or become a party to such deception.

Another feature of this bill which I dislike very much is the further sanctioning by a Government measure high and exorbitant interest rates, for, in my humble opinion, high interest is one of the primary reasons for this depression. The total public and private debts of the country today amount to approximately $200,000,000,000. This sum at the modest rate of interest of 6 percent per annum brings the annual interest, without compounding, to the huge sum of $12,000,000,000 annually. The last estimate of our national income was approximately $36,000,000,000, which brings interest to one third of our national income. We talk about putting labor on a 6-hour day, 5-day week, and many other measures, but nobody seems to work to rectify one of these gravest of wrongs which still draws wages upon capital 365 days a year, 24 hours a day, and does not even take a Sunday off.

Another reason why I will not vote for this bill is that it provides for a $150,000,000 raid on the Treasury as a contribution to this private insurance company, which will have a few governmental officials to supervise it. We all know, or should know, that any time you start to supervise these legalized larcenists they immediately commence to supervise their supervisors in a very effective manner. Is there anyone here who will deny that the national bank supervision has been a farce and that the national bankers have had the determinative voice among most of our governmental officials, and particularly so in the framing and passage of legislation in their behalf?

I am thoroughly convinced that commercial banking, the issuance of currency and the regulation of its value are abso-

lutely governmental business and that we will never approach the banking situation intelligently in the interests of the people until we remove private bankers from commercial banking and confine them to speculative and investment financing. This act merely gives the bankers a greater stranglehold upon the legitimate governmental business of banking and currency and control of credit, and will make it more difficult for us to bring about a safe and sane national banking system owned and operated by the Government for and in the interest of the people of the United States.

Another reason why I will not vote for this measure is that it is not a part of the President's program; and I, for one, will not vote for any measure which he does not ask for during this special session, particularly such a measure as this, which I am of the opinion is full of dynamite and might embarrass the President in the event of its passage; for I feel certain that he would not relish the necessity of exercising his veto power at this time, for this bill may not harmonize with his complicated emergency program.

Mr. Chairman, at the proper time I shall offer a motion to recommit with instructions to the Committee on Banking and Currency to limit the excessive salaries of the officers under this act.

The Clerk read as follows:

SEC. 306. (a) The Corporation shall insure the time and demand deposits of all member banks which are class A stockholders of the Corporation as hereinafter prescribed. Notwithstanding any other provision of law, whenever any national bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the Comptroller of the Currency, as the case may be, on account of inability to meet the demands of its depositors the Comptroller of the Currency shall appoint the Corporation receiver for such bank. As soon as possible thereafter the Corporation shall organize a new national bank to assume the insured deposit liabilities of such closed bank, to receive new deposits, and otherwise to perform temporarily the functions provided for in this paragraph. For the purposes of this subsection the term "insured deposit liability" shall mean with respect to the owner of any claim arising out of a deposit liability of such closed bank the following percentages of the net amount due to such owner by such closed bank on account of deposit liabilities: 100 percent of the amount by which such net amount does not exceed $10,000; and 75 percent of the amount, if any, by which such net amount exceeds $10,000 but does not exceed $50,000; and 50 percent of the amount, if any, by which such net amount exceeds $50,000: *Provided*, That, in determining the amount due to such owner for the purpose of fixing such percentage, there shall be added together all net amounts due to such owner in the same capacity or the same right, on account of deposits, regardless of whether such deposits be maintained in his name or in the names of others for his benefit. For the purposes of this subsection, the term "insured deposit liabilities" shall mean the aggregate amount of all such insured deposit liabilities of such closed bank. The Corporation shall determine as expeditiously as possible the net amounts due to depositors of the closed bank and shall make available to the new bank an amount equal to the insured deposit liabilities of such closed bank, whereupon such new bank shall assume the insured deposit liability of such closed bank to each of its depositors, and the Corporation shall be subrogated to all rights against the closed bank of the owners of such deposits and shall be entitled to receive the same dividends from the proceeds of the assets of such closed bank as would have been payable to each such depositor until such dividends shall equal the insured deposit liability to such depositor assumed by the new bank, whereupon all further dividends shall be payable to such depositor. Of the amount thus made available by the Corporation to the new bank, such portion shall be paid to it in cash as may be necessary to enable it to meet immediate cash demands and the remainder shall be credited to it on the books of the Corporation, subject to withdrawal on demand, and shall bear interest at the rate of 3 percent per annum until withdrawn. The new bank may, with the approval of the Corporation, accept new deposits, which, together with all amounts made available to the new bank by the Corporation, shall be kept on hand in cash, invested in direct obligations of the United States, or deposited with the Corporation or with a Federal Reserve bank. Such new bank shall maintain on deposit with the Federal Reserve bank of its district the reserves required by law of member banks, but shall not be required to subscribe for stock of the Federal Reserve bank until its own capital stock has been subscribed and paid for in the manner hereinafter provided. The articles of association and organization certificate of such new bank may be executed by such representatives of the Corporation as it may designate; the new bank shall not be required to have any directors at the time of its organization, but shall be managed by an executive officer to be designated by the Corporation; and no capital stock need be paid in by the Corporation; but in other respects such bank shall be organized in accordance with the existing provisions of law relating to the organization of national banks; and, until the requisite amount of capital stock for such bank has been subscribed and paid for in the manner hereinafter provided, such bank shall transact no business except that authorized by this subsection and such business as may be incidental to its organization. When in the judgment of the Corporation it is desirable to do so, the Corporation shall offer capital stock of the new bank for sale on such terms and conditions as the Corporation shall deem advisable, in an amount sufficient in the opinion of the Corporation to make possible the conduct of the business of the new bank on a sound basis, but in no event less than that required by section 5158 of the Revised Statutes, as amended, for the organization of a national bank in the place where such new bank is located, giving the stockholders of the closed bank the first opportunity to purchase such stock. Upon proof that an adequate amount of capital stock of the new bank has been subscribed and paid for in cash by subscribers satisfactory to the Comptroller of the Currency, he shall issue to such bank a certificate of authority to commence business, and thereafter it shall be managed by directors elected by its own shareholders and may exercise all of the powers granted by law to national banking associations. If an adequate amount of capital for such new bank is not subscribed and paid in, the Corporation may offer to transfer its business to any other banking institution in the same place which will take over its assets, assume its liabilities, and pay to the Corporation for such business such amount as the Corporation may deem adequate. Unless the capital stock of the new bank is sold or its assets acquired and its liabilities assumed by another banking institution, in the manner herein prescribed, within 2 years from the date of its organization, the Corporation shall place the new bank in voluntary liquidation and wind up its affairs. The Corporation shall open on its books a deposit insurance account and, as soon as possible after taking possession of any closed national bank, the Corporation shall make an estimate of the amount which will be available from all sources for application in satisfaction of the portion of the claims of depositors to which it has been subrogated and shall debit to such deposit insurance account the excess, if any, of the amount made available by the Corporation to the new bank for depositors over and above the amount of such estimate. It shall be the duty of the Corporation to realize as rapidly as possible upon the assets of such closed bank, having due regard to the condition of credit in the district in which such closed bank is located; to enforce the individual liability of the stockholders and directors thereof; and to wind up the affairs of such closed bank in conformity with the provisions of law relating to the liquidation of closed national banks, except as herein otherwise provided, retaining for its own account such portion of the amount realized from such liquidation as it shall be entitled to receive on account of its subrogation to the claims of depositors and paying to depositors and other creditors the amount available for distribution to them, after deducting therefrom their share of the costs of the liquidation of the closed bank. If the total amount realized by the Corporation on account of its subrogation to the claims of depositors be less than the amount of the estimate hereinabove provided for, the deposit insurance account shall be charged with the deficiency and, if the total amount so realized shall exceed the amount of such estimate, such account shall be credited with such excess. With respect to such closed national banks, the Corporation shall have all the rights, powers, and privileges now possessed by or hereafter given receivers of insolvent national banks and shall be subject to the obligations and penalties not inconsistent with the provision of the paragraph to which such receivers are now or may hereafter become subject.

Whenever any State member bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the appropriate State authority, as the case may be, on account of inability to meet the demands of its depositors, the Corporation shall accept appointment as receiver thereof, if such appointment be tendered by the appropriate State authority and be authorized or permitted by State law. Thereupon the Corporation shall organize a new national bank, in accordance with the provisions of this subsection, to assume the insured deposit liabilities of such closed State bank, to receive new deposits and otherwise to perform temporarily the functions provided for in this subsection. Upon satisfactory recognition of the right of the Corporation to receive dividends on the same basis as in the case of a closed national bank under this subsection, such recognition being accorded by State law, by allowance of claims by the appropriate State authority, by assignment of claims by depositors, or by any other effective method, the Corporation shall make available to such new national bank, in the manner prescribed by this subsection, an amount equal to the insured deposit liabilities of such closed State bank; and the Corporation and such new national bank shall perform all of the functions and duties and shall have all the rights and privileges with respect to such State bank and the depositors thereof which are prescribed by this subsection with respect to closed national banks holding class A stock in the Corporation: *Provided*, That the rights of depositors and other creditors of such State bank shall be determined in accordance with the applicable provisions of State law: *And provided further*, That, with respect to such State bank, the Corporation shall possess the powers and privileges provided by State law with respect to a receiver of such State bank, except insofar as the same are in conflict with the provisions of this subsection.

Whenever any State member bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the appropriate State authority, as the

case may be, on account of inability to meet the demands of its depositors, and the applicable State law does not permit the appointment of the Corporation as receiver of such bank, the Corporation shall organize a new national bank, in accordance with the provisions of this subsection, to assume the insured deposit liabilities of such closed State bank, to receive new deposits, and otherwise to perform temporarily the functions provided for in this subsection. Upon satisfactory recognition of the right of the Corporation to receive dividends on the same basis as in the case of a closed national bank under this subsection, such recognition being accorded by State law, by allowance of claims by the appropriate State authority, by assignment of claims by depositors, or by any other effective method, the Corporation shall make available to such new bank, in accordance with the provisions of this subsection, the amount of insured deposit liabilities as to which such recognition has been accorded; and such new bank shall assume such insured deposit liabilities and shall in other respects comply with the provisions of this subsection respecting new banks organized to assume insured deposit liabilities of closed national banks. Insofar as possible in view of the applicable provisions of State law, the Corporation shall proceed with respect to the receiver of such closed bank and with respect to the new bank organized to assume its insured deposit liabilities in the manner prescribed by this subsection with respect to closed national banks and new banks organized to assume their insured deposit liabilities, except that the Corporation shall have none of the powers, duties, or responsibilities of a receiver with respect to the winding up of the affairs of such closed State bank. The Corporation, in its discretion, however, may purchase and liquidate any or all of the assets of such bank.

Whenever the net debit balance of the deposit insurance account of the Corporation shall equal or exceed one fourth of 1 percent of the total deposit liabilities of all class A stockholders as of the date of the last preceding call report, the Corporation shall levy upon such stockholders an assessment equal to one fourth of 1 percent of their total deposit liabilities and shall credit the amount collected from such assessment to such deposit insurance account. No bank which is a holder of class A stock shall pay any dividends until all assessments levied upon it by the Corporation shall have been paid in full; and any director or officer of any such bank who participates in the declaration or payment of any such dividend may, upon conviction, be fined not more than $1,000, or imprisoned for not more than 1 year, or both.

The term "receiver" as used in this section shall mean a receiver, liquidating agent, or conservator of a national bank, and a receiver, liquidating agent, conservator, commission, person, or other agency charged by State law with the responsibility and the duty of winding up the affairs of an insolvent State member bank.

For the purposes of this section only, the term "national bank" shall include all national banking associations and all banks, banking associations, trust companies, savings bank, and other banking institutions located in the District of Columbia which are members of the Federal Reserve System; and the term "State member bank" shall include all State banks, banking associations, trust companies, savings banks, and other banking institutions organized under the laws of any State, which are members of the Federal Reserve System.

In any determination of the insured deposit liabilities of any closed bank or of the total deposit liabilities of any bank which is a holder of class A stock of the Corporation, for the purposes of this subsection, there shall be excluded the amounts of all deposits of such bank which are payable only at an office thereof located in a foreign country.

The Corporation may make such rules, regulations, and contracts as it may deem necessary in order to carry out the provisions of this section.

Money of the Corporation not otherwise employed shall be invested in securities of the Government of the United States, except that for temporary periods, in the discretion of the board of directors, funds of the Corporation may be deposited in any Federal Reserve bank or with the Treasurer of the United States. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depositary of public moneys, except receipts from customs, under such regulations as may be prescribed by the said Secretary, and may also be employed as a financial agent of the Government. It shall perform all such reasonable duties as depositary of public moneys and financial agent of the Government as may be required of it.

(b) Nothing herein contained shall be construed to prevent the Corporation from making loans to national banks closed by action of the Comptroller of the Currency, or by vote of their directors, or to State banks closed by action of the appropriate State authorities, or by vote of their directors, or from entering into negotiations to secure the reopening of such banks.

(c) Receivers or liquidators of State banks which are now or may hereafter become insolvent or suspended shall be entitled to offer the assets of such banks for sale to the Corporation or as security for loans from the Corporation, upon receiving permission from the appropriate State authority in accordance with express provision of State law in the case of State banks, or from the Comptroller of the Currency in the case of national banks. The proceeds of every such sale or loan shall be utilized for the same purposes and in the same manner as other funds realized from the liquidation of the assets of such banks. The Comptroller of the Currency may, in his discretion, pay dividends on proved claims at any time after the expiration of the period of advertisement made pursuant to section 5235 of the Revised Statutes, and no liability shall attach to the Comptroller of the Currency or to the receiver of any national bank by reason of any such payment for failure to pay dividends to a claimant whose claim is not proved at the time of any such payment.

(d) The Corporation is authorized and empowered to issue and to have outstanding at any one time in an amount aggregating not more than three times the amount of its capital, its notes, debentures, bonds, or other such obligations, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest, and to mature at such time or times as may be determined by the Corporation: *Provided*, That the Corporation may sell on a discount basis short-term obligations payable at maturity without interest. The notes, debentures, bonds, and other such obligations of the Corporation may be secured by assets of the Corporation in such manner as shall be prescribed by its board of directors. Such obligations may be offered for sale at such price or prices as the Corporation may determine.

(e) All notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. The Corporation, including its franchise, its capital, reserves, and surplus, and its income, shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property of the Corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(f) In order that the Corporation may be supplied with such forms of notes, debentures, bonds, or other such obligations as it may need for issuance under this act, the Secretary of the Treasury is authorized to prepare such forms as shall be suitable and approved by the Corporation, to be held in the Treasury subject to delivery, upon order of the Corporation. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Corporation shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such notes, debentures, bonds, or other such obligations.

(g) The Corporation shall annually make a report of its operations to the Congress as soon as practicable after the 1st day of January in each year.

(h) Whoever, for the purpose of obtaining any loan from the Corporation, or any extension or renewal thereof, or the acceptance, release, or substitution of security therefor, or for the purpose of inducing the Corporation to purchase any assets, or for the purpose of influencing in any way the action of the Corporation under this section, makes any statement, knowing it to be false, or willfully overvalues any security, shall be punished by a fine of not more than $5,000, or by imprisonment for not more than 2 years, or both.

(i) Whoever (1) falsely makes, forges, or counterfeits any obligation or coupon, in imitation of or purporting to be an obligation or coupon issued by the Corporation, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited obligation or coupon purporting to have been issued by the Corporation, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any obligation or coupon issued or purporting to have been issued by the Corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true, any falsely altered or spurious obligation or coupon, issued or purporting to have been issued by the Corporation, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than 5 years, or both.

(j) Whoever, being connected in any capacity with the Corporation, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to it or pledged, or otherwise intrusted to it, or (2) with intent to defraud the Corporation or any other body, politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Corporation, makes any false entry in any book, report, or statement of or to the Corporation, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other such obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than 5 years, or both.

(k) No individual, association, partnership, or corporation shall use the words "Federal Bank Deposit Insurance Corporation", or a combination of any 3 of these 5 words, as the name or a part thereof under which he or it shall do business. No individual, association, partnership, or corporation shall advertise or otherwise represent falsely by any device whatsoever that his or its deposit liabilities are insured or in anywise guaranteed by the Federal Bank Deposit Insurance Corporation, or by the Government of the United States, or by any instrumentality thereof; and no class A stockholder of the Federal Bank Deposit Insurance Corporation shall advertise or otherwise represent falsely by any device whatsoever to extent to which or the manner in which its deposit liabilities are insured by the Federal Bank Deposit Insurance Corporation. Every individual, partnership, association, or corporations violating this subdivision shall be punished by a fine

of not exceeding $1,000, or by imprisonment not exceeding 1 year, or both.

(l) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U.S.C., title 18, ch. 5, secs. 202 to 207, inclusive), insofar as applicable, are extended to apply to contracts or agreements with the corporation under this section, which for the purposes hereof shall be held to include loans, advances, extensions, and renewals thereof, and acceptances, releases, and substitutions of security therefor, purchases or sales of assets, and all contracts and agreements pertaining to the same.

(m) The Secret Service Division of the Treasury Department is authorized to detect, arrest, and deliver into the custody of the United States marshal having jurisdiction any person committing any of the offenses punishable under this section.

The CHAIRMAN. May the Chair call the attention of the gentlemen to page 57, line 19, where there is a typographical error? Without objection, the Clerk will be authorized to make the correction.

There was no objection.

The CHAIRMAN. Also, on page 73, line 19, the word "to" should apparently be "the."

Mr. STEAGALL. I ask unanimous consent that that correction be made.

The CHAIRMAN. Without objection, the Clerk will be authorized to make the correction.

There was no objection.

Mr. LUCE. Mr. Chairman, on page 62, line 17, I move to strike out the words "as rapidly as possible."

Mr. STEAGALL. Mr. Chairman, that amendment was made in committee, but by oversight it was left in the bill.

The amendment was agreed to.

Mr. STEAGALL. On page 58, I move to strike out the word "member", in line 4. It makes the meaning a little more clear.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 58, line 4, strike out the word "member."

The amendment was agreed to.

Mr. STEAGALL. And I move the same amendment on page 63, line 18.

The Clerk read as follows:

Page 63, line 18, strike out the word "member."

The amendment was agreed to.

Mr. STEAGALL. On page 65, line 3, the same amendment.

The Clerk read as follows:

Page 65, line 3, strike out the word "member."

The amendment was agreed to.

Mr. BEEDY. Mr. Chairman, for the information of the House I should like to call attention to one or two provisions. I think this is a matter all the Members should understand. I should like to call the attention of the chairman to one or two provisions of the bill and ask him to tell the House whether, in his opinion, this deposit-insurance corporation would not be obligated under the bill to insure deposits in every member bank in the Federal Reserve System now closed.

Before the gentleman answers, let me call these facts to his attention, because I think before the bill becomes a law some corrections must be made or the proposed insurance corporation will find itself in trouble.

At the bottom of page 51 in the bill, paragraph (e), it is provided that every member bank *shall* subscribe to the class A capital stock of the corporation in an amount equal to one half of 1 percent of its total net outstanding time and demand deposits on January 1, 1933, and so forth.

Suppose this bill becomes a law. Suppose at the time there are 50 closed Federal Reserve member banks. The moment the act becomes effective, as a matter of law they would be compelled to come into the system. They must buy class A stock, whether they are closed or not. Even closed banks have outstanding time and demand deposits. Any receiver or conservator of a closed bank would of course find it to his advantage to pay to the insurance corporation one quarter of 1 percent of his outstanding time and demand deposits and thus insure the deposits in the closed banks. Now let us turn to page 58, section 306:

The Corporation shall insure the time and demand deposits of all member banks which are class A stockholders of the Corporation as hereinafter prescribed.

Therefore, in the case of Federal Reserve member banks, now closed but which become holders of class A stock, the insurance corporation is obligated, under the mandatory provisions of this bill, to insure their deposits. I present this point of view because I think there is a good deal in it. I am interested to have the Chairman's explanation.

Mr. STEAGALL. Mr. Chairman, there is not the slightest thought of attempting to insure deposits in banks that are closed. The provision applies insurance to all banks subscribing for the stock of the insurance corporation. Of course no bank in the hands of a receiver, a liquidator, or a conservator could subscribe for stock unless there were a specific provision authorizing such subscription.

Mr. BEEDY. May I interrupt at that point to say that there is not merely authority here, but that it is mandatory upon every member bank to purchase stock.

Mr. STEAGALL. A closed bank could not do that after it was in the hands of a receiver or liquidator or conservator.

Mr. BEEDY. Why not?

Mr. STEAGALL. Because it would have no power. The directors are supplanted in authority by the receiver.

Mr. BEEDY. The power is given it under the law, when they are compelled to act.

Mr. STEAGALL. It applies to class A stockholders, and no bank becomes a stockholder except as a bank. There is no provision by which a conservator or a liquidating agent or a receiver can subscribe for stock.

Mr. BEEDY. My thought is this. When a bank is closed, it is none the less a bank.

Mr. STEAGALL. I have no objection, if the gentleman desires, to an amendment which will provide that this title insuring deposits shall be construed to apply to deposits that are subject to withdrawal at the time the title becomes effective, though I do not regard it as at all necessary.

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

Mr. BEEDY. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. STEAGALL. I am quite definite of the idea that no amendment is necessary, but I should not object to such an amendment if the gentleman desires it.

Mr. BEEDY. I think the insurance fund ought to be protected in that way.

Mr. STEAGALL. I know the gentleman understands the practical situation is such that this bill will never come from conference if there is the slightest danger that the language used would be construed to insure deposits in a closed bank. I do not think it is necessary at all.

Mr. BEEDY. I am not going to offer the amendment, but I wanted to get this into the RECORD, because I think it might be helpful, and I want to help the gentleman make this insurance provision effective.

Mr. McCLINTIC. Mr. Chairman, I ask unanimous consent to return to page 25 for the purpose of offering an amendment.

The CHAIRMAN. Is there objection?

Mr. STEAGALL. Mr. Chairman, I suggest to the gentleman that he defer his request until we conclude the reading of the bill.

Mr. McCLINTIC. The gentleman knows that I have been tied up in the Ways and Means Committee morning, night, and afternoon.

Mr. STEAGALL. I do not want to be stubborn about the matter, but there are several such requests, and I again ask the gentleman to defer his request until we come to the end of the bill, and if I can do it, I shall be very glad to take care of the gentleman.

Mr. McCLINTIC. Very well. I withdraw my request.

Mr. CHRISTIANSON. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. CHRISTIANSON. In line 22, page 73, I suggest that the word "corporations" should be changed to the singular, "corporation", to conform to the rest of the language.

Mr. STEAGALL. The gentleman is quite correct. I ask unanimous consent that the correction may be made, Mr. Chairman.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. CLAIBORNE. Mr. Chairman, I move to strike the last word from the section.

Mr. Chairman, on yesterday the gentleman from Massachusetts [Mr. LUCE] said he would support this bill, but he reminded us that the bill was an administration measure, and if not a success the Democratic Party would be held responsible. The gentleman spoke wisely. He can support the bill, for if it is a success, he participates in the success, and if it is a failure it will be the failure of the Democratic leadership.

If we are to pass this bill, we might just as well take down the statutes of Benjamin Franklin throughout the country. We might just as well tell the youth of the country to cease saving. We might just as well tell the strong to load on their backs the weak and carry them, because this act seeks to penalize those banks which in the last few years have practiced sound banking and come through, in favor of those that did not, and who are now suffering.

On yesterday I asked the distinguished chairman of the Committee when he arose to make his opening statement if any of the strong banks of the country were in favor of his insurance plan. The gentleman seemed to be a bit surprised at the interrogation. He could not tell me of any banks that were in favor of it. Now, I would ask the Committee if they would be so generous as to permit me to read a resolution adopted by the American Bankers Association.

It is as follows:

The American Bankers Association has long been opposed to the compulsory guaranty of bank deposits in any form, and is on record by the following resolution setting forth its position on this subject:

Resolved, That the American Bankers Association is unalterably opposed to any plan looking to the mutual guaranty of deposits either by a State or the Nation for the following reasons:

1. It is a function outside of State or National Government.
2. It is unsound in principle.
3. It is impractical and misleading.
4. It is revolutionary in character.
5. It is subversive to sound economics.
6. It will lower the standard of our present banking system.
7. It is productive of and encourages bad banking.
8. It is a delusion that a tax upon the strong will prevent failures of the weak.
9. It discredits honesty, ability, and conservation.
10. A loss suffered by one bank jeopardizes all banks.
11. The public must eventually pay the tax.
12. It will cause and not avert panics.

Resolved, That the American Bankers Association is unalterably opposed to any plan looking to the mutual guaranty of deposits either by a State or the Nation, believing it to be impractical, unsound, misleading, revolutionary in character, and subversive to sound economics, placing a tool in the hands of the unscrupulous and inexperienced for reckless banking, and knowing further that such a law would weaken our banking system and jeopardize the interest of the people.

I say to you as a lawyer that if a question came before a law court which an ordinary man was not familiar with, and if an expert witness was called, the witness would first have to qualify as knowing more about the subject than the ordinary man knows. In this matter I call as my witnesses the members of the American Bankers Association to testify as expert witnesses as to the worth in their opinion of the insurance features in this bill. On their testimony I rest my case and my vote. I accept their judgment in the matter. Hence I shall vote against the bill.

The CHAIRMAN. The time of the gentleman from Missouri [Mr. CLAIBORNE] has expired.

Mr. LEHR. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. LEHR. My colleague [Mr. DINGELL] is unavoidably absent from this session, being confined to his home on account of illness. The gentleman has prepared an amendment to paragraph (a) of this section. My inquiry is, may I interpose that amendment at this time in his behalf?

The CHAIRMAN (Mr. CANNON of Missouri). Amendments may not be proposed by proxy. The gentleman may offer the amendment himself.

Mr. LEHR. I wish to offer this amendment, Mr. Chairman.

The Clerk read as follows:

Amendment offered by Mr. LEHR: Page 58, line 22, after the word "liabilities", insert "100 percent of the amount by which such net amount does not exceed $2,500. This provision shall take effect not later than July 1, 1933."

Mr. LEHR. Mr. Chairman, I may say in behalf of the gentleman who prepared and drafted this particular amendment that the purpose and intent thereof was to conform to a similar amendment which we understand will be presented in the Senate by Senator VANDENBERG, of Michigan.

Those of us who came here with the idea and intention of supporting a bill insuring deposits in banks were hopeful that a real, 100-percent insurance deposit bill would be passed. I am not insensible to the argument that will be raised, that it will be physically impossible for an examination of the banks to be made by the 1st day of July 1933 in order to determine what banks may take advantage of this act; but I just want to make this suggestion to the members of this committee, that all the banks, so we have been informed, whether they be State banks or national banks, or State member banks of the Federal Reserve, have undergone during the past 3 months a very stringent examination, and I have been told by the Secretary of the Treasury and by other high officials of the administration that today there are no banks open except those which are sound and which are solvent. If that be true, then the policies of this bill can be put into effect by July 1. In that connection, I just want to say that with the upturn in business, with the increase in commodity prices, with the apparent return to happier days that seems to be the hope of all of us at this time, one thing remains, particularly in the State of Michigan, for us to attempt to accomplish to bring back this confidence 100 percent in the hearts of the people of this country, and that is to make it possible for these banks to be reopened; to make it possible for the people to place back their deposits in the banks.

In this connection may I read from a letter I received only this morning from the editor of a small-town newspaper in the State of Michigan in which he says this:

I am neither a banker nor a bank stockholder. I am only one of the small-depositor class who feels this great need.

I know that no amount of money will be returned to the care of the banks unless there is some form of guaranty. The guaranty may be restricted to a certain amount or to some certain class of deposits, but the small depositor, the man with active money and a little surplus, is just not going to use the bank until he can get this kind of assurance. All this takes money out of circulation and slows up the wheels of progress to recovery.

The purpose and intent of this amendment is simply to place into immediate effect on the 1st day of July 1933 this insurance provision insofar as it affects 100 percent of the deposits up to $2,500.

I submit that if this bill is the bill which we have been told it is, the sooner we do this the quicker we are going to bring back the confidence of the depositors of this great country. [Applause.]

Mr. STEAGALL. Mr. Chairman, the gentleman from Arkansas has very clearly pointed out certain of the chief defects in this amendment.

If a provision is inserted to make the bill immediately operative as to deposits up to a certain amount, it follows that banks that are in the Federal Reserve System and have their examinations by Federal authority down to date would probably encounter very little difficulty in securing admission. But State banks which have most of the small deposits would probably be delayed in securing admission, and hardships result. That is one reason why the amendment ought not to be adopted.

There is still another difficulty. I will say to the gentleman I am just as anxious as he is to bring the relief to be afforded by this legislation, but I have not the power to write a deposit guaranty bill and declare it law, nor has the gentleman on my left any such power.

It has been a task of major proportions to secure this legislation and to make the progress we have made down to this hour. The Treasury Department insists that there shall be time for a survey and for an investigation of conditions respecting banks that are to come into the System; and a further cleaning-up process may be had before this law is put into final operation. While I am anxious and impatient to have the law become operative, I can appreciate the reasons for the delay provided for.

The safe, prudent thing to do is to stand on what we have and await a time with patience, let the administration conduct its survey, set up the organization, and have the corporation prepare necessary rules and regulations and take proper preliminary steps to put the system into operation.

I know the views that will dominate and control this insurance corporation. We must trust these powers, we must trust the administration, we must trust the President of the United States to go along with this undertaking or it cannot be accomplished.

I should like to have the law become operative tomorrow. I should like to have done this 10 years ago and covering all deposits in every solvent State bank in the United States, but I have not been able to accomplish these results in my own time. Such things have to be worked out by consultation and conference and by agreed judgment. That is what has been done, and I beg the House not to disturb this provision of the bill, and if you will not, we will at no very distant day have an effective insurance-deposit system for banks in the United States.

Mr. FULLER. Will the gentleman yield?

Mr. STEAGALL. I yield?

Mr. FULLER. In conversation with the gentleman from North Carolina [Mr. HANCOCK], a member of the Banking and Currency Committee, he stated that my objections were sought to be covered by the committee in section 311, which provides that "the foregoing provisions of this title shall take effect at such time as the President by proclamation declares that such surveys have been made" and so forth. Is it the understanding of the chairman of the committee that it is expected the President will see that such surveys are made not only as to members of the Federal Reserve System, but the State banks as well?

Mr. STEAGALL. That is the very purpose of the provision. The member banks of the Federal Reserve System are examined already under Federal authority, and there would be no delay so far as they are concerned, but it is desired that the cleaning-up process go further.

[Here the gavel fell.]

Mr. McFADDEN. Mr. Chairman, I rise in opposition to the pending amendment.

Mr. Chairman, we are coming to the final stages of this particular piece of legislation. I am of the opinion that there are comparatively few Members of this House who realize what is going to happen when certain sections of this bill are put into operation.

I made some observations yesterday in regard to the open-market provisions of this bill and the authority that is given to the Federal Reserve Board in this connection. I stated there was a broadening of the uses of the open-market operations to the extent of the financing of millions of dollars' worth of foreign transactions in which the people of the United States are in no wise interested. Now we have a confirmation of this in today's papers. If you have noted them you have seen that they confirm what I stated here yesterday that Prof. O. M. W. Sprague, of the Bank of England, is back here again and is to be put in charge, apparently, of the inflationary program which was attached to the farm bill.

It is clearly indicated in press reports that what I stated yesterday is true, that the money to be issued under the inflation program is going to be handled under the direction of Professor Sprague, of the Bank of England, and the notes that are issued, instead of being circulated here freely, are to be used for the purchase of foreign open-market paper and for the so-called "purpose of stabilizing foreign exchange." These notes are to be shipped out of this country and held by the foreign countries as first mortgages against everything in the United States. These notes, whether United States or Federal Reserve, are obligations of the United States, and we are to get this open-market paper, representing British, German, or Chinese, or Japanese, or whatever bills they may be—any kind of paper that gets in the open-bill market.

I want to call your attention to the fact that notwithstanding the fact that many of these banks have been opened, there are hundreds of millions of dollars' worth of this foreign—mostly German—paper, frozen as solid as a cake of ice, in the banks of this country today. You are now going to put more of it in the banks under this authority.

I want to appeal to the Members of the House not to pass this bill, but to return it to the committee and have the House appoint a committee to study what has caused the situation that you are trying to correct by a guaranty of deposits.

On the opening day of Congress, when we passed the banking bill and when there was no opportunity given to men who were against it to vote against it, I stated I was against it, and I tried to vote against it; and I stated on the floor of this House at that time that I would never support a bill proposing to guarantee the deposits in the banks that have been looted by the bankers of this country unless you first fixed their responsibility and they were dealt with properly under the laws of the land.

You are now guaranteeing the deposits in these banks when the assets of the banks have been looted by these international bankers; and, today, at the other end of the Capitol, you have exhibit A. The members of the Morgan group are there. They are the ones who introduced a lot of these investments into these banks and they are now answering over there.

I want to now suggest to you that instead of passing this bill you wait until the examination of these bankers is completed. You are going to find, unless I miss my guess, much of the skullduggery unearthed, if this committee does its duty; and you are going to find how they have affected Federal Reserve operations and are now asking for an extension of the right to further use Federal Reserve credit to finance foreign obligations in the United States.

I beg of you that before you do this you look into the causes of the situation which you are trying to cover up by guaranteeing deposits in these banks. You are still dealing with results.

Of course, the bankers of the type of Albert H. Wiggin and Charles E. Mitchell want the deposits in their banks guaranteed. Of course they do, and you are not guaranteeing simply the deposits of the little banks of the country. You are guaranteeing the deposits of the Chase National Bank, the National City Bank, and the Chicago banks that hold Insull securities, as well as all the other banks.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The question was taken, and the amendment was rejected.

Mr. BEEDY. Mr. Chairman, without any further discussion, in order to make assurance doubly sure that we do not wreck the insurance portions of this bill, I offer the following amendment.

The Clerk read as follows:

Page 68, line 2, after the word "country", insert a new paragraph, as follows:

"The insurance provisions of this section and the right to subscribe to class A stock shall not apply to any bank closed by competent authority or whose deposits are not subject to withdrawal by reason of insolvency."

Mr. STEAGALL. Mr. Chairman, there is no objection to that amendment, and I ask that it be adopted.

The CHAIRMAN. The question is on the adoption of the amendment.

The question was taken, and the amendment was agreed to.

Mr. TABER. Mr. Chairman, I move to strike out the last two words. Yesterday afternoon, on page 28, line 25, the gentleman from Minnesota [Mr. KVALE] offered an amendment reducing the amount of par-value stock which a director in a bank would be required to hold.

Now, I do not believe the House when it passed on that situation had in mind what the situation now is or what the effect of this provision would be, nor do I believe the committee understood what effect it would have.

The requirement to hold $2,000 par-value stock makes it practically impossible for the $25,000 bank, which we have permitted the organization of over the last 10 years, to continue. The requirement for a director in that bank was only $500. It makes it exceedingly difficult for a bank with $50,000 capital, which formerly required 10 shares to operate, to continue. I believe that this provision will result in the closing of thousands of small banks of the country. I hope when the proper time comes that the committee will permit a return to that section for a corrective amendment.

Mr. KVALE. Mr. Chairman, in thanking the gentleman for his interest in the matter, I consulted with several members of the committee, and have drawn a modified amendment which several members of the committee have assured me they will not oppose, and I trust that I shall have unanimous consent at the proper time to return to that section.

The pro forma amendment was withdrawn.

The Clerk read as follows:

SEC. 308. Section 9 of the act entitled "An act to establish Postal Savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes", approved June 25, 1910, as amended (U.S.C., title 39, sec. 759), is amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "*Provided*, That no such security shall be required in case of such part of the deposits as are insured under title III of the Banking Act of 1933."

Mr. BROWN of Michigan. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Michigan: Page 74, line 24, after "Sec. 308," nisert "The second sentence of."

Mr. BROWN of Michigan. Mr. Chairman, the purpose of this amendment is to correct an error made in the drafting of this section. As the section now reads, the language after the "*Provided*", in line 5, page 75, is placed at the end of the paragraph. It should be after the second sentence in the section amended. This amendment is agreed to by the committee.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The amendment was agreed to.

Mr. HOEPPEL. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. HOEPPEL: Page 75, after line 8, insert the following as an addition to section 308 of the bill:

"*Provided*, That section 4 of the act entitled 'An act to establish postal-savings depositories', approved June 25, 1910 (U.S.C., title 39, sec. 754), is hereby amended by adding at the end thereof a new paragraph to read as follows:

"'Deposits in any such account may be of two classes: (1) Savings deposits as provided for in this act prior to the date of the enactment of this paragraph; and (2) circulating deposits. Circulating deposits shall not bear interest, and no such deposit may be maintained except in amounts of $1 or multiples thereof. Receipts for any circulating deposit shall be furnished to the depositor in such denominations of $1 or any multiple thereof as the depositor may request. Such receipts, when countersigned by the depositor, shall be a lawful circulating medium and shall be negotiable in such manner as the Board of Trustees may by regulations prescribe, except that such regulations shall conform as nearly as may be practicable to the law governing the negotiation of express money orders or travelers' checks. Any such receipt shall be redeemable at any post office upon proper identification of the bearer under such rules and regulations as the Board of Trustees may prescribe, and upon redemption, the amount of the receipts redeemed shall be charged against circulating deposits of the depositor.'

"*Provided further*, That section 2 of the act entitled 'An act to amend the act approved June 25, 1910, authorizing the Postal Savings System, and for other purposes', approved May 18, 1916 (U.S.C., title 39, sec. 759), is hereby amended to read as follows:

"'Postal Savings funds shall be deposited in solvent banks to the credit of the United States Treasury, or remitted direct to the United States Treasury, under such rules and regulations as the Board of Trustees may prescribe, for the purchase of United States bonds or other United States securities and/or for deposit in a special fund for repayment to depositors.'

"*Provided further*, That the first sentence of section 6 of such act, as amended (U.S.C., title 39, sec. 756), is hereby amended by striking out the figure '$2,500' and inserting in lieu thereof the figure '$5,000.'"

Mr. LUCE. Mr. Chairman, I make the point of order that the amendment is not germane.

The CHAIRMAN. Does the gentleman desire to be heard upon the point of order?

Mr. LUCE. Simply to say that because we amend one section of a law, I had not understood that we would amend other sections of the law.

The CHAIRMAN. Does the gentleman from California desire to be heard upon the point of order?

Mr. HOEPPEL. Mr. Chairman, I do, on the point of order. This amendment is an amendment to the Postal Savings Act approved June 25, 1910, and is intended to give banking facilities to the American public where there will be guaranty of deposits which will result in the savings of millions of dollars to the American people and the Treasury. This section 308 is an amendment offered by the Banking Committee, which is framed primarily to protect the interest of the American banker. I am going to concede the point of order and I ask unanimous consent to present another amendment.

The CHAIRMAN. The point of order is sustained.

Mr. HOEPPEL. Mr. Chairman, I offer another amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. HOEPPEL: Page 74, line 24, strike out all of section 308 beginning on line 24, page 74, and continuing to include line 8 on page 75.

Mr. HOEPPEL. Mr. Chairman, when I took the floor a little while ago my banker friend from Arkansas [Mr. FULLER] got up and berated me for speaking in the interest of the people. I admit that he has a perfect right to be a banker, but he brought out facts in his remarks which pertain to this section of the bill which I should like to call to your attention. First, let me preface my remarks with the statement that he criticized me for one time being a Republican and not supporting the administration. I have voted for the administration measures 50 percent, and probably shall vote for this measure. The gentleman's efforts to criticize me for one time being a Republican and today being a Democrat is ill-advised. No one can deny that the Republicans elected our President. Mr. Hearst in his editorial in today's Herald stated that the Republicans have the brains and the Democrats have a heart. I concede that the Democrats have a heart, but their heart is pulsating every day primarily in the interest of the bankers, so graciously provided for in this bill, and not in the interest of the common man, which is my concern.

Mr. BULWINKLE. Mr. Chairman, I rise to a point of order. The gentleman is not speaking to his amendment.

Mr. HOEPPEL. I shall come back to the subject. This gentleman banker from Arkansas, Mr. FULLER, who berated me——

Mr. BULWINKLE. Mr. Chairman, I make the point of order that the gentleman is not speaking to his amendment.

Mr. HOEPPEL. Mr. Chairman, I am speaking on this motion and bringing up his statements. The gentleman from Arkansas stated that the Postal-Savings business was not making any revenue for the bankers.

Mr. BULWINKLE. Mr. Chairman, I insist upon my point of order. The gentleman is not speaking to his amendment.

Mr. HOEPPEL. I am speaking to my amendment in furtherance to the statement which Mr. FULLER made in reference to the Postal Savings. He said they did not return any profit to the bankers. This is one point I should like to call attention to in this bill, to which Mr. FULLER re-

ferred. The present law makes it mandatory for the banks of America to put up bonds or securities whenever they receive deposit of Government funds. This section of this bill relieves the banks from depositing with the Government security for the postal funds they receive from the Post Office Department at 2½ percent and which they relend to us at 7 percent.

I have observed the gentlemen on the Democratic side, and I notice that is where all the noise comes from.

If you have ever been on a farm and saw them tie a hog, you know that the hog squeals. I am not tied. I am speaking my convictions. Some of you gentlemen may be tied, but I am not and am speaking as an American citizen. [Applause and laughter.] I am speaking on this amendment, and I am speaking specifically. The Government provides two thirds of the money which is to go into this guaranty fund, yet we are making it possible for the bankers to get over $1,000,000,000 of American funds without any security. I say it is unfair for the American people to put up a guaranty to protect their own money. That is the reason I have presented this amendment.

The CHAIRMAN. The time of the gentleman from California [Mr. HOEPPEL] has expired.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. HOEPPEL].

The amendment was rejected.

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

The Clerk read as follows:

Amendment offered by Mr. DOBBINS: On page 75, line 8, after the figures "1933", add the following: "*Provided further*, That no post office which has within its delivery limits a bank or banks whose deposits are insured under the provisions of said title III shall accept or maintain deposits for an aggregate balance of more than $500 from or to the credit of any individual who resides within the same delivery limits."

Mr. LUCE. Mr. Chairman, I make the point of order against the amendment that it is not germane.

The CHAIRMAN. Does the gentleman from Illinois [Mr. DOBBINS] desire to be heard?

Mr. DOBBINS. Will the gentleman from Massachusetts withhold his point of order?

The CHAIRMAN. Does the gentleman insist on his point of order?

Mr. LUCE. I understand all debate on this section and all amendments thereto is closed.

The CHAIRMAN. The point of order is sustained.

MEETING OF WAR VETERANS OF THE HOUSE

Mr. GIBSON. Mr. Chairman, I ask unanimous consent to proceed for one half minute to make an announcement.

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

There was no objection.

Mr. GIBSON. There will be a meeting of all war veterans of the House in the caucus room of the old House Office Building at 10:30 o'clock tomorrow morning.

REGULATION OF BANKING

The Clerk read as follows:

SEC. 309. A national bank, reserve bank, or other member bank as defined by section 1 of title I of this act, or any bank or trust company whose deposits are guaranteed in any respect under the provisions of this title, or any employee of any such bank, shall not either directly or indirectly act as an agent or broker for any partnership, association, or corporation engaged in the business of writing or selling any form of insurance. Any individual, partnership, association, or corporation violating this section of this act shall be guilty of a misdemeanor and shall be punished by a fine not exceeding $1,000 or imprisonment not exceeding 1 year, or both.

Mr. HANCOCK of North Carolina. Mr. Chairman, I offer an amendment, which is at the desk.

The Clerk read as follows:

Amendment offered by Mr. HANCOCK of North Carolina: Insert the word "individual" between the words "any" and "partnership" in line 14, page 75; and on page 75 strike out the period in line 20, insert a semicolon, and add the following proviso: "*Provided*, That this section shall not become effective until 2 years after the date of the enactment of this act."

Mr. GOSS. Is this by direction of the committee?

Mr. HANCOCK of North Carolina. By direction of the committee.

Mr. Chairman, the first word, "individual", is inserted in line 14 in order to correct an omission.

The remaining portion of the amendment is a proviso which places the effective date of divorcing banks from the insurance business at 2 years and thus in this respect alone places them on an equality with affiliates. Section 309 divorces banks from the insurance business; and, in case this amendment is adopted, that provision would not become effective until 2 years after the date of the enactment of this act. In the light of other provisions of the bill, this seems right and consistent. To accomplish this reform suddenly might work undesired hardships.

Mr. WHITTINGTON. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. WHITTINGTON. Is there anything in the section or in the amendment that would prevent the director of a bank from writing insurance?

Mr. HANCOCK of North Carolina. There is nothing in the section that would prevent a director. It applies only to employees actively connected with the bank.

Mr. WHITTINGTON. Nor in the amendment?

Mr. HANCOCK of North Carolina. No, sir.

Mr. SISSON. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. SISSON. I want to ask the gentleman from North Carolina if it was not understood in the committee or in conversation between the gentleman and myself today that the effectiveness of this provision should be postponed for only 1 year?

Mr. HANCOCK of North Carolina. I told the gentleman I would register no objection to such an amendment, but that I would offer my amendment and the gentleman could offer his as an amendment to my amendment and I would interpose no objection. Though I strongly favor the principle or reform sought in this provision, I felt we should approach it gradually, and especially in consideration of the problems facing the banks in small communities.

Mr. MARTIN of Colorado. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. MARTIN of Colorado. At the danger of repetition I wish to ask the gentleman if the cashier of a small State bank, for instance, writes applications for insurance, is that practice prohibited by the language of this section?

Mr. HANCOCK of North Carolina. I think it would be.

Mr. MARTIN of Colorado. I should like to make an explanation to the gentleman preliminary to asking a question. I received a letter from the cashier of a small State bank who explained that during this depression he has been able to eke out a livelihood by writing applications for insurance, and thereby to some extent relieve the bank.

I wrote back to him for an elucidation of his views on this section, but have not had time to get his answer. Now, the question is, Would that man be prevented from writing applications for insurance?

Mr. HANCOCK of North Carolina. That involves the meaning of the word "employee" as related to a bank's personnel. It is intended to cover him.

The reason this amendment has been offered is because there are a great many small banks in the smaller communities of the country which combine insurance with the regular banking work in order to supplement the meager salaries of their employees and augment the bank's income. They should have time to work out. That is the chief reason for the second portion of this amendment.

Mr. MARTIN of Colorado. Mr. Chairman, if the gentleman will yield further, in the case to which the gentleman referred, was the bank itself an agent of the insurance company?

Mr. HANCOCK of North Carolina. It varies; sometimes the bank and sometimes an employee.

Mr. MARTIN of Colorado. I am just asking a question that fits the case where a bank employee or officer, merely as a side line, writes applications for insurance.

Mr. HANCOCK of North Carolina. Is the gentleman asking me a question?

Mr. MARTIN of Colorado. Yes; whether that is prohibited.

Mr. HANCOCK of North Carolina. I think under the language of this section it would apply regardless, whether it was a side line or his main activity and especially if his success was due to the fact that he had the bank's support.

Mr. MARTIN of Colorado. If the gentleman will permit a further question, To what abuses is this section directed?

Mr. HANCOCK of North Carolina. In the first place, there were some members of the committee who did not believe that insurance was a proper banking function. In the second place, they recognized that it was unfair competition because there is always more or less an element of credit coercion. There were other objections which all familiar with this practice admit. Of course there are isolated cases where it might work fairly and without abuses. They would seem to be exceptions, however.

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

Mr. HANCOCK of North Carolina. I yield.

Mr. BULWINKLE. And in the third place, is it not true that in many instances loans are refused unless the policies of insurance are written at the particular bank?

Mr. HANCOCK of North Carolina. I have heard of such cases.

Mr. BEEDY. Mr. Chairman, may I ask what is the amendment now before the House?

The CHAIRMAN. Without objection the Clerk will again report the amendment.

There was no objection.

The Clerk again reported the Hancock amendment.

Mr. BEEDY. Mr. Chairman, I do not care to take up the time of the House with a speech at this hour, but I hope the gentleman from North Carolina, for whom I have a very high regard, will agree to drop that portion of his amendment which would authorize a continuance, for 2 more years, of this practice by banks of selling insurance. We discussed it quite thoroughly in the committee and I think the majority of us felt that it is unfair to a poor man who wants to borrow some money on his home, to be very adroitly held up by the inquiry, "Where do you carry your insurance?" To this question the would-be borrower replies, "Well, I am insured in such and such a company." Whereupon the bank replies, "We are sorry but our bank is interested in such a company. If you should see fit to cancel your present policy and take out a policy through our agency, we shall be glad to talk over a loan to you."

All banks do not operate this way, but as the gentleman from North Carolina knows, a great deal of injustice has been worked, and much unfair competition practiced by banks which sell insurance. And it certainly is unfair to the man in the insurance business. It is just as reasonable to have insurance men authorized to do a banking business as it is to have the banks invade the insurance field.

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

Mr. BEEDY. I yield.

Mr. MORAN. In regard to the danger involved from the standpoint of increased income to the bank, the same argument might be applied to putting a filling station in front of the bank. Another danger involved that was not pointed out by the gentleman from North Carolina, in addition to coercion, is that the banker is putting the commissions in his own personal pocket. Therefore, the banker who loans the money might be induced to loan other people's money for the sake of a personal commission to himself. This is a reason why banking and insurance should be divorced in the interest of the depositors of the country.

Mr. BEEDY. Mr. Chairman, to save time let us consider a division of the pending amendment. There are two propositions involved in it. One is the inclusion of the word "individual." The other deals with a 2-year period of extension. Let us have this amendment divided so we can vote down the 2-year extension proposal but give the gentleman the other amendment he desires. I ask that the amendment be divided.

Mr. HANCOCK of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. HANCOCK of North Carolina. May I call the attention of the House to the fact that if you make this provision preventing banks from doing business as agents of insurance companies effective at once, it will be the only provision in this bill that is effective immediately upon the enactment of the bill. Is not this right?

Mr. BEEDY. Oh, no!

Mr. HANCOCK of North Carolina. In other words, we are extending the time for the separation of affiliates 2 years, holding company affiliates so many years. Why not extend the effective date of the insurance feature to 2 years? Would it not then be more in harmony with the other sections? If one is done now, all might be done.

Mr. PEYSER. Mr. Chairman, if the gentleman will permit, I wish to ask the gentleman from North Carolina a question.

Mr. BEEDY. I yield.

Mr. PEYSER. I merely wanted to state that the extension of 2 years in this particular class is not necessary because if an insurance man who is now connected with a bank is under contract he is not deprived of any commissions which he might have earned in the past. His contract continues.

There is nothing in there in my judgment that shows any reason why it should be extended 2 years for the same reasons that applied to other sections.

Mr. HANCOCK of North Carolina. Does not the gentleman agree that they should have some time within which to adjust themselves to the reform sought?

Mr. PEYSER. I do not think they should have any time.

Mr. HANCOCK of North Carolina. Is it not true that many of them will have a very difficult time disposing of their insurance agencies immediately under existing conditions?

[Here the gavel fell.]

Mr. KOPPLEMANN. Mr. Chairman, in the first place, I should like to know whether we are dividing the pending amendment; and if so, what part are we to vote upon first?

The CHAIRMAN. The amendment consists of two substantive propositions, either one of which would stand without the other.

Mr. KOPPLEMANN. I understand that.

The CHAIRMAN. At the request of the gentleman from Maine [Mr. BEEDY], the vote will be on the first portion of the amendment and then the vote will come on the remaining portion.

The question is on the first portion of the amendment, which the Clerk will report.

The Clerk read as follows:

First portion of the amendment offered by Mr. HANCOCK of North Carolina: Insert the word "individual" followed by a comma between the words "any" and "partnership", in line 14, page 75.

The first portion of the amendment was agreed to.

The CHAIRMAN. The question now recurs on the second portion of the amendment, which the Clerk will report.

The Clerk read as follows:

Second portion of the amendment offered by Mr. HANCOCK of North Carolina: Strike out the period, in line 20, page 75, insert a semicolon and add the following proviso: "*Provided*, This section shall not become effective until 2 years after the date of the enactment of this act."

Mr. SISSON. Mr. Chairman, I had intended to offer an amendment making the effective date of this section 1 year. It has been called to my attention by the gentleman from Maine [Mr. BEEDY] that this is unnecessary, because it does not become effective until 1 year after the enactment of the Banking Act of 1933.

As a member of the committee, I may say that I am not questioning the veracity or the good faith of the gentleman from North Carolina [Mr. HANCOCK], but I think there was some misunderstanding when he said that it was agreed in committee that this should be deferred for 2 years.

From my conversations with insurance agencies and with their policyholders I believe it is entirely unnecessary, and even in fairness to the banks themselves, that we should postpone this prohibition for 2 years.

The CHAIRMAN. The question is on the second portion of the amendment.

The second portion of the amendment was rejected.

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

The Clerk read as follows:

Amendment offered by Mr. BOILEAU: Page 75, line 13, after the word "any" strike out the word "such" and insert in lieu thereof the words "national bank or reserve."

Mr. BOILEAU. Mr. Chairman, this amendment would mean that employees of a State bank could sell insurance.

I do not believe it is good policy for the National Government or the Federal Congress to say that the employees of a State bank cannot sell insurance, and this is exactly what this section now provides so far as these banks that will come under the provisions of this guaranty provision are concerned, and I presume that practically all banks will hope to get some of the benefits of this insurance of deposits.

My amendment would limit the operations of the bill in this respect to employees of national banks and reserve banks. In other words, the employees of small State banks in the small rural communities could continue carrying on the business they have been engaged in during these years.

As a Representative from a rural community, I may say that there is no evil in connection with the selling of insurance by the small-town bankers. There may be some evils so far as the larger banks are concerned, but I am not prepared to say that there is or that there is not. I want to call your attention to the fact that we have a lot of small State banks capitalized at $10,000 or $15,000 or $20,000 and the employees of these small banks are necessarily working for a small salary. The cashiers who have the responsibility of these small banks are getting salaries around $125 or $150 or $175 a month. They are responsible business men of these small communities, and because of their experience many of the farmers, as well as other people in their communities, ask them to assist in providing fire insurance and other kinds of insurance, and I do not believe it is the intention of the Members of this House to say that the Federal Congress is going to prohibit these small bankers from carrying on this business and giving this service to their communities.

Mr. BYRNS. Will the gentleman yield?

Mr. BOILEAU. I gladly yield to the distinguished gentleman from Tennessee.

Mr. BYRNS. I know of towns of 200,000 inhabitants which have State banks. The gentleman's amendment would permit the State banks in towns of this size, as well as the smaller towns, to sell insurance while prohibiting a national bank across the street from having the same privilege.

Mr. BOILEAU. I want to make this distinction.

Mr. BYRNS. I think the gentleman should limit his amendment, if he wants it to go into the bill, to the small towns to which he has referred.

Mr. BOILEAU. I want to call the gentleman's attention, as well as the attention of all State-rights Democrats, to the fact that we have State banking systems and that we should let the State authorities have something to say about the system. I have no fault to find if the Congress wants to restrict the national banks, because that is within our province, but I do say that we should not restrict the operations of the small State banks. We should leave these banks to the banking departments and the State legislatures of the various States.

I would gladly move to strike out the entire section, but I know that would be futile, but I do ask, in behalf of these small-town bankers and in behalf of the small banks for this consideration, and I believe every Representative from every rural community in this country should vote for this amendment.

Mr. BEEDY. Mr. Chairman, just a word so that we may clarify the situation.

The law now forbids national banks to sell insurance on the ground that it is not a legitimate banking function. The evils that have grown up from the sale of insurance, and the complaints that have come to us is the result largely of this practice on the part of State banks, and in this bill we are trying to remedy it.

Mr. BOILEAU. Are all national banks prohibited from the sale of insurance?

Mr. BEEDY. All except those in places of 6,000 inhabitants or less. The provision in this bill would forbid all banks, State and national alike, to sell insurance.

Mr. BOILEAU. If you feel that the national banks should be prohibited that is the function of Congress, but I do not think that you ought to prohibit it in State banks—that is the function of the State legislatures.

Mr. BEEDY. Well, the House can decide for itself whether it is proper for us to forbid any bank which seeks to come under the insurance of deposits provision, to stop selling insurance. I think it is wise and proper for us to adopt such a provision.

Mr. McGUGIN. Mr. Chairman, I offer the following as a substitute for the amendment of the gentleman from Wisconsin.

The Clerk read as follows:

Page 75, line 20, insert, after the word "both", the following: "*Provided*, That this section shall not apply to any bank located in a town or city of less than 5,000 population."

The CHAIRMAN. The Chair does not think that is a substitute. The question is on the amendment offered by the gentleman from Wisconsin.

The question was taken, and the amendment was rejected.

Mr. McGUGIN. Now, Mr. Chairman, I offer the amendment which has been read.

The Clerk read as follows:

Page 75, line 20, insert, after the word "both", the following proviso: "*Provided*, That this section shall not apply to any bank located in a town or city of less than 5,000 population."

Mr. McGUGIN. Mr. Chairman, I was in sympathy with the amendment offered by the gentleman from Wisconsin. I think he is right. I realize from the argument suggested by the gentleman from Tennessee [Mr. BYRNS] that when you limit it to State banks it may go to those banks of $100,000 capital or more. My amendment, irrespective of whether it is a State or a national bank, provides that it shall not apply to towns of less than 5,000 population.

Mr. BYRNS. I want to say that I am opposed to a bank going into the insurance business in either the large or small towns. [Applause.] My objection was due to the fact that the gentleman from Wisconsin was talking in favor of small towns, whereas his amendment would have permitted it in large cities. I am opposed to it in any event.

Mr. McGUGIN. Here is the situation: Why should gentlemen want to insist throughout the bill on putting in provisions that work a hardship on the small rural country communities of this country?

Mr. PEYSER. Will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. PEYSER. If it is an evil, and I believe it is, why have it in towns where small banks are, because these banks cannot fight the evil as well as the big banks?

Mr. McGUGIN. The answer is that the big banks create most of the evils.

I do not believe there is one country bank in a hundred which says to its customers, "You cannot borrow from this bank unless you buy insurance in this bank." It is a matter of convenience, it is a matter of business in these small communities.

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

Mr. McGUGIN. Yes.

Mr. BULWINKLE. The gentleman fails to recognize that in some of these small towns there is one man who is being paid as a cashier or employee of the bank who is making in addition to his salary these commissions on the insurance that he sells, and that at the same time in the same town there is some other man who is trying to eke out a business writing insurance, but who cannot compete successfully with the bank.

Mr. McGUGIN. In these small banks the cashiers are drawing small salaries, $75 or $100 a month, and if they carry on a little insurance business and add to their income in that way, it is of benefit to the community.

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

Mr. McGUGIN. Yes.

Mr. BOILEAU. This section will prohibit the employee of the small State bank from entering into the insurance business, but I can find nothing in the language that will prohibit the directors of a big bank from doing the same thing, because it prohibits employees and not officers.

Mr. McGUGIN. This bill will prevent the janitor of a little country bank from making a little on the side by selling insurance.

Mr. McCLINTIC. Mr. Chairman, I had hoped it would be possible for me to offer a perfecting amendment. I realize that the temper of the House at this hour of the day is such that it is hardly possible to get any kind of an amendment adopted unless it be offered by a member of the committee. I appreciate the strategy of the chairman of the committee in asking that I refrain from asking permission to return to a section of the bill to offer an amendment until after the bill had been read and practically completed. I am in favor of this legislation, but I wanted to offer an amendment with the hope that it would prevent officials who might be termed crooked from absolutely destroying a bank from inside. I wanted to offer an amendment that had been adopted already in at least one State, but I realize it is practically impossible to get Members of the House to consent to go back 25 or 50 pages at this late hour of the day for the purpose of offering that amendment.

I have been interested in this subject possibly as long, if not longer than any other Member on the floor. Many years ago I introduced the first bill that was ever presented to either House of Congress providing a system for the guaranty of bank deposits. I see there the chairman of the committee, who granted me a hearing on that bill, and the hearing still remains in typewritten form, because there was no sympathy for a measure of this kind. However, year after year I have continued to introduce a bill, hoping the time would finally arrive when the people would realize that unless something is done to give people confidence in banking institutions they would not patronize them to the extent of putting their money in them. I hope this bill will cause money to cease going into Postal Savings, and thus be carried away to some sections of the country, denying legitimate institutions from having that which they should have to take care of normal business.

At this time, Mr. Chairman, I ask unanimous consent that I may include as a part of my remarks the statements that have never been printed, made by me before the Banking Committee 12 years ago. It will be interesting to note that some of the members of this committee participated in the hearing, and for the reason there has been a complete upheaval in banking since that date I am convinced that this legislation will do more to cause our citizens to take their money out of hiding than any other measure, if enacted into a law. On account of being otherwise engaged as a member of the Ways and Means Committee in holding a hearing on the so-called "public works bill", which caused the committee to remain in session morning, afternoon, and night, it was not possible for me to be on the floor during the early consideration of this measure. Therefore I have been denied the opportunity of offering an amendment that, in my opinion, would have caused further safeguards to be thrown around this measure.

The CHAIRMAN. The gentleman from Oklahoma asks unanimous consent to extend his remarks in the manner indicated. Is there objection?

There was no objection.

The matter referred to follows:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Thursday, January 20, 1921.

The committee at 12 o'clock noon proceeded to the consideration of H.R. 15012, Hon. LOUIS T. MCFADDEN (chairman) presiding.

The CHAIRMAN. Gentlemen of the committee, Representative MCCLINTIC wants to be heard for a few minutes on the bill he introduced in connection with the guaranty of deposits of banks and, if there is no objection, we will hear Mr. MCCLINTIC at this time.

STATEMENT OF HON. JAMES V. M'CLINTIC, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. MCCLINTIC. Mr. Chairman and gentlemen of the committee, I want to respectfully direct your attention to H.R. 15012, a bill I have introduced, which provides for the protection of deposits in national banks. I take it that it is the object of every committee to legislate as much efficiency as possible in the various branches of government over which they have a certain amount of jurisdiction. I am not a banker, and yet it has been my privilege to serve as a member of a banking committee in the State Senate of my State, and I had a little to do with the present State laws which regulate and govern State banks in Oklahoma.

The subject of guaranteeing deposits in national banks is not a new proposition. A number of States already have this law and, up to the present time if I am correctly informed, no depositor in any State bank has ever lost one dollar because of a bank failure. If you will read the report recently made by the Federal Reserve Board, you will note that every Federal Reserve district has indirectly been carrying on a campaign to get as many member banks to join their System as possible. You will find that there is a certain amount—I do not want to use the word "jealousy", but there is a certain amount of rivalry between the national banks and the State banks.

In other words, the systems that are in operation at the present time bring about a great deal of duplication, in that the State banks maintain separate machinery in order to take care of their institutions, and the national banks do likewise. There are at present approximately 8,000 national banks in comparison with some 22,000 other banking institutions. There are 160 bank examiners which cost the Government approximately $750,000. In my opinion, the time will come when there will be no necessity for State banks. In other words, there is no more need for a separate system of State banks and national banks than there is for two street-car systems in the same city. But until that question has been solved, or until those interested in this subject can meet upon a common basis, we will continue to have this duplication which brings about a great increase of expenditures to the taxpayers of the country.

I have prepared a bill here which establishes a separate guarantee fund in each Federal Reserve district in the United States; yet I have placed the supervision of the same under one head so that uniform rules and regulations can be put into effect for carrying on the plan. The bill which I have introduced provides for amending the law which makes disposition of the profits made by the Federal Reserve Banking System. It would be amended so that after the dividends are taken care of to those who own stock in the various Federal Reserve banks, 10 percent of the profits each year will be set aside in each Federal Reserve district into a guarantee fund and this, with an additional assessment against each national bank, will provide sufficient money to take care of the needs of any bank that might be so unfortunate as to fail in the future.

In States where they have guaranty laws, when a bank becomes impaired to the extent that it cannot meet its obligations, instead of closing the door and waiting for a receiver to be appointed, the bank examiner quickly makes some kind of an arrangement with other persons to take charge of the bank and, instead of the assets being unloaded or forced to be sold at such a price as they will bring, the bank changes hands; the assets are collected in the regular manner and, as a rule, the loss is reduced to a very low minimum. In other words, in speaking before the House the other day, I made the statement that in Oklahoma, when there was a bank failure—that is, a State bank failure—there was no more excitement over the same than there was over an ordinary swapping of a horse. By having a law of that kind, we have reduced our losses to a very low figure, and at present we have a very large fund, which is sufficient to take care of the needs of all of those who are affiliated in that system.

It is my hope that this committee will feel warranted in allowing a hearing to be held at a later date so that those who are interested in this subject may have the opportunity to come before this body and offer such suggestions as they would care to offer in order to perfect the legislation. I realized that the bill I have introduced possibly should be changed in some places. In other words, national banks with whom I have talked and who have written me, have made certain suggestions which meet my approbation.

I am thoroughly of the opinion that whenever we can establish a guaranty fund for the protection of depositors in national banks, that it is only a matter of time when practically all of the State banks will feel warranted in becoming nationalized. And when that condition has been brought about, then we will have the trust companies, who will operate in a separate way and who are granted more liberal provisions than the national bank to go ahead and take care of certain kinds of business on the one hand and the national banks on the other. I am thoroughly of the opinion if a bill similar to the one I have introduced can be put into effect, that instead of having disasters brought about by the crash of a national bank, which seriously disturb every condition in every community when a happening of this kind occurs, that in the future we can reduce their heavy losses to a minimum and, at the same time, wind up the affairs of any defunct organization in such a way as to save to the depositors all the money they have placed in the bank.

Originally a bank was considered a private institution; but as time has rolled on the opinions of the people have become more liberal, until today they are declared to be public institutions. And it is for this reason the different States in the Union have come to the conclusion that banks, being public institutions, it is right to protect the depositors or to protect the public. And while this Congress may not have sufficient time to pass a bill of this kind, yet I am thoroughly of the opinion that it is only a question of time until a bill will be passed protecting depositors in national banks.

This bill provides that one half of 1 percent shall be levied against the average daily deposits of a national bank as an assessment fee when it goes in as a member or when it is entitled to participate in this fund. I am of the opinion that if we can assess the profits that are made by the Federal Reserve Bank System each year, thereby setting aside 10 percent to the credit of this fund, that this amount as carried in my bill can be decreased probably to one tenth of 1 percent. And if that would meet the approbation of the committee and those who are interested in this subject, then the expense of a national bank becoming a member or becoming a participant in this fund would be very, very small.

Mr. SCOTT. Then in the last analysis if it reached that Utopian stage where there were no bank failures throughout the country the amount of reserve carried in this guaranty fund might be taken out and utilized in other ways?

Mr. MCCLINTIC. It was my intention to write a new amendment to this bill which would give the Comptroller of the Currency the right to decrease the assessments whenever he saw fit. The Federal Reserve Banking System made $55,000,000 in 1918 and some $80,000,000 in 1919. This money does not belong to the member banks, yet they are indirectly responsible for it. It is by the cooperation, support, assistance, and patronage they give to the reserve banks that made these results possible.

Mr. LUCE. The member banks are stockholders, are they not?

Mr. MCCLINTIC. They are stockholders and, for that reason, they are entitled to participate in the profits that are made by the Federal Reserve bank. I cannot see how any person can say it would not be fair and right to take 10 percent of those profits, after the stockholders had been taken care of, and to put it into one of these funds in each Federal Reserve district to be used as a guaranty, so that when you put your money in a national bank you would know, if that bank failed, that your deposit would be safe.

Mr. STEVENSON. Should not you provide there that when that fund reached a certain figure, so many million dollars, there should be no more assessments made until there should be some impairment of it?

Mr. MCCLINTIC. I am very glad you made that suggestion. It meets with my approbation.

Mr. STEVENSON. We established the system of State insurance of all public buildings in South Carolina in 1899 and provided that all collections of premiums and all appropriations should go into a fund until it amounted to $2,000,000, and then there should be no further premiums over and above reinsurance—there should be no further profits accumulated until there was an impairment. It reached the $2,000,000 fund in about 6 years and the State insurance on all public buildings has been carried for practically nothing except just a small reinsurance since that time, and the $2,000,000 stands there as a guaranty.

Mr. MCCLINTIC. The suggestion of the gentleman meets my approval.

Mr. KING. Suppose in some manner that Congress should wake up to the fact that all this money should be turned into the Treasury (this $2,000,000 you speak of is really nothing after all but a form of taxation of the people) and should limit those earnings, then where would we get your fund from, if legislation of that kind should be passed?

Mr. MCCLINTIC. If the Federal Reserve banks of the country did not make any profits, then there is a provision in this bill which would allow the Comptroller of the Currency to increase the assessment, provided it was necessary to take care of the losses of any defunct bank. In other words, this bill provides that the Comptroller of the Currency may increase the assessment provided it does not reach any more than 1 percent of the daily average bank deposits, based upon the daily average in 1 year, not including the deposits of State funds and national funds.

Mr. LUCE. I take a personal interest in these proposals and am very glad to consider them seriously, because of a personal consideration. I am one of 80,000 citizens of Boston who, at the present moment, are deprived of the use of about $30,000,000 of money—my share of it being pretty small—by reason of the failure of four trust companies. My own deposit came to me; I did not put it in myself, but it came into my possession too late for me to pull out the money before they went to smash. Now those four trust companies were new, comparatively; they had been organized by men without much experience in banking; they were rashly conducted, their loans being tied up and not liquid, so that when depositors began to worry and to withdraw their accounts they could not get in their loans. Some of their troubles were due to that Napoleon of finance, Ponzi. Now, I should like to have that money right off. They tell me probably I will get mine sooner or later, but I should like to have it at once.

Mr. MCCLINTIC. I should like to see the gentleman get his money.

Mr. LUCE. But there are a good many banking institutions in Boston that are safely conducted, prudently conducted, and honorably conducted; they are prosperous and make money. If I should vote for this proposal, they would ask me, "Why should we, who are cautious, who are prudent, and who have spent our lives in learning how to run this business and who feel we are trustees for our depositors and try to be honorable men—why should we be mulcted in order to pay somebody else who was foolish enough to intrust his money to men apparently unfitted to care for it?"

Mr. MCCLINTIC. I shall be very glad to answer the gentleman. In the first place, this bill will not cost those national banks you refer to in Boston very much money.

Mr. LUCE. It will cost them some.

Mr. MCCLINTIC. It will cost them some, for the reason they have all indirectly contributed toward a line of business which has produced a sufficient amount of profits in order to maintain this kind of protection. And, in addition to that, it is to their advantage, for this reason: Whenever their institutions comply with the provisions of this bill, according to section 6, which says—

"As soon as a bank has complied with the provisions of this section, the Comptroller shall furnish to said bank a certificate which shall recite that said institution has complied with the provisions of the National Depositors' Guaranty Act, and the bank receiving the same shall be permitted to advertise that its depositors are protected by the national depositors' guaranty law."

A bank's success, to a large extent, always depends upon the patronage it receives. A bank without any deposits cannot do very much business. It simply means its business will be increased to that extent that it will more than recompense them for the small amount they have paid in order to be protected by this fund; and their business will be so much larger than the ordinary trust company, who will probably not be allowed to participate in this fund, that the expenditure it costs them will amount practically to nothing.

Mr. STEAGALL. Is not this true, also, that bank failures often are brought about by periods of depression that nobody in the world can anticipate and by psychological developments that cannot be anticipated; so that really a big bank, a strong one, prudently managed, can never be said to be exempt from the dangers that attend banking as faced by the smaller institutions, all being in one inseparable system?

Mr. MCCLINTIC. The statement of the gentleman is quite true, and I will cite you a condition that exists in the South (and I do not wish to draw any sectional lines, because this bill applies to every section of the United States), where during the last 5 or 6 months the spinners were out of the market, and while the price of cotton remained fairly high, yet the man who had 200 bales of cotton on hand could not find a market for it. The bank that advanced the money to the buyers, in order to take care of the farmers, was unable to collect its loans, and this situation caused some of them to fail. The same condition was true up in the Northwest with relation to the price of wheat. The object of this bill is to provide a system that will furnish this kind of protection to the banks located in every section of the United States, so that emergency conditions like the gentleman has spoken about can be taken care of in the future. And when you take into consideration a bill drawn along this line will practically cost the member bank only a very small amount, I do not believe that anyone engaged in this business would object to paying that small amount, when you take into consideration the added advantages it gives.

A short time ago a bank went broke in my own county. What happened? The banking department sent a man from away up in the northern part of the State that knew nothing about the situation in that part of the county to wind up its affairs. An attorney was appointed. A whole set of machinery was put in operation in order to wind up the affairs of that bank. They had to get their information relative to the assets from people on the outside. I have known a bank that failed to run along for 12 months before the business was finally settled up and all the cost of closing up the affairs of that bank had to come out of the amount of money that was collected and this caused the depositors to receive a correspondingly smaller amount. I might go back and give you some personal experiences, but I dare say every member here knows that whenever a bank fails in any community and the sign is put up on the door "This bank is in the hands of the Federal Government", then runs begin to be made on the other banks; and unless they stick together and furnish capital to take care of that situation, in many cases a great many of the institutions go down in a crash. Inasmuch as we have prepared a system which is working successfully at the present time and we have the money already in hand, why would it not be right to place a small percentage of that into a

fund and thus charge each bank only a small amount for this kind of protection? You might reduce it to one twentieth of 1 percent. It simply means, gentlemen, in a few years from now, these State banks of the country would gradually come over and be nationalized and then we will only have two systems, thereby decreasing the cost to the taxpayers of maintaining these different kinds of businesses and, at the same time, furnish the kind of protection the people want.

Mr. SCOTT. Mr. McClintic, is it not actually true that the failure of a large industrial enterprise in a community is a great misfortune; but the failure of a bank in a community is a calamity that reaches very much further than the failure of any particular concern in a community?

Mr. MCCLINTIC. That is true. And it is further true that, as a rule, the person who loses money in a bank failure is the one who is not able to lose the money; it is the poor unfortunate, nine times out of ten.

Mr. MCCLINTIC. In many instances it brings about runs on other institutions in the immediate centers and thereby affects every kind of business.

The CHAIRMAN. In other words, you mean no bank can fail without affecting some other bank in some certain degree?

Mr. MCCLINTIC. That is true.

The CHAIRMAN. And as I understand your argument, the well-managed banks could well afford to pay a small minimum amount of insurance against that sort of thing?

Mr. MCCLINTIC. That is it exactly.

The CHAIRMAN. Because whenever any bank fails it affects some other bank?

Mr. MCCLINTIC. That is it exactly.

Mr. PHELAN. How many bank failures have you had there in the past year in State banks?

Mr. MCCLINTIC. I could not answer that question; not very many. We have had, possibly, about the same number as national banks; possibly a few more. But there is a section in the Oklahoma statutes which provides that "no person who has been convicted for a violation of the banking laws of this or any other State shall be permitted to engage in or become an officer or official in any bank organized in this State."

That section was put in the law in order to keep wildcat bankers who had failed in other States from coming to Oklahoma and engaging in the banking business. In other words, the guaranty law of my State has been greatly tightened up until we have done away with many of the risks we had to go up against in the eary days following statehood. A guaranty bank law in a new State has to run many more risks than in an old State, for the reason that the people are not acquainted with the different characters who seek to engage in this kind of business, and oftentimes men who should not be granted charters are placed in charge of institutions.

Mr. PHELAN. There is a possible objection to a bank guaranty system that I think is of more importance than any I have heard mentioned here yet. The average man today endeavors, perhaps not always successfully, when he deposits money in a bank, to put it in a bank which he feels is well managed. In other words, he intrusts his money to men in whom he has confidence. In the long run, public opinion will, I think, pick out the men who are superior, rather than the men who are inferior, to handle their money.

Mr. MCCLINTIC. I think that is true.

Mr. PHELAN. The better class of men, therefore, will be handling the banks that are doing the largest amount of business; and, since all industry and commerce depends on efficient management of the banks, it is extremely important that the institutions which grow and have more and more power and resources shall be managed by capable men. Now there is this objection—perhaps it is not fatal, but there is this objection—to bank guaranty of deposits, that when a guaranty system is evolved and put into execution, it takes away entirely from the depositor any caution as to where he deposits his money, because he feels secure in any bank, with the possible result that bank deposits will be made in banks through friendship, politics, or what not, and not on the judgment of the depositor—deposits will be made in banks managed by men of the type who ought not to manage banks.

That goes right to the essence of the whole banking system, and I think it is one reason why men who have been successful in the banking business, who can see something besides their own business, who can see the necessity for proper and efficient bank management to the whole community, to the whole country, object to a bank guaranty bank system.

Mr. MCCLINTIC. But I do not think the public should be penalized because national or State bank authorities allow someone to engage in that business who should not have been granted the privilege. Under our present system, when an application is made, it is referred to an inspector in that particular section; and he makes an exhaustive report as to the financial condition of the men, their character, and all other facts possible to be obtained as to their business capacity.

Mr. LUCE. In the cities, these banks are often transferred from their original owners to other owners.

Mr. MCCLINTIC. That is true, and that is the reason our present law provides that when an inspector finds any official connected with a bank who is not satisfactory, he has the right to remove that official and to place somebody else in charge who will be satisfactory to the Government. In other words, we have advanced from the old days up to the present time where we have adopted a sufficient amount of machinery to get the very best class of people in the banking business; and it is my hope, in the interest of humanity, in the interest of good Government, that some legislation like this can be put into law so as to take care of emergency conditions in the future.

Mr. PHELAN. I have noticed this about the advocates of a guaranty bank system—I have an open mind on the thing and I want to get the argument, but I have noticed this—that they center the whole attention on the depositor, as if the depositor were the important person to be looked after in the banking system. Now it is a question whether that is the important thing.

Mr. MCCLINTIC. I am very glad the gentleman raised that point——

Mr. PHELAN. For example, although many people in Boston have been held up, on money deposited in banks—and they were all State banks, keep that in mind; they were all State banks that have failed, that have closed their doors—that may be simply an individual inconvenience or it may go a little farther, it may inconvenience a man's business; but if a bank is put in a position where it has to stop making loans or it is put in a position where it is obliged to contract credits, it can do ever so much more damage to the country, or to a particular community—ever so much more damage—than can be done to the depositors who cannot get their money. In other words, when we are looking at the banking system, we want to keep in mind that the bank not only serves the depositor—and, so far as we can do, properly and equitably, should be made to consider him fairly—but the bank must also be in a position where it can properly take care of borrowers.

Mr. SCOTT. Where does the bank get the money to loan to the borrowers?

Mr. MCCLINTIC. That is what I was going to ask. The gentleman must take into consideration that the banking institution cannot operate unless it has the confidence of its depositors, and the bank must do business on the money furnished by the depositors.

Mr. SCOTT. It depends on the depositor for its working capital.

Mr. MCCLINTIC. Yes; and the only privilege he gets is the checking system and to borrow money in case he can furnish sufficient collateral or is rated high enough to obtain the confidence of those in charge of the bank.

I am glad you raised that point, because I have introduced a bill here which is not perfect and will probably need amending, and it is my hope we can have a hearing to strengthen the various features that should be strengthened in a law of this kind; and on the point you have raised there, we ought to strengthen the regulations which have to do with the question of policies of our banks, which probably ought to receive some attention.

Mr. PHELAN. Just to take an example—I do not mean to imply there is any connection between the two things, and yet there may be some—you have a State guaranty system in Oklahoma.

Mr. MCCLINTIC. Yes; and in Kansas and in Texas.

Mr. PHELAN. But in Oklahoma, I am talking about particularly. There was no State in the Union that was more severely criticized by the Comptroller of the Currency a few years ago than your State for what he deemed excessive interest rates charged by the banks down there.

Mr. MCCLINTIC. Yes, sir.

Mr. PHELAN. I do not know there is any connection between the two things, perhaps not, but it is conceivable, possible, and even probable, that your borrowers down in Oklahoma can lose a great deal more by excessive interest rates than your depositors would suffer by failure of the banks to pay their obligations to the depositors in case of failure. That is my point.

Mr. MCCLINTIC. I want to answer your point. Oklahoma, or a larger portion of it, was opened for settlement 18 years ago. It was possibly the newest country in the United States where there was a large rush of immigrants. When those people came into that country and settled in that country and in that community, those who engaged in the banking business knew very little about them, except that they came from some other section of the country. That being the case, the risk was greatly increased. I mean by that when a man was given a loan, they did not know anything about the moral part of the risk. And while he may have had a certain amount of collateral, the moral risk was not known; the banker did not know him in the same degree it could have known him in the older States. That being the case, the bankers felt it was necessary to increase the rates in order to take care of the percentage of losses because of that fact. As the time has rolled on and we have weeded out many of those who might be classed as undesirables, the interest rates have gone down until today they compare favorably with those in the older States.

Mr. PHELAN. Wasn't it decided to change them after the publicity given by the Comptroller?

Mr. MCCLINTIC. I could not say as to that part.

Mr. STEVENSON. Those were national banks anyhow he was criticising, not banks under the guaranty system at all.

Mr. MCCLINTIC. That is true; they were national banks. But that is the reason; it is because of the moral risk.

Mr. PHELAN. I said, in my question, there might be no connection between the two at all; but, of course, the State banks charge the same amount of interest.

Mr. MCCLINTIC. Approximately.

Mr. PHELAN. My point was that you can do greater damage to a community in other ways than by losses to the depositors.

Mr. MCCLINTIC. I cannot agree with you, because there is nothing on earth that will demoralize a community like a bank failure; and if you have lived in a small community where everything is

taken care of by one bank and that bank has failed, you can appreciate this particular fact.

Mr. PHELAN. But do not beg the question. This bill provides a means to relieve depositors in failed banks, whereby they can be taken care of.

Mr. MCCLINTIC. That is true.

Mr. PHELAN. If you can prove the adoption of this system will result in fewer failed banks, you are making some progress, but you have not contemplated that and your bill does not propose to do it; so that when you say the failure of a bank in a community is disastrous, we all agree to that; but you are not taking care of that; you are taking care of the depositor after the failure. If your system will result in fewer failed banks, it is a very strong factor.

Mr. STEVENSON. Let me make this suggestion: My experience with a failed bank is that it ties up everything. Here is a bank with $500,000 of deposits in a community. They shut their doors. It is absolutely certain it will be 12 months and probably 15 before a dollar is paid out to the depositors. That $500,000 is taken right out of the commercial life of the community and tied up, and the result is the manufacturer over here who has a large deposit, and the merchant over there who has a large deposit and who expected to pay his bills with it, he has got his money tied up, and the next thing you know the merchant has gone to the wall. And then the depositor begins to get suspicious and he says "Here is my neighbor tied up down in this bank; I am going to take my money out of this other bank."

That is what broke 4 of the 5 trust companies in Boston, the loss of confidence that comes after a failure like that Napoleonic crash of Ponzi's. And if you fix it so that whenever a bank closes its doors the commercial life goes on and the depositors can all have their money available and their business can go right along, then the other banks will have the money with which to finance the usual functions of banking in that community and it keeps business moving. And the whole thing turns on that proposition. That is my experience.

Mr. MCCLINTIC. Let me add this, and then I am through: In addition to what my friend, Mr. Stevenson, from South Carolina, has said, if this bill becomes a law, instead of tying up the capital of the bank that fails and causing runs on a great many other banking institutions, it will be possible simply to turn that bank over to or place it in the hands of some other person, or some other set of officers, and then the assets of the bank can be collected without having their value depreciated, and there will be no more excitement over that failed bank than there is over the change of the control in any other kind of a business institution. A little State bank went broke in my town, and I dare say there were not 25 people in the town who knew it. If we can protect our financial system without increasing the cost to any great extent by providing this kind of protection to those who furnish the working capital of a bank and, at the same time, strengthen the regulations relative to the officers and to the business plans of the bank, then it does seem to me that this committee would be willing to set a date ahead for a hearing and let everyone that wants to come before it and offer any kind of suggestions that they cared to, in order that a bill of this kind might be perfected. And that is the reason I have brought a bill here relating to this subject. I realize there are some amendments that ought to be offered. In fact, I have some here that I have thought of since introducing the bill that I wish to offer in case the bill is allowed to be perfected. My only interest in presenting this plan is that it will do something to create a more efficient plan of taking care of the business of the country and, at the same time, protect our people and all other kinds of industries and institutions in case there are bank failures in the future.

Mr. BROOKS. The best feature I see in this bill is that it may have the result of preventing runs on banks.

Mr. MCCLINTIC. Mr. Chairman, I am very grateful to you and the other members of this committee for the opportunity extended me to present my ideas in favor of this proposed legislation.

(Thereupon the committee adjourned until tomorrow, Friday, Jan. 21, at 10:30 o'clock a.m.)

Mr. McGUGIN. Mr. Chairman, I ask unanimous consent to modify the amendment which I offered by striking out the limitation of 5,000 population and inserting in lieu thereof 2,500.

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

Mr. SISSON. Mr. Chairman, I object.

Mr. GILCHRIST. I have just sent to the Speaker's desk an amendment of the same character as the amendment offered by the gentleman from Kansas [Mr. McGUGIN] which limits the provisions of section 309 to towns having a population of 3,000 or more. If the gentleman wishes to put it at 2,500, I would have withdrawn my amendment in favor of his; but on account of the objection made, I will not do that now.

I wish to say to the Membership of this House that it is not an evil to have officers or employees of banks in small towns perform this kind of insurance work. It has always been done. There are no adequate facilities in most cases in small villages of 1,000 or 1,200 or 1,500 population to do this kind of work. If this section is put into this bill, then the people who live in those smaller villages will have to go away to the larger cities in order to perform the business that they should do at home, and in order to have their insurances written. That in itself would be an evil. This work should not be prohibited here. This kind of legitimate work should be allowed to go on in small towns and villages. I agree thoroughly with the gentleman from Kansas [Mr. McGUGIN], and I hope the Membership of this House will not write into this bill, which we want to support, a provision which will drive away from it the good will of every man who lives in the smaller places. I venture the hope that the amendment offered by the gentleman from Kansas, or else my amendment, may be incorporated in this section. I know what I am talking about. I live in a little village of only 1,200 people. In my county there is not a town exceeding 1,500 population. We look to the men in the banks to write our insurance. It is nothing that should be prohibited. In many cases it is the only way we can get our insurance taken care of.

Mr. McGUGIN. Mr. Chairman, I ask unanimous consent to withdraw my amendment, and that will give right of way to the amendment offered by the gentleman from Iowa [Mr. GILCHRIST].

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas [Mr. McGUGIN]?

There was no objection.

Mr. GILCHRIST. I say again that I know how the business is being conducted in the small villages of this country. I hope you will vote for my amendment.

The CHAIRMAN. The gentleman from Iowa [Mr. GILCHRIST] offers an amendment, which the Clerk will report.

Mr. KVALE. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. KVALE. Is not the amendment offered by the gentleman from Iowa now pending?

The CHAIRMAN. The amendment is pending. The Clerk is about to report it.

The Clerk read as follows:

Amendment offered by Mr. GILCHRIST: On page 75, line 20, add the following: "This section shall not apply to banks operating in towns of less than 3,000 inhabitants."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa [Mr. GILCHRIST].

The question was taken; and on a division (demanded by Mr. GILCHRIST) there were ayes 76 and noes 112.

So the amendment was rejected.

Mr. SISSON. Mr. Chairman, I offer an amendment, which I have sent to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. SISSON: Page 75, line 9, strike out the letter "A" and insert in lieu thereof the following: "After 1 year from the date of the enactment of the Banking Act of 1933, no."

Mr. SISSON. Mr. Chairman, I submit the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. SISSON].

The amendment was rejected.

Mr. SISSON. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. SISSON: Page 75, line 15, after the word "selling", strike out the word "any"; and in line 16 strike out the words "form of"; and in line 16, after the word "insurance", change the period to a semicolon and add the following language: "but this section shall not apply when the insurance so written is insurance on the life of a borrower in connection with a loan and when the said life insurance is for the protection of a bank and/or the endorsers or comakers for said borrower."

Mr. SISSON. Mr. Chairman, I will take just a minute to explain the purpose of this. This applies to Morris Plan banks. I am going to assume that every Member of the House knows what a Morris Plan bank is, and knows that it is a means whereby the poor man or poor woman in a community may obtain a loan without paying an excessive rate of interest, without going to the note shaver, if you please. The limit of the loan is usually $200. The loan is supposed to be made upon the moral character of the bor-

rower and the fact that he has two comakers on the note with him.

The Morris Plan bank when it makes this loan advises or requests him to take out an insurance policy in a company which is a company of their organization to the extent of the loan, namely, $100 or $200, for the protection of the bank and of the comakers. This provision in this law would prevent them from doing that.

Mr. STEAGALL. Mr. Chairman, I will say the committee has no objection to the amendment.

I now move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. SISSON].

The amendment was rejected.

Mr. MARTIN of Colorado. Mr. Chairman, I move that section 309 be stricken from the bill.

The Clerk read as follows:

Amendment offered by Mr. MARTIN of Colorado: On page 75, beginning with line 9, strike out section 309.

The CHAIRMAN. The question is on the amendment of the gentleman from Colorado.

The amendment was rejected.

The Clerk read as follows:

SEC. 311. The foregoing provisions of this title shall take effect at such time as the President, by proclamation, declares that such surveys have been made as he finds necessary for the proper execution of such provisions, but in no event shall such provisions take effect later than 1 year after the enactment of this act.

Mr. BROWN of Kentucky. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Kentucky: Page 76, line 3, after the word "effect", strike out the balance of the section and insert the following: "until the examinations provided in section 302-a of all State banks applying within 30 days from the enactment of this act have been completed and said applications approved or rejected."

Mr. BROWN of Kentucky. Mr. Chairman, this is the last opportunity the Members will have to express their views on this point. I want to make it clear to the Members that this is the last opportunity they will have to take care of their State banks.

When this bill becomes a law your national banks, your Reserve members, are immediately protected. The State banks have absolutely no protection until after they have been examined. This amendment provides that this act shall not take effect until after the examinations of the State banks have been completed.

A moment ago the Chairman of the Committee on Banking and Currency objected to a certain amendment offered by the gentleman from Michigan on the ground that if certain provisions of the bill were made effective immediately, there would be no opportunity of making these examinations.

I want to put an absolute safeguard in this bill so that the State banks will not be put under a handicap. In my town we have seven banks. Two of them are national banks. Put this law into effect and next Sunday's paper will carry the ad: "Our banks guaranteed by the Government. The other five are not."

What would you do if you had a deposit in the other banks? You would get your money and take it across the street to the bank that had the guaranty.

Now, this will work no hardship to the bill. The law will be just as effective.

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

Mr. BROWN of Kentucky. I yield.

Mr. DONDERO. I am in sympathy with the gentleman's endeavor; but does not the gentleman think there should be a time limit within which the examinations of the State banks should be completed?

Mr. BROWN of Kentucky. I take it those who administer this law will complete the examination just as quickly as they can, but I have written into this amendment that all State banks which want protection must come in within 30 days. I take it those who are administering the law will complete the examinations just as speedily as possible.

Now, as I said, this is the last opportunity you are going to have to take care of your State banks. You cannot say that you left it to the President, because the President is not going to administer this act; and once it goes into effect with no provision whatever taking care of State banks, what are you going to say when you meet your State banker and he asks you: "What did you do to take care of the stockholders and depositors in our State banks?" Are you going to say you relied on the President? They sent you here to safeguard their interests. This is the last opportunity you will have to take care of the State banks. [Applause.]

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kentucky.

The question was taken; and on a division (demanded by Mr. BROWN of Kentucky) there were—ayes 116, noes 43.

So the amendment was agreed to.

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

The Clerk read as follows:

Amendment offered by Mr. WEIDEMAN: On page 76, in line 3, strike out the words "1 year" and insert in lieu thereof the words "6 months."

Mr. GOSS. Mr. Chairman, I make the point of order that the House has already passed on this matter.

The CHAIRMAN. The Chair may say to the gentleman from Michigan that the substance of his amendment has already been acted upon.

Mr. WEIDEMAN. I am inclined to agree that it has. May I be heard on the point of order, Mr. Chairman?

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

Mr. WEIDEMAN. I wish the attention of the Chairman of the Committee on Banking and Currency. He moved to close debate. He ought to hear this.

The section in the present bill makes the guarantee of bank deposits effective not later than 1 year after the passage of the bill. I believe that the people want their bank deposits guaranteed now and that the 1-year period should be changed to 6 months in order to make this bill operate sooner.

The CHAIRMAN. The point of order is sustained.

The CHAIRMAN. The gentleman from Illinois [Mr. DOBBINS] has an amendment, which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. DOBBINS: On page 76, after line 4, after the word "act", change the period to a colon and add the following: "*Provided*, That the provisions of this title, for the insurance of deposits in banks, shall become effective simultaneously in all banks then qualified therefor, but not until the Corporation shall have finally approved or rejected all applications from nonmember banks for participation in the plan of insurance, filed with the Corporation within 30 days after the enactment of this act, nor until final action shall have been taken upon all applications from nonmember banks for admission to the Federal Reserve System, regularly filed prior to the expiration of the said 30-day period."

Mr. DOBBINS. Mr. Chairman, my amendment is covered very thoroughly by the amendment of the gentleman from Kentucky [Mr. BROWN], and I ask unanimous consent to withdraw it.

The CHAIRMAN. Is there objection?

There was no objection.

The Clerk read as follows:

SEC. 312. The right to alter, amend, or repeal this act is hereby expressly reserved. If any provision of this act, or the application thereof to any person or circumstances, is held invalid, the remainder of the act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

Mr. KVALE. Mr. Chairman, I ask unanimous consent to return to section 21 for the purpose of offering an amendment.

Mr. STEAGALL. Mr. Chairman, there will be no objection if the gentleman will submit his amendment for a vote on the particular amendment and let that be the end of it. Is this satisfactory to the gentleman?

Mr. KVALE. Will the gentleman allow me 1 minute?

Mr. STEAGALL. Is this satisfactory to the gentleman?

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

Mr. HUDDLESTON. Mr. Chairman, I object.

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

Mr. Chairman, for the life of me I cannot understand how any Member of this House can take upon himself the responsibility of objecting to a request which is the result of an agreement that has been entered into, after debate, and as a result of an understanding and agreement with members of the committee.

Mr. HUDDLESTON. Mr. Chairman, I make the point of order the gentleman is not confining his remarks to the subject of his motion.

Mr. KVALE. The gentleman is quite correct, and if he wants to shut me off in that way he can do so.

Mr. HUDDLESTON. I would be willing for the gentleman to offer his amendment without debate. I would not have objected had the request been to return to this portion of the bill merely to offer the amendment.

Mr. KVALE. That is all I ask to do.

Mr. HUDDLESTON. The gentleman asked for time.

Mr. KVALE. I said I would not insist on any time.

Mr. HUDDLESTON. The gentleman insisted on having a minute, and we cannot grant time to one without granting it to all.

Mr. STEAGALL. I suggest the Chair again submit the request.

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

Mr. HUDDLESTON. Mr. Chairman, reserving the right to object, if the gentleman merely wishes to offer an amendment I shall not object, but I shall object to any debate.

Mr. KVALE. I shall gladly accede to that.

Mr. HUDDLESTON. If the request is that we return merely for the purpose of offering the gentleman's amendment and if it is to be offered without debate, I shall not object.

Mr. KVALE. I so request, Mr. Chairman.

Mr. HUDDLESTON. I object unless the request is put in that form.

Mr. KVALE. I agree to that form.

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

There was no objection.

The CHAIRMAN. The gentleman from Minnesota offers an amendment which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. KVALE: Page 28, line 25, after the words "not less than", strike out "$2,000" and insert in lieu thereof the following: "$2,500, unless the capital of the bank shall not exceed $50,000, in which case he must own in his own right shares having a par value in the aggregate of not less than $1,500, unless the capital of the bank shall not exceed $25,000, in which case he must own in his own right shares having a par value in the aggregate of not less than $750."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The question was taken; and on a division (demanded by Mr. KVALE) there were—ayes 136, noes 5.

So the amendment was agreed to.

Mr. LEWIS of Maryland. Mr. Chairman, I ask unanimous consent to return to section 4, page 6, line 1, for the sole purpose of offering an amendment, without debate, which I send to the Clerk's desk.

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

Mr. DE PRIEST. I object.

The CHAIRMAN. Under the rule the Committee automatically rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CANNON of Missouri, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, under the provisions of the resolution he reported the same back to the House with the amendments adopted by the Committee.

The SPEAKER. Under the rule the previous question is ordered. Is a separate vote demanded on any amendment? If not, the Chair will put them in gross.

The amendments were agreed to.

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

Mr. ZIONCHECK. Mr. Speaker, I offer the following motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. ZIONCHECK. I am.

The SPEAKER. Is any member of the committee opposed to the bill? If there is no member opposed to the bill who wishes to make a motion to recommit, the Clerk will report the motion of the gentleman from Michigan.

The Clerk read as follows:

Mr. ZIONCHECK moves to recommit the bill to the Committee on Banking and Currency with instructions to report the same back forthwith, amended as follows:

"On page 31, after line 4, insert a new section, as follows:

"'SEC. 25. Paragraph 1 of section 16 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 248), is hereby amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "*Provided*, That no such officer or employee shall receive a salary in excess of $10,000 per annum and in no case shall any such officer or employee receive a salary at a rate in excess of the rate of salary paid for like or similar positions which are subject to the provisions of the Classification Act of 1923, as amended, and to the Civil Service laws and regulations.'"

"And on page 57, line 2, before the period, insert the following: "'*Provided*, That no such officer or employee shall receive a salary in excess of $10,000 per annum, and in no case shall any such officer or employee receive a salary at a rate in excess of the rate of salary paid for like or similar positions which are subject to the provisions of the Classification Act of 1923, as amended, and to the Civil Service laws and regulations.'"

Mr. LUCE. Mr. Speaker, I make the point of order that neither of the provisions of the motion to recommit are germane to any provision of the bill.

The SPEAKER. That has already been passed upon in Committee of the Whole and was held to be germane.

IMPEACHMENT CHARGES

Mr. McFADDEN. Mr. Speaker, I rise to a question of constitutional privilege. On my own responsibility as a Member of the House of Representatives, I impeach Eugene Meyer, former member of the Federal Reserve Board; Roy A. Young, former member of the Federal Reserve Board; Edmund Platt, former member of the Federal Reserve Board; Eugene R. Black, member of the Federal Reserve Board and officer of the Federal Reserve Bank of Atlanta; Adolph Caspar Miller, member of the Federal Reserve Board; Charles S. Hamlin, member of the Federal Reserve Board; George R. James, member of the Federal Reserve Board; Andrew W. Mellon, former Secretary of the United States Treasury and former ex-officio member of the Federal Reserve Board; Ogden L. Mills, former Secretary of the United States Treasury and former ex-officio member of the Federal Reserve Board; William H. Woodin, Secretary of the United States Treasury and ex-officio member of the Federal Reserve Board; John W. Pole, former Comptroller of the Currency and former ex-officio member of the Federal Reserve Board; J. F. T. O'Connor, Comptroller of the Currency and ex-officio member of the Federal Reserve Board; F. H. Curtiss, Federal Reserve agent of the Federal Reserve Bank of Boston; J. H. Case, Federal Reserve agent of the Federal Reserve Bank of New York; R. L. Austin, Federal Reserve agent of the Federal Reserve Bank of Philadelphia; George De Camp, former Federal Reserve agent of the Federal Reserve Bank of Cleveland; L. B. Williams, Federal Reserve

agent of the Federal Reserve Bank of Cleveland; W. W. Hoxton, Federal Reserve agent of the Federal Reserve Bank of Richmond; Oscar Newton, Federal Reserve agent of the Federal Reserve Bank of Atlanta; E. M. Stevens, Federal Reserve agent of the Federal Reserve Bank of Chicago; J. S. Wood, Federal Reserve agent of the Federal Reserve Bank of St. Louis; J. N. Peyton, Federal Reserve agent of the Federal Reserve Bank of Minneapolis; M. L. McClure, Federal Reserve agent of the Federal Reserve Bank of Kansas City; C. C. Walsh, Federal Reserve agent of the Federal Reserve Bank of Dallas; Isaac B. Newton, Federal Reserve agent of the Federal Reserve Bank of San Francisco, jointly and severally, of high crimes and misdemeanors, and offer the following resolution:

Whereas I charge the aforesaid Eugene Meyer, Roy A. Young, Edmund Platt, Eugene R. Black, Adolph Caspar Miller, Charles S. Hamlin, George R. James, Andrew W. Mellon, Ogden L. Mills, William H. Woodin, John W. Pole, J. F. T. O'Connor, members of the Federal Reserve Board; F. H. Curtiss, J. H. Case, R. L. Austin, George De Camp, L. B. Williams, W. W. Hoxton, Oscar Newton, E. M. Stevens, J. S. Wood, J. N. Peyton, M. L. McClure, C. C Walsh, Isaac B. Newton, Federal Reserve agents, jointly and severally, with violations of the Constitution and laws of the United States, and whereas I charge them with having taken funds from the United States Treasury which were not appropriated by the Congress of the United States, and I charge them with having unlawfully taken over $80,000,000,000 from the United States Government in the year 1928, the said unlawful taking consisting of the unlawful creation of claims against the United States Treasury to the extent of over $80,000,000,000 in the year 1928, and I charge them with similar thefts committed in 1929, 1930, 1931, 1932, and 1933, and in years previous to 1928, amounting to billions of dollars; and

Whereas I charge them, jointly and severally, with having unlawfully created claims against the United States Treasury by unlawfully placing United States Government credit in specific amounts to the credit of foreign governments and foreign central banks of issue; private interests and commercial and private banks of the United States and foreign countries, and branches of foreign banks doing business in the United States, to the extent of billions of dollars; and with having made unlawful contracts in the name of the United States Government and the United States Treasury; and with having made false entries on books of account; and

Whereas I charge them, jointly and severally, with having taken Federal Reserve notes from the United States Treasury and with having issued Federal Reserve notes and with having put Federal Reserve notes into circulation without obeying the mandatory provision of the Federal Reserve Act which requires the Federal Reserve Board to fix an interest rate on all issues of Federal Reserve notes supplied to Federal Reserve banks, the interest resulting therefrom to be paid by the Federal Reserve banks to the Government of the United States for the use of the said Federal Reserve notes, and I charge them with having defrauded the United States Government and the people of the United States of billions of dollars by the commission of this crime; and

Whereas I charge them, jointly and severally, with having purchased United States Government securities with United States Government credit unlawfully taken and with having sold the said United States Government securities back to the people of the United States for gold or gold values and with having again purchased United States Government securities with United States Government credit unlawfully taken and with having again sold the said United States Government securities back to the people of the United States for gold or gold values, and I charge them with having defrauded the United States Government and the people of the United States by this rotary process; and

Whereas I charge them, jointly and severally, with having unlawfully negotiated United States Government securities, upon which the Government's liability was extinguished, as collateral security for Federal Reserve notes and with having substituted such securities for gold which was being held as collateral security for Federal Reserve notes, and with having by this process defrauded the United States Government and the people of the United States, and I charge them with the theft of all the gold and Federal Reserve currency they obtained by this process; and

Whereas I charge them, jointly and severally, with having unlawfully issued Federal Reserve currency on false, worthless, and fictitious acceptances and other circulating evidences of debt, and with having made unlawful advancements of Federal Reserve currency, and with having unlawfully permitted renewals of acceptances and renewals of other circulating evidences of debt, and with having permitted acceptance bankers and discount dealer corporations and other private bankers to violate the banking laws of the United States; and

Whereas I charge them, jointly and severally, with having conspired to have evidences of debt to the extent of over $1,000,000,000 artificially created at the end of February 1933 and early in March 1933, and with having made unlawful issues and advancements of Federal Reserve currency on the security of the said artificially created evidences of debt for a sinister purpose, and with having assisted in the execution of the said sinister purpose; and

Whereas I charge them, jointly and severally, with having brought about a repudiation of the currency obligations of the Federal Reserve banks to the people of the United States, and with having conspired to obtain a release for the Federal Reserve Board and the Federal Reserve banks from their contractual liability to redeem all Federal Reserve currency in gold or lawful money at any Federal Reserve bank, and with having defrauded the holders of Federal Reserve currency, and with having conspired to have the debts and losses of the Federal Reserve Board and the Federal Reserve banks unlawfully transferred to the Government and the people of the United States; and

Whereas I charge them, jointly and severally, with having unlawfully substituted Federal Reserve currency and other irredeemable paper currency for gold in the hands of the people after the decision to repudiate the Federal Reserve currency and the national currency was made known to them, and with having thus obtained money under false pretenses; and

Whereas I charge them, jointly and severally, with having brought about a repudiation of the national currency of the United States in order that the gold value of the said currency might be given to private interests, foreign governments, foreign central banks of issue, and the Bank for International Settlements, and the people of the United States be left without gold or lawful money and with no currency other than a paper currency irredeemable in gold, and I charge them with having done this for the benefit of private interests, foreign governments, foreign central banks of issue, and the Bank for International Settlements; and

Whereas I charge them, jointly and severally, with conniving with the Edge law banks and other Edge law institutions, accepting banks, and discount corporations, unlawfully to finance foreign governments, foreign central banks of issue, foreign commercial banks, foreign corporations, and foreign individuals with funds unlawfully taken from the United States Treasury; and I charge them with having unlawfully permitted and made possible "mass financing" of foreigners at the expense of the United States Treasury to the extent of billions of dollars and with having unlawfully permitted and made possible the bringing into the United States of immense quantities of foreign securities, created in foreign countries for export to the United States, and with having unlawfully permitted the said foreign securities to be imported into the United States instead of gold, which was lawfully due to the United States on trade balances and otherwise, and with having unlawfully permitted and facilitated the sale of the said foreign securities in the United States in a manner prejudicial to the public welfare and inimical to the Government of the United States; and

Whereas I charge them, jointly and severally, with having unlawfully made loans of gold and of gold values belonging to the bank depositors and the general public of the United States to foreign governments, foreign central banks of issue, foreign commercial banks, foreign corporations, and individuals, and the Bank for International Settlements, to the loss and detriment of the Government and the people of the United States; and

Whereas I charge them, jointly and severally, with having unlawfully exported gold reserves belonging to the national bank depositors and gold belonging to the general public of the United States to foreign countries, and with having converted the said gold into foreign currencies, and with having used it for the benefit of foreigners, and for speculative purposes abroad, and with having unlawfully converted to their own use and the use of others gold belonging to the United States stored or held in foreign countries, and with having unlawfully prevented the shipment to the United States of the said gold which was due to the United States, and with having permitted the importation under their supervision of false, worthless, and fictitious trade paper and foreign securities of doubtful value in lieu of it, and with having caused the United States to lose the said gold; and

Whereas I charge them, jointly and severally, with having unlawfully exported United States coins and currency for a sinister purpose, and with having deprived the people of the United States of their lawful circulating medium of exchange, and I charge them with having arbitrarily and unlawfully reduced the amount of money and currency in circulation in the United States to the lowest rate per capita in the history of the Government, so that the great mass of the people have been left without a sufficient medium of exchange, and I charge them with concealment and evasion in refusing to make known the amount of United States money in coins and paper currency exported abroad and the amount remaining in the United States, as a result of which refusal the Congress of the United States is unable to ascertain where the United States coins and issues of currency are at the present time and what amount of United States currency is now held abroad; and

Whereas I charge them, jointly and severally, with having arbitrarily and unlawfully raised and lowered the rates on money and with having arbitrarily increased and diminished the volume of currency in circulation for the benefit of private interests and foreign speculators at the expense of the Government and the people of the United States and with having unlawfully manipulated money rates, wages, salaries, and property values, both real and personal, in the United States, by unlawful operations in the open discount market and by resale and repurchase agreements unsanctioned by law; and

Whereas I charge them, jointly and severally, with having brought about the decline in prices on the New York Stock Exchange and other exchanges in October 1929 by unlawful manipulation of money rates and volume of United States money and currency in circulation; by thefts of funds from the United States Treasury; by gambling in acceptances and United States Govern-

ment securities; by services rendered to foreign and domestic speculators and politicians, and by the unlawful sale of United States gold reserves, and whereas I charge that the unconstitutional inflation law imbedded in the so-called "Farm Relief Act" by which the Federal Reserve Board and the Federal Reserve banks are given permission to buy United States Government securities to the extent of $3,000,000,000 and to draw forth currency from the people's Treasury to the extent of $3,000,000,000 is likely to result by connivance on the part of the said accused with others in the purchase by the Federal Reserve banks of United States Government securities to the extent of $3,000,000,000 with the United States Government's own credit unlawfully taken, it being obvious that the Federal Reserve Board and the Federal Reserve banks do not intend to pay anything of value to the United States Government for the said United States Government securities—no provision for payment in gold or lawful money appearing in the so-called "Farm Relief Act"—and that the United States Government will thus be placed in the position of conferring a gift of $3,000,000,000 in United States Government securities on the Federal Reserve Board and the Federal Reserve banks to enable them to pay more of their bad debts to foreign governments, foreign central banks of issue, private interests, and private and commercial banks, both foreign and domestic, and the Bank for International Settlements, and whereas the United States Government will thus go into debt to the extent of $3,000,000,000 and will then have an additional claim for $3,000,000,000 in currency unlawfully created against it and whereas no private interests should be permitted to buy United States Government securities with the Government's own credit unlawfully taken and whereas currency should not be issued for the benefit of the said private interests or any interests on United States Government securities so acquired, and whereas it has been publicly stated and not denied that the inflation amendment to the Farm Relief Act is the matter of benefit which was secured by Ramsay MacDonald, the Prime Minister of Great Britain, upon the occasion of his latest visit to the White House and the United States Treasury, and whereas there is grave danger that the accused will employ the provision creating United States Government securities to the extent of $3,000,000,000 and $3,000,000,000 in currency to be issuable thereupon for the benefit of themselves and their foreign principals, and that they will convert the currency so obtained to the uses of Great Britain by secret arrangements with the Bank of England of which they are the agents, and for which they maintain an account and perform services at the expense of the United States Treasury, and that they will likewise confer benefits upon the Bank for International Settlements for which they maintain an account and perform services at the expense of the United States Treasury; and

Whereas I charge them, jointly and severally, with having unlawfully concealed the insolvency of the Federal Reserve Board and the Federal Reserve banks and with having failed to report the insolvency of the Federal Reserve banks to the Congress and with having conspired to have the said insolvent institutions continue in operation, and with having permitted the said insolvent institutions to receive United States Government funds and other deposits, and with having permitted them to exercise control over the gold reserves of the United States and with having permitted them to transfer upward of $100,000,000,000 of their debts and losses to the general public and the Government of the United States, and with having permitted foreign debts of the Federal Reserve banks to be paid with the property, the savings, the wages, and the salaries of the people of the United States, and with the farms and homes of the American people, and whereas I charge them with forcing the bad debts of the Federal Reserve banks upon the general public covertly and dishonestly and with taking the general wealth and savings of the people of the United States under false pretenses, to pay the debts of the Federal Reserve banks to foreigners, and

Whereas I charge them, jointly and severally, with violations of the Federal Reserve Act and other laws; with maladministration of the Federal Reserve Act; and with evasions of Federal Reserve law and other laws, and with having unlawfully failed to report violations of law on the part of Federal Reserve banks which, if known, would have caused the said Federal Reserve banks to lose their charters, and

Whereas I charge them, jointly and severally, with failure to protect and maintain the gold reserves and the gold stock and gold coinage of the United States and with having sold the gold reserves of the United States to foreign governments, foreign central banks of issue, foreign commercial and private banks, and other foreign institutions and individuals at a profit to themselves, and I charge them with having sold gold reserves of the United States so that between 1924 and 1928 the United States gained no gold on net account, but suffered a decline in its percentage of central gold reserves from 45.9 percent in 1924 to 37.5 percent in 1928 notwithstanding the fact that the United States had a favorable balance of trade throughout that period; and

Whereas the United States was the only country which lost a considerable quantity of gold during that period, to wit, 1924 to 1928, inclusive, I charge them with the theft and sale of the said gold to their foreign principals, and I charge them with the theft and sale of 10 percent of the entire gold stock of the United States during the last 4 months of 1927 and during 1928 after crediting all importations of gold received by the United States during that period, this theft and sale of 10 percent of the gold stock of the United States occasioning the largest gold outflow from the United States that had ever theretofore occurred, and I charge them with the theft and sale of all the gold reserves exported from the United States from the year 1928 to the present time, a period during which the United States has lost gold continuously and has gained no gold on net account, notwithstanding the fact that the balance of trade and accounts throughout the entire period has been in favor of the United States; and

Whereas the United States has received no gold on net account since 1923, a period of 10 years during which the United States has had a favorable balance of trade and has had large sums due to it and payable in gold from foreign nations and has not received such sums in gold, I charge them, the said accused, with the theft of gold which was lawfully due to the United States, with the theft of gold belonging to the United States, and with the unlawful diversion of United States gold to the treasuries and central banks of foreign countries, and I charge them with concealment of the true condition and amount of the gold reserves of the United States at the present time; and

Whereas I charge them, jointly and severally, with having conspired to concentrate United States Government securities and thus the national debt of the United States in the hands of foreigners and international money lenders and with having conspired to transfer to foreigners and international money lenders title to and control of the financial resources of the United States; and

Whereas I charge them, jointly and severally, with having fictitiously paid installments on the national debt with Government credit unlawfully taken; and

Whereas I charge them, jointly and severally, with the loss of United States Government funds intrusted to their care; and

Whereas I charge them, jointly and severally, with having destroyed independent banks in the United States and with having thereby caused losses amounting to billions of dollars to the depositors of the said banks and to the general public of the United States; and

Whereas I charge them, jointly and severally, with failure to furnish true reports of the business operations and the condition of the Federal Reserve banks to the Congress and the people, and with having furnished false and misleading reports to the Congress of the United States; and

Whereas I charge them, jointly and severally, with having published false and misleading propaganda intended to deceive the American people and to cause the United States to lose its independence; and

Whereas I charge them, jointly and severally, with unlawfully allowing Great Britain to share in the profits of the Federal Reserve System at the expense of the Government and the people of the United States; and

Whereas I charge them, jointly and severally, with having entered into secret agreements and illegal transactions with Montagu Norman, governor of the Bank of England; and

Whereas I charge them, jointly and severally, with swindling the United States Treasury and the people of the United States in pretending to have received payment from Great Britain of the amount due on the British war debt to the United States in December 1932; and

Whereas I charge them, jointly and severally, with having conspired with their foreign principals and others to defraud the United States Government and to prevent the people of the United States from receiving payment of the war debts due to the United States from foreign nations; and

Whereas I charge them, jointly and severally, with having robbed the United States Government and the people of the United States by their theft and sale of the gold reserve of the United States and other unlawful transactions, and with having created a deficit in the United States Treasury which has necessitated to a large extent the destruction of our national defense and the reduction of the United States Army and the United States Navy and other branches of the national defense; and

Whereas I charge them, jointly and severally, with having reduced the United States from a first-class power to one that is dependent, and with having reduced the United States from a rich and powerful Nation to one that is internationally poor; and

Whereas I charge them, jointly and severally, with the crime of having treasonably conspired and acted against the peace and security of the United States, and with having treasonably conspired to destroy constitutional government in the United States: Therefore be it

Resolved, That the Committee on the Judiciary is authorized and directed, as a whole or by subcommittee, to investigate the official conduct of Eugene Meyer, Roy A. Young, Edmund Platt, Eugene R. Black, Adolph Caspar Miller, Charles S. Hamlin, George R. James, Andrew W. Mellon, Ogden L. Mills, William H. Woodin, John W. Pole, J. F. T. O'Connor, members of the Federal Reserve Board; and F. H. Curtiss, J. H. Case, R. L. Austin, George De Camp, L. B. Williams, W. W. Hoxton, Oscar Newton, E. M. Stevens, J. S. Wood, J. N. Payton, M. L. McClure, C. C. Walsh, Isaac B. Newton, Federal Reserve agents, to determine whether, in the opinion of the said committee, they have been guilty of any high crime or misdemeanor which, in the contemplation of the Constitution, requires the interposition of the constitutional powers of the House. Such committee shall report its findings to the House, together with such resolution or resolutions of impeachment or other recommendations as it deems proper.

For the purposes of this resolution the committee is authorized to sit and act during the present Congress at such times and places in the District of Columbia or elsewhere, whether or not the House is sitting, has recessed, or has adjourned, to hold such clerical, stenographic, and other assistants, to require the attendance of

such witnesses and the production of such books, papers, and documents, to take such testimony, to have such printing and binding done, and to make such expenditures as it deems necessary.

During the reading of the above the following occurred:

Mr. MAPES. Mr. Speaker, a point of order. I wish to submit the question to the Speaker as to whether or not a person who is not now in office is subject to impeachment? This resolution of the gentleman from Pennsylvania refers to several people who are no longer holding any public office. They are not now at least civil officers. The Constitution provides that the "President, Vice President, and all civil officers shall be removed from office on impeachment", and so forth. I have had no opportunity to examine the precedents since this matter came up, but it occurs to me that the resolution takes in too much territory to make it privileged.

The SPEAKER. That is a constitutional question which the Chair cannot pass upon, but should be passed upon by the House.

Mr. BYRNS. Mr. Speaker, I move that the resolution and charge be referred to the Committee on the Judiciary.

The motion was agreed to.

REGULATION OF BANKS

The SPEAKER. The question is on the motion to recommit the bill (H.R. 5661).

The motion was rejected.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 262, noes 19.

So the bill was passed.

A motion to reconsider the vote by which the bill was passed was laid on the table.

GUARANTY OF BANK DEPOSITS

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

Mr. SPEAKER. Is there objection?

There was no objection.

Mr. DONDERO. Mr. Speaker, coming from a section of the land where bank failures and the closing of banks, State and national, have caused untold distress and hardship, I arise to speak in favor of the pending bill, H.R. 5661, with more than ordinary interest.

Living in a township in which 80,000 people reside, where every one of its seven banks closed its doors, and this within the metropolitan area of Detroit, I yield to no person the right to claim greater knowledge of the misery and deprivation to which such a situation can subject a people.

Only once before in the history of the Nation, namely in 1837, did a like situation occur in this country when all the banks of the land practically closed at one time. That was known as the "wildcat period" of our national existence. Then every bank issued its own money. The country had launched itself upon a program of expansion and the construction of internal improvements, such as canals and railroads. It was a boom time, a period of great inflation, and in its train came conditions not unlike the present.

The present economic period, caused by inflation, abnormal prices, and, also, by abnormal growth in the large populated centers of the country, has again left our people in the slough of despair and misery. Their life's earnings and savings have been swept away and have vanished like mist before the rising sun. Thousands of banks in the country have closed, not because all bankers have been dishonest or have overreached, but because of the unparalleled depreciation of the securities in which the banks have invested their money. But regardless of how or what the cause has been that has closed the banks, the result is exactly the same, viz, that the people of the country have lost all faith and confidence in our banks and in our banking system and institutions.

In addition to the enormous sums of money lost, there has also been an enormous sum of money which has gone into hiding, and I am informed that the amount is nearly $2,000,000,000, which has been withdrawn from the channels of trade and of commerce. It has been secreted in the button box, the family clock, the secret drawer, and the safety-deposit box. That money is going to remain there until this Congress passes some form of legislation to guarantee or insure to the people the safety of their hard-earned money.

The bill before the House may not be a perfect bill in its entirety, but it does contain the principle which the country is demanding, namely, that the deposits from now on in banks, whether national or State, shall be guaranteed and secured to the people. That principle has my complete and hearty endorsement. The temper and feeling of the people, in which their loss of confidence is reflected, is borne out by the fact that the Postal Savings deposits in the United States have increased more than 100 percent in the last 12 months, and today I have been informed by the Post Office Department that the amount of money now on deposit in the Postal Savings Department of the Government amounts to $1,157,651,000, bearing interest at 2 percent. There is only one answer to this tremendous increase in the deposits of the Postal Savings Department and that is that the people still have faith and confidence in the Government of the United States. It is one bank in the country that has never closed, and the depositors know they can have their money upon demand.

Let us support this bill and guarantee to all the people the same security of their deposits in banks that the people now have in the Postal Savings of the Nation. It will do much to restore the faith and confidence of the people, not only in the financial institutions and the banking system of the country but it will restore faith and hope in the people.

Idle dollars make idle men. Encourage hidden wealth to march out of its hiding places into the proper channels of commerce and industry and the wheels of business will begin to turn again. Money will be more plentiful; credit will be reestablished; funds will be available for legitimate enterprises, and upon the whole the country will be greatly benefited, and we will do much toward restoring prosperity to our people by this constructive piece of legislation. I hope the bill will pass and be enacted into law at the earliest possible date.

REORGANIZATION OF GOVERNMENT BUREAUS

Mr. BOLTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. BOLTON. Mr. Speaker, there has been so much discussion of the possibility of transferring work now done by the Corps of Engineers, United States Army, to other bureaus or departments that I believe it is the logical time to point out some of the reasons why such a transfer should not be put into effect. For perhaps 20 years there has been agitation for the consolidation of public-works activities of the Government and there is always coupled with this the suggestion that the civil duties of the Engineer Corps be taken over by some other bureau or a department of public works. This proposal was renewed in the presidential message of December 9, 1932, recommending consolidation of various governmental agencies. Broad authority has been given to the President with a view to reorganization of the Federal Government.

My purpose is to present some of the facts and considerations which should be cited in opposition to this transfer. First, however, it is useful to examine the reasons advanced by groups of civilian engineers and others who have appeared at congressional hearings in favor of this transfer. These arguments are without exception speculative generalities without statistical foundation. They fall into four general groups; namely, that (1) such a transfer would result in economy; (2) that it would bring greater efficiency; (3) that it is unfair to civilian engineers to have the work performed by the military branch of the Government; and (4) that the Engineer Corps would be benefited by the proposed transfer and national defense better served.

A. It is asserted that such a transfer would produce substantial economies in public-works expenditures, probably

from 15 to 25 percent—no particulars given. The statements generally made in support of this assertion are:

First. By consolidating all public works many overlapping functions would be eliminated; reductions in personnel and operating expenses would be achieved.

The principal civil duties of the Corps of Engineers are flood control, rivers and harbors works and allied services, and certain construction and maintenance duties in the District of Columbia and in connection with memorials. All these are specialized functions which in no sense overlap with the functions of any other branch of the Government. In instances where the facilities of other departments are of incidental use to the corps, or where it is able to render assistance to other branches, the fullest cooperation is practiced.

Second. The Engineer Corps has equipment valued at approximately $60,000,000, but only uses it in conducting less than $20,000,000 of work each year. This would represent a ruinous waste in the case of private engineering firms. Under the proposed consolidation this expensive equipment would be available for all Government works and would be of more constant public value.

These statements are inaccurate. The work done with Government plant and hired help each year is not 30 percent the value of the plant but approximately 100 percent. A large part of this plant consists of sea-going dredges with a useful life of 25 years. Much of this plant is kept at points where may arise emergencies involving great losses to commerce, and it may, therefore, be considered to serve the same purpose as a fire department, not an idle plant. Finally, this equipment enables the Engineer Corps to keep at a minimum bids for work submitted by private contractors, as it operates with hired labor all works for which the lowest bids are in excess of 25 percent more than the Army estimates of costs. Over a 5-year period the savings on work executed on which bids had been rejected amounted to 38 percent. In determining these costs the Corps of Engineers includes depreciation and carrying charges on its plant, so that comparisons with private bids are equitable.

Third. More than $2,000,000,000 have been spent through the Engineer Corps for construction and maintenance, not including the original cost of the Panama Canal. It is contended that the great works for which the Engineer Corps receives credit were actually done by civilian engineers, and that there is no evidence that these works were done with greater economy than they would have been if entirely under the direction of civilian engineers.

The burden of proof in this respect does not rest with the Corps of Engineers, as probably no other group of works of such magnitude may be cited in whose history there has never been a suspicion of graft, waste, and incompetence. In more than a century there has been but one case of an officer who has been accused of irregularity.

Fourth. The assertion is frequently made that the United States stands almost alone among civilized nations in not having all of its public works under a consolidated department of public works. This is cited as evidence of the superior economy of consolidation.

This statement is misleading; as a matter of fact, in Canada the rivers and harbors work is conducted by three different agencies; in Great Britain it is spread among many governmental and private agencies; in Germany and many other countries it is conducted by various state agencies; and in France the system practically parallels ours.

The foregoing are the chief contentions that economies would be realized by the proposed consolidation of rivers and harbors work under a public-works agency.

B. Advocates of the transfer of these functions assert that superior efficiency will be realized. The following reasons are advanced:

First. Probably, it is said, only about one third of the personnel of the Corps of Engineers could qualify as engineers in the professional meaning of the word. The training at West Point is said not to be the equivalent of a technical school. Consequently civilian engineers of established ability are frequently under the authority of untrained Army officers.

The training required in the Corps of Engineers exceeds that of civilian engineers. Four years at West Point, which is recognized as the equivalent of a bachelor of science in engineering; 2 years as student officer attached to rivers and harbors work, learning every practical detail from the ground up; a post-graduate course of a year at a leading technical institution; a special rivers and harbors course at the engineering school at Fort Humphreys; detail as assistant to district engineers. The Corps of Engineers in its conduct of the civil-construction operations has become a national institution with a most enviable heritage to maintain. Officers of the corps are permitted to assume responsible authority over public works only after a most thorough training acquired by technical and practical application under the tutelage of officers of ripe experience. Only after considerable service in this capacity may an officer be put in authority over any of the works. The fact that Army engineers are frequently offered high salaries in civilian engineering is ample evidence that they are equipped to compete with civilians in a professional capacity.

Second. The frequent transfers of officers detailed to public works from one post to another at intervals of 3 or 4 years is considered as a grave handicap, preventing continuity of policy and dividing the responsibility for the work.

Granting that an officer may need a little time to orient himself to the problems of a new post, these changes are considered highly desirable from a civil as well as a military viewpoint. They tend to stabilize standards of Army work at a high and uniform level. Change of station is also very important in that it stimulates and infuses the spirit of the local organization forces, reducing human tendency to become routine, prosaic, and self-satisfied. Change of officers not only permits a broadening of the officer's vision, but also effectively insures against a common tendency of the local force to take things for granted to the expense and disadvantage of the Government. This matter of regulated change in station is one of the very most important matters in the successful and economical conduct of Federal work and of officer personnel. Instead of preventing continuity of policy, the changes most decidedly preserve continuity of a national policy, forestalling the building-up of local detached practices in the conduct of public work which would soon become, if not controlled, both costly and detrimental to the best interests of the United States. An officer at a new post finds there an established routine which is identical with the post he has left, and he takes up his duties with the valuable knowledge of river and harbor work from a national viewpoint, free from local influence and prejudices. Thus ruts are avoided and wider experience is applied to each job.

Third. Promotions and assignments of Army engineers depend on Army politics and not upon engineering ability.

This statement was evidently published in ignorance of the fact that promotions are automatic in the Engineer Corps. Probably in no other organization, public or private, is advancement as free from politics. As for the assignments, the posts are filled by the men whose records show them to be the best fitted for them.

Fourth. No one in the War Department cares very much whether one of these civil works costs a million dollars or so more or less than it should. * * * No one seems to care as long as the papers are straight.

This opinion does not take into account the fact that the Engineer Corps has a magnificent tradition of public service, and that there is a healthy element of competition with other Government departments in seeking to produce the best possible results for the money expended. Moreover, in no other branch of the Government does each project come under the scrutiny of as many disinterested officials before it is approved.

Fifth. Excessive red tape and paper work cause unnecessary delays.

No Government department, particularly the one to which the proposed transfer is to be made, is as free of red tape as a private corporation, for the obvious reason of its accountability for funds. This is the procedure for any rivers and harbors works: Upon request from Congress, a preliminary examination by the district engineer is undertaken to ascertain the probable public usefulness of his project. His report goes in turn for approval to the division engineer, the Board of Engineers, the Chief of Engineers, and the Secretary of War. If recommendations are favorable, an estimate of costs is authorized, and this follows the same route and is finally transmitted to Congress for authorization, and, if granted, an appropriation when the recommendation of the Chief of Engineers indicates the project can be advantageously carried forward. This procedure is further refutation of argument "4."

Sixth. There is insufficient inspection work to keep headquarters in Washington in touch with the progress of each project.

This decentralization of the Engineer Corps activities by which each district engineer and division engineer is responsible for the works under his supervision tends to promote efficiency and keep departmental overhead at a minimum. Each is thoroughly familiar with the problems in his locality and is relieved of the interference of a large central organization which would require a large office staff.

C. Civilian engineers assert that it is unfair to the profession to have the rivers and harbors work under the exclusive direction of military officers.

First. About 70 or 80 percent of the work administered by the Corps of Engineers, it is inaccurately stated, is actually let out to private contractors. And the work that is conducted by the Engineer Corps is largely done by the 1,000 civilian engineers it employs. Only about 150 officers are assigned to the service in supervisory capacity. Thus, while these receive all the credit they can only do at most 5 percent of the work.

Second. It is unjust to exclude the 200,000 civilian engineers of the country from the opportunity to participate in the important rivers and harbors works.

Third. The monopoly of this work by the Engineers Corps is a reflection upon the engineering schools and upon the other engineering branches of the Government. By maintaining that only the Army can do this to best public advantage, the implication is that West Point graduates are superior to all others.

These arguments are obviously of little importance. It is true that the Army officers assigned to the work are negligible in relative numbers, and that the bulk of the actual work is done by civilian engineers. But if these officers, drawing the very modest Army salaries, were to be withdrawn from these services, few engineers competent to undertake the responsibilities for supervising the expenditure of more than a hundred million dollars annually could be found who would do the work and remain in the service at salaries less than several times as high. Many officers receiving $5,000 to $6,000 a year have responsibilities commensurate with those of engineers receiving, in civil life, $50,000.

It is frequently said that the rivers and harbors work is an expensive training school for military engineers. But it would be infinitely more expensive as a sort of philanthropic institution for the benefit of the engineering profession, which has succeeded, without this help, in growing to 200,000 members. As a matter of fact, many Civil Service engineers receive training as employees of the Engineer Corps which enables them to earn salaries many times higher than those of the officers.

D. It is asserted that the Engineer Corps would benefit by the proposed transfer and that national defense would be better served.

First. Flood control and rivers and harbors work are no more a primary function of the Army than are postal and telegraph services. Therefore it would be of advantage to release the Engineer Corps from these civil duties for purely military activities.

In peace time there is little strictly military engineering work to be done which is comparable to the activities the Corps of Engineers is called upon to conduct in time of war. These civil duties are therefore invaluable training and are essential to national defense. They also enable an indispensable group of officers which would have to be maintained to render a great public service at low cost to the public.

Second. The civil-engineering works of the Corps of Engineers is regarded by most of the Army as time and energy wasted, and experience and skill in this work, instead of helping in the advancement of an officer, become a bar to his promotion.

This will be seen to be unfounded when we consider that the Engineer Corps has the pick of the graduates of West Point, and that the average age of its officers has generally been lower than that of other services, indicating more rapid advancement.

Third. With all public works consolidated under one Government agency, officers of the Corps of Engineers could put their knowledge to good use by being detailed for work under this department, and they could broaden their experience by being assigned to other types of engineering.

Such a procedure would break the morale of the Engineer Corps and destroy a magnificent tradition. Further, it is inconsistent with the argument that the rivers and harbors work is an expensive training school for the Army. Here it is proposed to replace low-salaried officers with high-salaried civilians, and then to assign officers to work in which they have not had specialized experience and in which they would be at their minimum value to the public. A better proposal would be to consolidate some of the other Government engineering activities under the Corps of Engineers, whose record for efficiency is unexcelled by any institution, public or private.

Fourth. In time of war the Army is obliged to employ a great number of civilian engineers. Therefore the more opportunity there is for them to be trained, the more will be available in time of emergency.

The obvious fallacy of this point is that if civilians were to replace the officers, man for man, there would only be 150 additional trained. And there would be left no body of engineering officers experienced in supervising civilian engineers and fitted to cooperate with them in war-time activity.

These various assertions constitute practically the entire case for the transfer, as it has been presented by various persons and agencies at various times for more than 20 years. Persons alleged to be spokesmen for a group of civilian engineers have asserted that savings of 15 to 25 percent could be effected by the consolidation, but have failed when requested to cite a single concrete instance in which this could be done.

The remainder of this report will present a few definite facts to indicate the economy and high order of efficiency of the operations of the Corps of Engineers.

STATISTICS ON OVERHEAD COSTS OF RIVER AND HARBOR WORK

The following tabulation is based on the 5-year period of 1928–32. The sums are totals and the percentages are average annual overhead.

	Field costs of work done	Overhead costs			Overhead percentage
		Distribution and division	Departmental	Totals	
					Percent
Hired labor	$229,632,058.97	$16,696,041.94			7.27
Contract work	231,892,708.85	8,691,744.80			3.75
Total	461,524,767.02	25,387,786.74			5.50
			$970,602		0.19
				$26,358,388.74	5.69
Work plus overhead	487,883,156.86				5.40

The items included in overhead in this tabulation are: Personal services, clerical, professional, inspection, pay of officers; rents, telephone and telegraph, travel, motor-vehicle operation, speedboat operation, operation of other inspection

boats, and miscellaneous, including forms, stationery, freight and cartage, depreciation of furniture and fixtures, laundry, ice, and miscellaneous office supplies.

This tabulation shows that the departmental overhead for these works averages only 0.19 percent; the field overhead, 5.5 percent; the total overhead, 5.69 percent; and the total overhead on the total expenditures, 5.4 percent.

The salaries paid to officers assigned to rivers and harbors works, at the rate of about $205,000 a year, amount to about 0.18 percent of the total expenditures.

To state these figures in another way, for every $1,000 worth of rivers and harbors work, $54 is spent on field and office overhead, of which $1.90 sustains the office of the Chief of Engineers, and $1.80 is paid to officers assigned to these duties.

These figures may well be considered an irreducible minimum for an organization covering about 50 districts spread throughout the country.

The Engineer Corps estimates, from its commerce statistics, that the rivers and harbors works save the Nation an amount approaching $500,000,000 a year in transportation costs. This constitutes approximately a return of 500 percent on the annual expenditure of about $100,000,000 for this work.

Value and use of plant

	Book value	Cost of work done with it, 1932
Rivers and harbors:		
Floating and land plant	$35,215,466.32	$36,595,065.91
Shops, yards, including buildings	2,637,656.08	
Total	37,853,111.40	
Others, floating and land plant	11,647,001.23 2,172,172.36	12,071,867.41
Total plant (This does not include District of Columbia water works, $6,456,289.50.)	51,672,284.99	48,666,933.32

This equipment is almost entirely of long-lived type, as contrasted with the short-lived plants generally used for ordinary construction. The sea-going hopper dredges, for example, valued at $8,582,725.37, have an estimated useful life of 25 years. In 1932 dredging with these was conducted at the low average cost of 7.67 cents a cubic yard.

Thus, contrary to assertions cited, it will be seen that the equipment of the Corps of Engineers is used to unusually good advantage.

CIVIL DUTIES AND NATIONAL DEFENSE

No proposal for the transfer of the civil duties of the Corps of Engineers should be discussed without taking into consideration its influence upon national defense. In times of peace the military activities of the Engineer Corps are negligible as compared with war times. During the World War the corps handled 500 to 700 times as much military engineering as in time of peace.

These war-time activities, however, were only about 10 times the volume of the civil engineering currently supervised by the Engineer Corps, or about $1,162,000,000. That the Engineers Corps is elastic and capable of rapid expansion or contraction of activity is shown by its peace-time record. With rivers and harbors appropriations varying, from year to year, as much as 50 percent it has succeeded in adapting itself to these changes without much change in overhead expense and without disruption of its organization. In war time, as has been shown, it was capable of effecting a much greater expansion with efficiency.

It is obvious, however, that the military-engineering duties in peace time are insufficient to maintain a functioning organization which would be prepared to increase its activity, in an emergency, several hundredfold without enormous losses and inefficiencies. Even under the proposed transfer should Army officers be detailed for work in other departments, the supervisory organization of the corps would be largely wiped out. The officers might derive engineering experience, but they would lose the large value of conducting a great engineering activity upon a national scale.

Despite its enormous civil activities, the Engineer Corps is at present under its quota strength. There is therefore no question of reducing it by taking away these civil duties. On the contrary, if consolidations are to be made, it would be preferable to place other engineering services, such as road and bridge construction, under the supervision of the Army engineers and thus to profit by their unexcelled economy and efficiency while further contributing to the training of an absolutely vital branch of the Army.

In considering the entire problem, there are these three distinct points which seem to stand out most prominently:

First. The lack of morale which is bound to occur in case Army engineers, holding commissions in the United States Army and taking their orders primarily from the Chief of Engineers, are assigned to other departments of the Government.

The result would mean that engineers detailed to duty other than under their own chief would be serving two masters, so to speak, which would not only be disastrous for the esprit de corps of the Engineer officers, but further would be bound to break down the authority of the Chief of Engineers over his subordinates.

Second. The lack of outside influence which is so pronounced in work, which the Corps of Engineers is carrying on, particularly in rivers and harbors work, would give away to these influences in the event such work were detailed to a department under the supervision of one from civil life and holding an appointive office whose appointment might involve partisanship.

The record of the engineers in this respect is magnificent, and today that body has the confidence of the people throughout the country in their complete honesty and intent of purpose, irrespective of political influence. This is true not only after the various projects are authorized to be carried on by the engineers but in their consideration as to the desirability and feasibility of projects where their favorable recommendation is necessary.

Third. In the matter of economy, it would appear that a transfer of the duties of the Corps of Engineers to some other department and the severing of the Engineer Corps from any activity in civil duties which are now imposed upon them, would be an added expense to the Government due to the fact that the Engineer Corps must continue in its position as an integral part of the Army, and additional personnel would be required to carry on the work which the engineers do in peace times in case these duties were taken from them.

CHILD LABOR AMENDMENT TO THE CONSTITUTION

The SPEAKER laid before the House a communication from the secretary of state of the State of New Hampshire, announcing that the legislature of that State had ratified the proposed amendment to the Constitution to prohibit the labor of persons under 18 years of age.

J. PIERPONT MORGAN

Mr. JOHNSON of Oklahoma. Mr. Speaker, inasmuch as this body has been considering a banking bill of far-reaching importance for the past several days, a bill to guarantee bank deposits, it occurs to me that it would not be altogether out of order but entirely fitting to call attention of the House at this time to the fact that the world's richest banker has "honored" this Capital City with his august presence. He condescended to come to Washington last evening, so I am advised, at the urgent invitation of a congressional committee before which he testified somewhat reluctantly today.

As J. Pierpont Morgan sallied forth from his palatial hotel in this city, where he is said to be occupying one entire floor, he was flanked by private guards on every side bearing artillery and sidearms that resembled a whole regiment ready for combat. This world-renowned banker strode forth like a real general armed to the belt and prepared to do battle.

When the "general" and his army arrived at the Capitol a mad rush was made, not only by newspaper reporters, movietone representatives and photographers, but by Members of Congress in a frantic effort to catch a glimpse of the world's richest and most powerful banker.

Mr. Morgan proceeded to give the Senate Banking and Currency Committee a very carefully prepared lecture on private banking and he evidently did not want to be disturbed by being asked annoying and, of course, insignificant questions. But the youthful Senate counsel was unkind enough to insist on asking the great head of the House of Morgan some rather personal questions. One of the first asked Mr. Morgan by this inquisitive and rather persistent young attorney was, "How much income tax did you personally pay during the years of 1930, 1931, and 1932?" To the astonishment of the committee and the public this great financier reluctantly but gravely admitted that he paid no income taxes to his Government for the past 3 years.

This ultrarich man is able to employ high-powered legal and financial experts and by some hook or crook, mostly "crook", I judge, this great world-famed international banker, whose firm lends money by the hundreds of millions of dollars, has escaped all his income taxes during the past 3 dark years while Congress has been making a desperate effort to balance the Budget and place this Government on an even keel. Remember, too, that while this and other sessions of Congress have been heaping additional tax burdens upon the farmer, the laborer, and small business man, this man Morgan has made no contribution to maintain the Government that has been so good and generous to him.

The revelation the world has received today of income-tax evasion by this outstanding international banker is not only a result of the work of high-powered, trained financial experts, who are paid for the purpose of outfiguring officials of the Government but it is also the result of permitting the rendering of secret income-tax returns. That practice ought to be stopped by this Congress and stopped now. [Applause.]

Is there any wonder, Mr. Speaker that there are discontent and riots among our people, many of whom have been driven from their homes because they were unable to pay their taxes or the interest on their loans, when they learn that the richest and most powerful banker in all the world admits under oath that he has somehow managed to escape all his income taxes during the years of 1930, 1931, and 1932?

Al Capone is serving a sentence in the penitentiary for income-tax evasion. Should I desire to be harsh or unkind, I might suggest that a financial racketeer from Wall Street is no less reprehensible than a gangster from Chicago. I will not say that, although the suggestion might be food for thought. I do submit, however, if the House of Morgan and other Wall Street manipulators and tax evaders paid their just share of the burdens of government that we would now have a surplus in the Treasury instead of a deficit, big business as well as little business would have more respect for this Congress and Government of the whole, and we would not now be faced with the serious and perplexing problems of raising additional revenues to finance the increasing activities of the Federal Government. [Applause.]

PUBLIC WORKS BILL

Mr. DOUGHTON. Mr. Speaker, the public works bill, and a copy of the report, will be available to Members of the House in the document room in the morning. I ask unanimous consent that the committee have until midnight tonight to file its report.

Mr. GOSS. Mr. Speaker, reserving the right to object, is there to be any minority report; and if so, will the gentleman incorporate that with the main report?

Mr. DOUGHTON. I shall if there is any, but I understand there is not to be any.

Mr. BLANCHARD. Mr. Speaker, when will this bill be taken up?

Mr. DOUGHTON. Not until the day after tomorrow.

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

There was no objection.

VETERANS OF THE WORLD WAR

Mr. ROGERS of Oklahoma. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. ROGERS of Oklahoma. Mr. Speaker, on May 2 of this session the Honorable JED JOHNSON, of Oklahoma, introduced into the House Concurrent Resolution 17, giving preference to veterans who are disabled and unemployed in the reforestation program. This resolution provides that veterans be given preference, first, those who are disabled and whose benefits will be stopped or substantially reduced under the provisions of the Economy Act; second, to veterans who are now unemployed and have dependents, and, third, to those not coming within the above two classes. I want the RECORD to show that I am whole-heartedly in favor of that resolution.

I do not desire to criticize those who labored for the passage of the economy bill nor do I wish to condemn those who voted for the measure. I voted against the bill for I thought then that the provisions were too drastic and severe and that disabled veterans would be unable to receive fair, just, and equitable treatment. I know now, since the regulations have been put into effect, that my fears for the veterans were justified. I am convinced that many injustices have resulted from the passage of the Economy Act, and this resolution, sponsored by the Honorable JED JOHNSON of Oklahoma, will, in a measure, alleviate some of the suffering and go a long way toward restoring to the needy veteran his chance of subsistence. I join the disabled veterans of Oklahoma in endorsing House Concurrent Resolution 17.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. KEMP, indefinitely, on account of illness.

To Mr. DOWELL, at the request of Mr. THURSTON, indefinitely, on account of illness.

To Mr. REED of New York, at the request of Mr. FISH, for the balance of the week, on account of illness.

SENATE JOINT RESOLUTION REFERRED

A joint resolution of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S.J.Res. 48. Joint resolution authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point, Posheng Yen, a citizen of China; to the Committee on Military Affairs.

ADJOURNMENT

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

The motion was agreed to; accordingly (at 6 o'clock and 11 minutes p.m.) the House adjourned until tomorrow, Wednesday, May 24, 1933, at 12 o'clock noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. DOUGHTON: Committee on Ways and Means. H.R. 5755. A bill to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes; without amendment (Rept. No. 159). 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. DOUGHTON: A bill (H.R. 5755) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public

works, and for other purposes; to the Committee on Ways and Means.

By Mr. CONNERY: Resolution (H.Res. 157) providing for the consideration of H.R. 4559; to the Committee on Rules.

By Mr. McFADDEN: Resolution (H.Res. 158) relative to the impeachment of certain members of the Federal Reserve Board and certain Federal Reserve agents; to the Committee on the Judiciary.

By Mr. CONNERY: Resolution (H.Res. 159) authorizing the Committee on Labor to have printed for its use additional copies of hearings on 30-hour work week; to the Committee on Printing.

By Mr. MORAN: Joint resolution (H.J.Res. 188) to authorize the Reconstruction Finance Corporation to make loans for refinancing the repair and reconstruction of buildings damaged by conflagration in 1933; to the Committee on Banking and Currency.

By Mr. CELLER: Joint resolution (H.J.Res. 189) authorizing the President to present in the name of Congress a Medal of Honor to Walter Sweet; to the Committee on Naval Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CHAPMAN: A bill (H.R. 5756) granting a pension to Lucy Leach; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5757) granting a pension to Emily Cecil; to the Committee on Invalid Pensions.

By Mr. KLOEB: A bill (H.R. 5758) granting a pension to Clifford Lamer Otto; to the Committee on Invalid Pensions.

By Mr. MILLIGAN: A bill (H.R. 5759) granting a pension to Frankie E. Ligon; to the Committee on Invalid Pensions.

By Mr. RANDOLPH: A bill (H.R. 5760) for the relief of Andrew Boyd Rogers; to the Committee on Claims.

By Mr. REECE: A bill (H.R. 5761) for the relief of Prentice Mead Handlon; to the Committee on Military Affairs.

By Mr. SUMNERS of Texas: A bill (H.R. 5762) for the relief of Charlie Chapman Fryer; to the Committee on Military Affairs.

By Mr. SWANK: A bill (H.R. 5763) for the relief of Frederick E. Dixon; to the Committee on the Post Office and Post Roads.

By Mr. TINKHAM: A bill (H.R. 5764) granting a pension to Addie E. Kittredge; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1163. By Mr. BRUMM: Petition of B'Nai Israel Congregation, of Shamokin, Pa., requesting the Government of the United States to make official protest against the treatment of Jewish citizens in Germany; to the Committee on Foreign Affairs.

1164. By Mr. JOHNSON of Texas: Resolutions adopted by Hearne Chamber of Commerce, Hearne, Tex., and Buffalo Chamber of Commerce, Buffalo, Tex., endorsing President Roosevelt's public works bill; to the Committee on Ways and Means.

1165. By Mr. LINDSAY: Petition of American Fruit & Vegetable Shippers Association, Chicago, Ill., urging support of Senate bill 1406; to the Committee on Banking and Currency.

1166. By Mr. McFADDEN: Petition of the mayor and Council of the City of Pittsburgh, Pa., relative to the liberalization of the laws regulating the Reconstruction Finance Corporation; to the Committee on Banking and Currency.

1167. Also, petition of the Khaki Shirts of America, Inc., being their demands as presented by Art J. Smith, commander in chief, and J. E. Monaghan, adjutant general; to the Committee on the Judiciary.

1168. By Mr. MURDOCK: Petition of the State Legislature of Utah, urging creation of national monument in Wayne County, Utah; to the Committee on Public Buildings and Grounds.

1169. By Mr. O'MALLEY: Petition of more than 200 members and families of the Pride of Milwaukee Lodge, urging legislation condemning discrimination against Jews in Germany; to the Committee on Rules.

1170. By Mr. WATSON: Resolution passed by the Doylestown Council, No. 40, Sons and Daughters of Liberty, favoring House bill 4114; to the Committee on Immigration and Naturalization.

1171. By Mr. WHITE: Memorial of the Legislature of the State of Idaho, memorializing Congress to enact into law Senate Joint Memorial No. 3 of the State of Idaho, calling a world conference for the immediate consideration of remonetization or stabilization of silver; to the Committee on Coinage, Weights, and Measures.

1172. By Mr. WITHROW: Memorial of the Legislature of the State of Wisconsin, memorializing Congress to enact laws providing for the use of ethyl alcohol in all motor fuels; to the Committee on Ways and Means.

SENATE

WEDNESDAY, MAY 24, 1933

(Legislative day of Monday, May 15, 1933)

The Senate sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 10 o'clock a.m., on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

PROCLAMATION

The VICE PRESIDENT. The Sergeant at Arms will make proclamation of the session of the Senate sitting as a Court of Impeachment.

The Sergeant at Arms made the usual proclamation.

THE JOURNAL

The legislative clerk proceeded to read the proceedings of the Senate sitting as a Court of Impeachment for the calendar day of Tuesday, May 23, when, on motion of Mr. ASHURST, and by unanimous consent, the further reading was dispensed with, and the Journal was approved.

DIVISION OF TIME FOR ARGUMENT

Mr. ASHURST. Mr. President, I am assuming that the honorable managers on the part of the House and the honorable attorneys for the respondent have agreed among themselves as to how their time shall be distributed when the Senate is ready to hear argument.

Mr. Manager PERKINS. Mr. President, the managers on the part of the House have agreed among themselves as to how their time shall be distributed.

The VICE PRESIDENT. Have counsel for the respondent agreed as to the division of their time?

Mr. LINFORTH. Mr. President, my associate has graciously permitted me to occupy his time.

CALL OF THE ROLL

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

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Keyes	Robinson, Ark.
Ashurst	Dickinson	King	Robinson, Ind.
Bailey	Duffy	Logan	Russell
Bankhead	Erickson	Long	Sheppard
Bone	Fletcher	McCarran	Stephens
Bratton	George	McGill	Thomas, Utah
Brown	Goldsborough	McKellar	Trammell
Bulow	Gore	McNary	Vandenberg
Carey	Hale	Nye	Van Nuys
Clark	Hayden	Patterson	White
Connally	Kean	Pope	