DIARY

Book 405

June 5 and 6, 1941

- F - (Continued)

- G -

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- M -

- O -

June 5, 1941
9:30 a.m.

GROUP MEETING

Present: Mrs. Klotz
Mr. Foley
Mr. Odegarde
Mr. Thompson
Mr. Bell
Mr. Haas
Mr. Gaston
Mr. Sullivan
Mr. Graves
Mr. Viner
Mr. Cochran
Mr. Stewart
Mr. Schwarz
Mr. White

H.M.Jr: John, unless you emphatically ask me not to, I am going to tell my press conference at ten-thirty that I am very much disappointed in the action that the Ways and Means Committee took and I think that sooner or later as this show goes on they will have to come to the Treasury.

Sullivan: I think the last half of it is all right.

H.M.Jr: What is the matter with the first half?

Sullivan: Well, I mean they are going to take it as a spanking. We are a long way from reporting that bill out. It is possible that something might happen between now and three weeks from now when we report the bill out --

H.M.Jr: Well, it won't unless I express my displeasure.

(Mrs. Klotz entered the conference.)

Sullivan: That is all right. I think you could say you are disappointed and that you think that eventually we will have to come to it, but I hope you don't do it in terms that make it a personal fight between you and the Committee.

Schwarz: Couldn't you say, Mr. Secretary, you are disappointed and you think that a number of Americans will be disappointed? When it goes on the floor, they might hear from --

H.M.Jr: Then I can --

Sullivan: I haven't yet heard how many votes we had.

Bell: The paper said five.

Sullivan: I know, but only one paper said that and I don't know if it is true. None of us were there, you know. They had us out and the clerk of the Committee called me on instructions from the Chairman and read me the motion, so afterward I talked with Cooper and he didn't tell me how many votes we had.

H.M.Jr: Herbert, what do you think? Do you think if I am asked - what would you say?

Gaston: Well, I would say - I think I pretty well agree with John. I think I would say that you are disappointed at the result and as the needs increase we think we will have to come to a plan of that sort. I think it is all right.

Sullivan: Just leave out the bitterly.

H.M.Jr:	The who?
Sullivan:	I understood you to say you were going to say, "I am bitterly disappointed."
H.M.Jr:	No, I didn't say "bitterly." Did I?
Gaston:	No, you used some other qualifying word.
H.M.Jr:	Deeply.
Sullivan:	Well.....
H.M.Jr:	Well, John, I can't be milk and toast on this thing.
Sullivan:	No, I agree with you there but --
H.M.Jr:	I can't always be pulling my punches.
Sullivan:	What I am trying to suggest to you is this, sir, that I think you can still express your disappointment without their taking it as a personal public spanking.
H.M.Jr:	Well, I am disappointed. I am deeply disappointed. I feel terrible about it.
Sullivan:	Well, maybe it was the way you said it that made me think you used the word "bitterly."
H.M.Jr:	Well, you know the old story that I tell about the parent that got the letter from his son at boarding school? His wife came in and found him pacing. He said, "This is the last time I am going to stand for this from your son."
	She says, "What is the matter, darling?"
	He says, "Look at this letter. It says, 'Daddy. Please send me ten dollars as soon as possible.'"

"What is the matter with that? It only says, 'Please, Daddy, send me ten dollars as soon as possible.'" (In different tone of voice.)

You (Klotz) have heard it about ten times, but that expresses it. It is just your little - well, anyway, I will do the best I can not to make it too difficult for you on the Hill.

Sullivan: Thank you. We are starting on income taxes this morning.

H.M.Jr: Good. Who has got something important instead of my going around the room? We will do my check-up first.

Foley was going to do something about Senator White and that organization of yours that reads the record every day and keeps it a great secret.

Foley: It wasn't any secret. I don't know what White said to you, but he didn't say anything very glowing about you.

H.M.Jr: Didn't he?

Foley: No, he didn't. He made a speech for us on the floor, as did several others when the Stabilization Bill was up, but here is the record and there is nothing to bring to your attention.

H.M.Jr: Isn't there?

Foley: No. Here is a letter to Cochran thanking him for what he did on the floor in handling the bill, but I don't even think White deserves a letter.

Bell: He called me up and asked me to read his speech and I said I would and I have got the notation on my desk to read it.

Foley: It is there, and I marked the --

H.M.Jr: Man to man, if I hadn't called you would you have written this letter to Cochran?

Foley: Oh sure. I told Larry Bernard - I told Larry to get up the letter several days before.

H.M.Jr: All right.

Foley: Yes, the letter was prepared.

H.M.Jr: Now, watch me closely, Herbert, when I do this, see. This is from the President - this is from Harold Ickes to the President of the United States.

"My dear Mr. President:

"I wonder if you remembered to give a tip to Henry Morgenthau that you are interested in the election of Lynden Johnson of Texas.

Sincerely,

(signed) Harold Ickes"

"H.M.Jr:

"Do what you can.

(signed) F. D. R."

Foley: You are a softie.

H.M.Jr: Why?

Foley: Well, I would do it.

H.M.Jr: All right. I am a softie.

Foley: Sure.

H.M.Jr: We have never done that kind of thing.

Sullivan: Do you think it would be proper for me to ask Secretary Ickes if an increased tax on gasoline would be helpful to him in handling the problem?

H.M.Jr: In electing Lynden Johnson?

Sullivan: No, he has another problem besides electing Lynden Johnson.

H.M.Jr: Well, it is too subtle for me.

Sullivan: No, Henderson opposed an increase in gasoline.

H.M.Jr: Opposed?

Sullivan: Opposed it, yes.

Now, it appears there is going to be a shortage and it might be helpful to Ickes in handling that shortage if there were an increased tax on gasoline.

H.M.Jr: There is no harm in asking him.

Sullivan: That is what I thought.

H.M.Jr: George, you were to let me know today about whether we could make a survey of banks and insurance companies, how much on invested bonds.

Haas: Oh, I didn't know that was today. I am working on that.

H.M.Jr: All right, he gets a bad mark.

Haas: I have got something else that is due today, though.

H.M.Jr: What is that?

Haas: That letter on the steel capacity. Miss Chauncey has it. She is going to bring it in with your letters this morning.

H.M.Jr: All right. Thank you.

What are we doing about getting Irving Berlin on the radio?

Foley: Huntington has been working on it. He worked on it all day yesterday and Irving Berlin's lawyer is flying down here this morning and arrangements have been made with CBS and with NBC for them to plug the song not only on the thirteen Texaco programs, but also on their sustaining programs. They like the song very much. They want to be helpful.

ASCAP is going to release the automatic copyright that they have.

H.M.Jr: It is under control?

Foley: Everything is under control.

H.M.Jr: While we are on that, I don't know - there is a letter coming to me to ask Paul Robeson to go on the Texaco hour.

Graves: I didn't know that.

Kuhn: It has been stopped.

H.M.Jr: I don't want to do it. I mean, that is --

Kuhn: Yes.

H.M.Jr:. I decided I wouldn't do it.

This thing here of White's --

Klotz: He wants to talk to you about it.

H.M.Jr: Well, Harry, about this list of people that are coming, there is a little mix-up on the date because it seems now that the radio correspondents are going to give a dinner for the President on that night. If he is going to go, all the people we want to have will be there also. I am trying to find out whether the President is going to go, but will you see me today on it, Harry?

White: I will see you today on that.

H.M.Jr: Please.

Now, Dan, the most important thing is in the first place see that Walter Stewart is brought up to date on the English treasury matter, will you, both the six fifty and on the --

Bell: Three fifty, yes, sir.

H.M.Jr: And then for this meeting - I thought I would like to see you people on that at eleven-thirty today.

Bell: All right.

H.M.Jr: Walter, will you bring yourself up to date on that thing, please? And, Ed, I want you to sit in here at eleven o'clock today.

Foley: What is it?

H.M.Jr: Just be here.

Foley: What is it?

H.M.Jr: Well, Morgan Stanley is coming. As long as he is bringing somebody - he is bringing his partner - I want somebody. If it is going to be two to one, I want two to two. If it were one to one, that would be all right; but

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I thought, Dan, at eleven-thirty we ought to go over that thing once more, and I would like the same people. All right?

Thompson: Ray Ballinger is transfering to the Quartermaster General's office in the War Department as Personnel Director. They have a civilian personnel of eighty-five thousand employees, larger than the Treasury Department. I was amazed to find that out.

H.M.Jr: What else?

Thompson: That is all.

Bell: We had our conference yesterday afternoon. It was over two hours. It was with Dean Acheson on the agreement. I think it was an excellent conference.

Nothing is really set. He has his difficulties in the State Department and he said even Mr. Hull, while he approved it, probably had some doubts about some of the provisions in that agreement.

He agreed that there might well be two agreements, one on the quid pro quo and the other one on the economic provisions.

H.M.Jr: That would be excellent.

Bell: And he agreed to go back and write a memorandum of the various points in the two agreements, or the two points, so that you and Mr. Hull could sit down and talk with the President about matters of policy and then the two staffs can get together and draft the agreement.

H.M.Jr: Who suggested I be put in a vacuum until this gets around?

Bell: I don't know.

H.M.Jr: It was either White or Viner, I don't know which.

Viner: The opponent sayeth not.

H.M.Jr: People wonder why I am so subdued and never speak or never do anything. Here Viner comes from Chicago and I wanted to go to town on this thing and they are very nice about it, but just say, "You keep out of this and leave it to me," which I did, and now they have got results. It is fine.

Bell: The other thing is that the State Department, Mr. Hull, has sent us a draft of a press release regarding the amounts due from foreign governments on June 15. What they would like to do is to announce to the public that they are not sending notices to certain of the governments and that they are sending notices to Germany and Italy, Hungary, and Rumania.

H.M.Jr: Dan, whatever it is, if it is all right with you it is all right with me.

Bell: I would like to answer that letter and just say that we feel in view of world conditions that there isn't any sense in giving out any notices at all or sending any notices to the governmen s, merely making public the amounts due from each of the governments.

H.M.Jr: Would you mind, as long as we have a group, the same group that is working with you on this thing, just ask their advice.

Bell: O.K.

H.M.Jr: And whatever that groups agrees on, I will take it.

Bell: All right.

H.M.Jr: Is that all right?

Bell:	Fine.
H.M.Jr:	You might have them meet a few minutes ahead of eleven-thirty in your room and just put it up to the, but whatever they agree to, I will take it.
Bell:	Suits me.
H.M.Jr:	Harold?
Graves:	I have nothing.
H.M.Jr:	Unless you want to do what that certain gentleman asked you to do - you know what I mean, the letter. I mean, if you feel that is something that you want to do, otherwise I am just a hundred percent opposed to it.
Graves:	I would like, if I may, to talk with you about that.
H.M.Jr:	Really? All right, that is your privilege.
Graves:	I don't mean soon, necessarily, but before long.
H.M.Jr:	Well, will you arrange it?
Graves:	Yes, sir.
H.M.Jr:	You are going to have trouble with me.
Graves:	Well, I would like to talk it over with you.
H.M.Jr:	Sure, that is your privilege.
Graves:	I would like to ask whether you signed our letter to this New York gentleman yesterday?
H.M.Jr:	New York gentleman?

Graves: Donovan.

H.M.Jr: No. I will have it sent in.

Graves: That is all.

H.M.Jr: Harry?

White: You received a letter from the State Department according to Mr. Collado who called up this morning saying that Colombia wanted to take up the matter of Stabilization Fund.

H.M.Jr: Columbia Broadcasting?

White: No, Colombia, C-o-l-o-m-b-i-a.

The reason he called me was to say the Ambassador was around and raring to go, and he hoped that he would be able to see somebody in the Treasury very soon. The amount they are interested in is not very large.

H.M.Jr: Well, again, as long as there is this group meeting, let them meet ten minutes earlier.

Bell: Wait a minute.

H.M.Jr: I am not interested.

Cochran: The letter came only yesterday.

H.M.Jr: They can meet at eleven-fifteen and settle the thing.

Bell: Eleven-seventeen.

H.M.Jr: All right, Harry, that is taken care of.

Bell: I think we ought to wait until after the Stabilization Fund is extended.

White: You might want to wait until you go into it seriously, but I think somebody ought to see the Ambassador and talk with him.

H.M.Jr: Which Ambassador?

White: Because it is probably a large program, and the Export-Import Bank is doing everything but that, and I think there ought to be some discussions going forward if there are no commitments. They are only asking for two million pesos.

H.M.Jr: As I say, take it up with the Bell group.

What else, Harry? That is settled.

White: That is all.

H.M.Jr: Chick?

Schwarz: As soon as it is copied, I will have a draft of the letter from you to Mr. Elmer Twitchell. That is the Phillips character.

H.M.Jr: Is it funny?

Schwarz: I hope. (Laughter) I would like to let Herbert and Harold and Ferdie have a copy.

H.M.Jr: Make it funny.

Viner?

Odegarde?

Odegarde: Several weeks ago you asked for a survey by Gallup on tax reactions.

H.M.Jr: Yes.

Odegarde: I have that here. It hasn't been published yet.

H.M.Jr: Would you just state it for the group?

Odegarde: They asked the following questions:

"Do you think Federal Government spending, except for defense, should be reduced at this time? Yes, 66 percent. No, 26 percent."

"Do you think Federal spending should be reduced on farm benefits. Yes, 35 percent. No, 53 percent."

White: What district?

Odegarde: This is the nation-wide returns.

"On public works not connected with defense? Yes, 6 percent. No, 27."

"On WPA? Yes. 63. No, 32."

"On CCC? Yes, 41. No. 52."

"On NYA? Yes, 38. No, 45."

"Have you heard or read anything about the new taxes which are being discussed in Washington to pay for the increased cost of defense?"

Seventy percent of the people said, "Yes." Thirty percent hadn't heard of it.

"If 'Yes', how should the Federal Government pay for the increased cost of defense, chiefly by extra taxes or chiefly by borrowing more money? Chiefly by extra taxes, 72 percent. Chiefly by borrowing, 17."

"In order to meet increased costs of defense, would you be willing to pay or have your husband pay a tax of about two weeks salary per year in addition to the taxes you have been paying? Yes, 59 percent. No, 33 percent."

H.M.Jr: That is awfully good.

Bell: Isn't that interesting?

H.M.Jr: Would you turn it in?

Odegarde: Yes, I will give it to you.

H.M.Jr: Are they going to publish that?

Odegarde: There is a note at the bottom.

"These results are the property of the American Institute of Public Opinion and not to be printed in any form until after released by the Institute."

H.M.Jr: Fine.

Bell: That is interesting on WPA and CCC and farm benefits.

H.M.Jr: Right.

Odegarde: The survey on our bond program is now being made.

H.M.Jr: Grand.

Odegarde: Incidentally, these surveys, Mr. Secretary, cost us nothing.

White: How much are they worth? (Laughter) Some of those answers are diametrically opposed to the deductions one would make on a lot of other bases. That is why I asked. The methods of sampling on many of these problems need to be carefully examined before you place too much emphasis on their findings.

H.M.Jr: George?

Haas: I have this letter you wanted to see me about.

H.M.Jr: Well, do you want to give him those things?

Haas: I have no objections. Phil Young called me yesterday--

H.M.Jr: Three aircraft. What does he want three for?

Haas: I think what he is asking for is the regular industry report on aircraft and also the British report.

H.M.Jr: Oh, take care of it.

Haas: Phil asked for a copy yesterday, too. He said the copy you sent to Hopkins goes to Lubin.

H.M.Jr: Well, if Cox wants a set and Young wants a set, let each one have a set, a set a piece.

Haas: That is all I have.

H.M.Jr: Roy?

Blough: Nothing this morning.

H.M.Jr: Merle?

Cochran: I spoke to Sir Edward Peacock last night. He and Mr. Jones are going to be in touch - Mr. Bell spoke to Mr. Jones on that loan proposition. I had this letter from Mr. Welles yesterday that Harry spoke of on Colombia.

H.M.Jr: Ed?

Foley: I sent to Harold Ickes the information I had about the overlapping stock holdings in the two aluminum companies, and he sent me back a copy of the letter he wrote to Jesse, which you might be interested in listening to.

H.M.Jr: Go ahead.

Foley: "My dear Jesse:

"When you said at Cabinet meeting recently that you had bought a large tonnage of aluminum from the Canadian Aluminum Company, I asked you whether there was any connection between that company and the Aluminum Company of America. Since you answered in the negative, I am afraid that some of your boys have misinformed you.

"My information is as follows: A. K. Davis, younger brother of Arthur Davis, president of Alcoa, has been president of the Canadian Company since its formation in '28. The holders of eighty-one point fifty-three percent of the common stock of Alcoa hold eighty-three point ninety-three percent of the stock of the Canadian Company.

"From this it would seem to me that they are twin brothers in monopolistic iniquity.

Harold Ickes."

H.M.Jr: Wonderful. (Laughter)

In order to help me, couldn't Foley and White get together with Mrs. Klotz on what she has, to see if there is anything--

Foley: I have these files, and, Mr. Secretary, we have never made a study of the conservation powers in so far as oil is concerned. We did have papers prepared--

H.M.Jr: Pardon me. Mrs. Klotz says she has the story. If you and White could talk - have you done anything on it, White?

White: We did something on it, but it was a very side issue. She has the main stuff.

Klotz: This has been going on now--

H.M.Jr: Have you got the story?

Klotz: I think so.

H.M.Jr: Did I do anything?

Klotz: Well, there are various angles. I don't know what you--

H.M.Jr: Do you think I had better look at it myself?

Klotz: Oh, definitely.

H.M.Jr: Oh, wait until I get a look at it. I will get to it.

Klotz: Because I know exactly what you had in mind.

H.M.Jr: I will get together - the four of us will get together.

Foley: All right.

H.M.Jr: I did do something on it, though, didn't I?

Klotz: Yes.

H.M.Jr: Go ahead.

Foley: I have a memorandum on the state taxation of the defense activities.

Now, Bob has been illusive and we haven't seen him since you asked us to see him. I have had - I have called up every day and he is either tied up or he is out of town. I don't know whether the creation of the vacancy on the court makes him less interested in his Department or not, but I haven't been able to see him.

Now, we are not far apart, Mr. Secretary. There is no need of carrying on this difference between me and Bob. We are together. The difference is between ourselves and the War Department, and Bob substantially agrees with us, but there hasn't been a clarification of his position and ours.

H.M.Jr: What do you want to do?

Foley: I thought for your information you would like to read this memorandum which shows the two positions (dated June 4).

H.M.Jr: Anything else?

Foley: No.

H.M.Jr: Herbert?

Gaston: Jim Rowe wrote you a letter asking you to mention the matter to the President. I don't see why you should mention this matter to the President.

H.M.Jr: I was handed this letter as I walked in to the President for lunch, and I just saw it was not from the President, so I stuck it in my pocket and I didn't read it.

Gaston: Yes. Well, the facts are that Ed Flynn and he tell me the two Senators, Herring and Gillette, and Wallace, they say, are very anxious to get this old man, eighty years old or more, removed as Collector of Internal Revenue in Iowa so that they can appoint the present State Chairman, Birmingham, in his place, so that they can get a different kind of a state chairman and Flynn spoke to me about it, and he had Rowe call me up about it, and I told Rowe, "It is something they will have to first clear with the President before we can do anything." If the President says, "Yes," he wants that man dismissed, then we can proceed to examine the merits of their candidate.

H.M.Jr: Well, I am not going to get into it today.

Gaston: Yes.

H.M.Jr: All right.

Gaston: I don't see why we should take any - here is a little memorandum of some Secret Service things. You may know about them already.

H.M.Jr: Thank you all.

Handed to me by Peter Odegard June 5, 1941

Questions from Gallup poll.

Interviewing done during middle of May 1941

Questions sent to Dr. Peter Odegard with permission of Dr. Gallup

* * *

1. Do you think federal government spending, except for defense, should be reduced at this time?

Yes	66
No	26
No opinion	8

2. Do you think federal spending should be reduced:

On farm benefits?	Yes	35	No	53	No opin.	12
On public works not connected with defense	Yes	66	No	27	No opin.	7
On WPA?	Yes	63	No	32	No opin.	5
On the CCC?	Yes	41	No	52	No opin.	7
On the NYA?	Yes	38	No	45	No opin.	17

3. Have you heard or read anything about the new taxes which are being discussed in Washington to pay for the increased cost of defense?

Yes 70 No 30

If "Yes": How should the federal government pay for the increased cost of defense - CHIEFLY by extra taxes, or CHIEFLY by borrowing more money?

Chiefly by extra taxes	72
Chiefly by borrowing	17
No opinion	11

4. In order to meet the increased cost of defense, would you be willing to pay (or have your huband pay) a tax of about two weeks' salary or income per year, in addition to the taxes you have been paying?

Yes 59 No 33 No opinion 8

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(Hadley Cantril)

JUN 5 1941

My dear Mr. Cochran:

Upon my return to Washington on Monday, the members of my staff who worked with you on the bill to extend the Stabilization Fund and dollar devaluation powers, told me how admirably you managed the legislation on the Floor of the House. Because you were called upon to substitute for Chairman Somers at the last moment in handling this complex measure the success of your effort becomes even more noteworthy.

Please accept my sincere thanks for a very difficult job well done.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable John J. Cochran,

House of Representatives.

LJB:KHF:mp 6/4/41

By Messenger

File to Mr. Thompson

The conference report ...

EXTENDING TIME WITHIN WHICH POWERS RELATING TO STABILIZATION FUND AND ALTERATION OF THE WEIGHT OF THE DOLLAR MAY BE EXERCISED

23

Mr. COCHRAN. Mr. Speaker, I move that the House resolve itself into the Com[mitt]ee of the Whole House on the state [of] the Union for the further consideration of the bill H. R. 4646, to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.

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. 4646, with Mr. RAMSPECK in the chair.

The Clerk read the title of the bill.

Mr. REED of Illinois. Mr. Chairman, I yield 14 minutes to the gentleman from Ohio [Mr. SMITH].

(Mr. SMITH of Ohio asked and was given permission to revise and extend his own remarks in the RECORD.)

Mr. SMITH of Ohio. Mr. Chairman, 2 years ago, as a member of the Coinage, Weights, and Measures Committee, I opposed before that committee and on the floor of the House the continuation of the stabilization fund and also the President's power to further debase the coin. Since that time my convictions have been strengthened on the need of abolishing these extraordinary and dictatorial powers.

I know of no evidence to substantiate any claim that any of the alleged purposes for which these powers were ostensibly created has been achieved in whole or [in] part. It should now be needless to d[iscu]ss this point. On the other hand, the evidence is conclusive that the use of these powers has already caused incalculable damage to our monetary and financial processes. This point it is vital that we consider and discuss most seriously.

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Section 10 (a) of the Gold Reserve Act of 1934 states the only purpose for which the stabilization fund was created, namely, "for the purpose of stabilizing the exchange value of the dollar." I know of nothing to indicate that even a single dime of the total $2,000,000,000 composing the stabilization fund was ever used for this purpose. The fact is that none of it was ever so used and never could have been. The gold-buying program at the fixed high price of $35 an ounce obviated that possibility. The high fixed premium on gold offered by the Treasury quickly brought on the gold rush into the United States. More than a billion dollars was imported in 1934. The rest of the story of the gold avalanche is too well known to require repetition.

The point is, the rate of gold imports, immediately upon the adoption of the gold-buying program, which provided for the buying of foreign and domestic gold at a permanently fixed premium of $14.33 an ounce, rose sufficiently to restore full confidence among foreign countries in the ability of the United States to fully meet any gold-payment demand that might have been made upon us. This made the stabilization fund wholly useless and unnecessary, so far as the statute which created it was concerned.

The truth is that the stabilization fund has been used for ulterior purposes and utterly in violation of the act which created this fund. Instead of using this fund for the only purpose the law presumably directs it shall be used, namely, "to stabilize the exchange value of the dollar," to give strength to our own economy, it has been used exclusively to bolster and support foreign paper currencies, French paper francs, Belgian paper belgas, British paper pounds, Argentine paper pesos, Brazilian paper milreis, Chinese paper yuans, and so forth, to bolster and support the economies of other nations.

In purpose, spirit, and letter, the stabilization fund has been operated in complete violation of the law. The real purpose for which this fund has been used is, in my opinion, now too evident to be concealed any longer. We shall see as we go along what this is.

Before the Coinage, Weights, and Measures Committee, March 3, 1939, the Secretary of the Treasury, Mr. Morgenthau, was asked the following question by the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN], member of this committee.

In connection with the stabilization fund, has any of the stabilization fund been used in any manner to finance a foreign government in the purchase of armaments or any other war supplies?

Mr. Morgenthau raised his right hand as is done in taking an oath and said—

I can answer that under oath to that question: No. And I will answer further. As long as I am Secretary of the Treasury and as long as Congress gives me that responsibility, the answer is, "No."

Now consider this statement in connection with a news item appearing in the Washington Herald, May 6, 1938, which reads in part as follows:

United States and Britain back Paris in devaluation of franc; new dollar slash denied; tripartite agreement [illegible] aids French armament drive. United States consent to a steep devaluation of the franc and the promise to support it at a new lower level were announced last night by Secretary of the Treasury Henry Morgenthau.

Morgenthau's announcement came at a press conference conducted jointly by him and French Ambassador Rene de St. Quentin. The French Ambassador, his beaming face expressing pleasure and gratitude, said he was "not a monetary technician and am thus unable to give the details." He added: "I am only a diplomat, but the principle of diplomacy, statesmanship, and business is frankness. This principle did not fail in our negotiations. I want to convey the thanks of the French treasury to the United States Treasury and its able leader, Mr. Morgenthau." Other officials declared the Roosevelt administration considered the agreement essential for the success of the 10,000,000,000-franc loan the French Government will float for additional armaments against its dictator neighbors.

Also note May 5, 1938, Washington Post Associated Press dispatch with a Paris date line in which the British Chancelor of the Exchequer, Sir John Simon, is quoted as having said before the House of Commons the following:

A major factor in the swift British and American approval of the proposal of France to devaluate its currency was the desire to present a semblance of economic unity among the world's three democratic powers to the dictators—Premier Benito Mussolini of Italy and Chancelor Hitler of Germany—it was stated in informed official quarters yesterday. The critical status of the French franc coincided with the Mussolini-Hitler conversations which began last Tuesday in Rome.

If these news items are correct, and there is no reason to believe that they are not, Mr. Morgenthau's denial to the contrary notwithstanding, the stabilization fund had already been used by him when he made the above statement—

To finance a foreign government in the purchase of armaments or any other war supplies—

And—

as part of the foreign policy of this Government with reference to supplying war supplies to any other country.

In this connection let us consider the operation of the stabilization fund in Latin America. There can be no question that the $700,000,000 made available as loans to the states south of Rio Grande through the Export-Import Bank is designed specifically to aline these states, both economically and militarily, on the side of the United States and England against the Axis Powers; likewise, there can be no doubt that the stabilization fund is being used in those countries for the same purpose.

Fifty million dollars of the stabilization fund was made available December 27, 1940, to the Argentine Government; October 18, 1940, $10,000,000 was made available to Brazil.

May 8, 1941, Secretary of the Treasury, Mr. Morgenthau, in his testimony before the Committee on Coinage, Weights, and Measures of the House, where he was advocating the continuation of the stabilization fund and the power to debase the dollar, said:

The first arrangement is with China. You will recall that on December 9, 1940, I appeared before a joint session of the Senate Committee on Banking and Currency and the House Committee on Coinage, Weights, and Measures to make a statement about the proposed stabilization arrangement with China.

Then note particularly he added the following revealing statement, which shows that 3 years after he had used the fund to aid France militarily he still had in mind using it as a means to interfere in foreign wars on the side of one of the belligerents as against the other. Mr. Morgenthau said:

I had previously stated to this committee that I would not consent to the use of the stabilization fund to assist any foreign country in prosecuting a war without first consulting with the congressional committees.

July 14, 1937, $48,000,000 was made available from the stabilization fund to China; April 25, 1941, $50,000,000 more was made available to China. As everyone knows, the Government of the United States is openly and avowedly giving military aid to China against Japan. Therefore, it is apparent that the stabilization fund is being used to aid China in making war.

Recently before the Coinage, Weights, and Measures Committee Mr. Morgenthau stated further:

Our stabilization fund is a potent weapon of defense in our international economic relations. This is hardly the time to abandon the machinery of control which we have built up to protect the dollar and the American economy.

When all these transactions and circumstances are considered together, can there be any question that the stabilization fund has been illegally used and is now being so used as a means of aiding certain nations in their war efforts, instead of for the legal purpose that is provided in the statutes, namely, to "stabilize the exchange value of the dollar," in the interest of our own economy?

Does it not appear that we have here revealed at last the true answer to the big question that has been confounding the whole Nation, namely, Why is the Government buying all this gold and paying such a high price for it? Is this great American riddle, the program of buying up all the gold of the world, at last unfolding itself to our understanding? Did the authors of this monstrous scheme have as their secret and sinister purpose the cornering of the world's monetary gold stock solely as a weapon of war?

Said the Secretary of the Treasury further recently before the Committee on Coinage, Weights, and Measures:

Totaling the balance from July 1, 1939, to April 30, 1941, the stabilization fund purchased approximately $3,030,000,000 of gold. This gold was bought from 23 different countries. Incidentally, the existence of the stabilization fund made it possible to carry out, with the essential speed and secrecy, three large acquisitions of gold from hard-pressed friendly countries.

Why secret transactions in the purchase of gold by the stabilization fund agency? If these transactions were on the square, was secrecy necessary?—

secrecy, to carry out three large acquisitions of gold from hard-pressed friendly countries.

Was France one of these hard-pressed countries—France, which may now soon be our mortal enemy? Is this not additional evidence that the whole gold-manipulating process had from the beginning for its purpose the making of war?

This transaction of the stabilization fund agency needs some careful examination from another standpoint. Here, as in the gold purchased by the Federal Reserve banks for the Treasury, is one of the darkest chapters in all the history of governments' monetary policies.

In reality, no gold purchased by the stabilization fund agency is actually finally paid for with any money from the stabilization fund. Only $200,000,000 are used by the stabilization fund agency in its operations. The remaining $1,800,000,000 of the fund has been lying idle ever since its creation.

How could $3,920,000,000 of gold be purchased with $200,000,000? It is, of course, impossible to buy three billion, nine hundred twenty million gold dollars, each weighing 13.71 grains of fine gold with $200,000,000 of the same weight and fineness.

So far as the mere transaction of purchasing gold is concerned the Stabilization Fund Agency merely acts as buyer for the Treasury. The awful truth is the Treasury pays for the gold purchased by this agency, as it does for all the other gold it purchases, with fiat currency, so-called gold certificates, and by the most devious and sinister trickery, in complete violation of the statutes, shifts the cost of all the gold to the bank depositors of the United States.

This group of people, bank depositors, is now carrying the cost of the roundly $14,000,000,000 of gold that has been bought under the gold-purchase program.

This means nothing other than the creation of $14,000,000,000 of the purest kind of inflation in the banking system. It means that the remaining bank deposits are diluted in value by $14,000,000,000, which make the total bank deposits, as a whole, worth no more than about 75 cents to the dollar.

Is it any wonder the Federal Reserve authorities and other informed bankers and persons are worried? Is it not high time that this deplorable condition in the banking system be given serious consideration by Congress and that steps be promptly taken to correct it?

Mr. Morgenthau tried to make out, as the following shows, that he needs the stabilization fund and the powers to further debase the dollar to hold down interest rates on Government obligations:

Mr. MORGENTHAU. I feel about both of them in the same way. Under conditions as they are today there is not very much use for them on a day-to-day basis. In the case of the stabilization fund, as I said earlier this morning, it is that reserve power which we have which I believe is one of the factors which makes it possible for us to carry a public debt at an average rate of 2.5 percent. I think that is very important. I do not say it would happen, but if Congress should take those various emergency powers away from the President, such as the stabilization fund, I think there is a fair chance that we would have to pay more for money because I should find myself in the position that the owners of the money, the people who own the money would, so to speak, "have me."

Mr. WOLCOTT. You would just have to pay more interest?

Mr. MORGENTHAU. Yes. I think the rate would go up. That is just my belief.

Certainly the possession by the administration of the stabilization fund of 2,000,000,000 gold dollars and the power to further debase the gold dollar is a most powerful means for holding interest rates down. But not in the way Mr. Morgenthau would have us believe. If I interpret his position correctly, he means to indicate that the $2,000,000,000 he already has, and the additional $4,000,000,000 he would have if the content of the dollar were reduced to the limit allowed by the present law, could be used by him to finance a part of the deficit instead of having to borrow this amount.

In this connection it should be noted that an additional amount of about $5,000,000,000 of so-called profits is available to the Treasury through the use of the power of debasing the silver dollar. Were this power to reduce the content of the silver dollar exercised, Mr. Morgenthau would have in all about $11,000,000,000 of clippings.

If this amount were used to finance the deficit instead of resorting to borrowing, we are supposed to believe, it would so glut the money market as to force interest rates down.

In the first place, if the administration undertook to use this political windfall to finance the deficit, it would collide head-on with its claim that it does not intend to use the powers of debasement to produce inflation. For every dollar of this windfall that is spent to pay Government costs, current or past, a dollar of inflation is produced. There is no escape from this.

It is, of course, the strangest and most anomalous position for the administration to take, to say out of one corner of its mouth, "You can trust me fully that I will not produce any inflation if you let me keep the power to debase the dollar," and out of the other corner says, "But I must have this power continued so that I can use it is a club over the heads of the people, and say to them, buy my bonds in the amount I tell you to buy and on my own terms, or I will give you a big dose of inflation."

The important cause for low interest rates is lack of demand by private industry for loans and new capital, which is dependent upon the more basic cause, the destruction of the standard unit of value and the free contract process.

Some of the other less important factors in holding interest rates at a low level are the large volume of Government loans at low interest rates arbitrarily fixed by the Government; forced bond deposits, falsely called loans, in the banking system by the Government bearing rates of interest arbitrarily fixed by the administration.

Therefore, the present low interest rate is mostly a symptom of a gravely diseased monetary process. Nor is the low rate necessarily helpful to the Government. The Treasury is now losing more in taxes because of the destruction of the free contract process than it is gaining in reduced interest rates. If the standard unit of value were restored so as to again permit the operation of the free contract process, private industry would go again and unemployment would end, which would in turn relieve the Government of the need of much deficit financing, while at the same time this would also yield more taxes.

Should anything more than the foregoing be required to convince the American people of the destructive nature of the stabilization fund and the desperate need for its prompt abolishment?

The power to further clip the coin or debase the gold dollar should forthwith be abolished.

Why is the President asking that the power which he now has to further clip the coin be continued?

It is remarkable that this request should be made at the present time, when the whole country is becoming apprehensive of the dangers of inflation, when the Federal Reserve authorities see these dangers and are asking for legislation to cope with them, and when the administration itself openly recognizes the dangers of inflation and is trying to head them off by instituting the most drastic and far-reaching measures ever adopted in this country, some of which are:

First. A tax bill to increase our annual taxes three and a half billion dollars, the largest increase in our history.

Second. A price-control agency with totalitarian powers to be found only in dictator nations.

And to avert inflation the administration has also inaugurated a program to raise a huge amount of money by selling bonds directly to the public.

At this very time, perhaps more than ever before, supreme confidence is needed in money and Government bonds. Yet here is the Secretary of the Treasury asking Congress to extend the most dangerous power to further clip the coin and destroy the future value of our currency and Government securities.

Consider the experience of some of the nations whose political authorities have had the power to clip their coin—devaluation is a term used to deceive the people and to hide from them what is really being done.

In Italy there is this power. At a single stroke, in one instance, her politicians clipped three and five-tenths billion dollars off the lira—Italian money—and thereby destroyed that much value of the currency and Government securities.

The Russian dictator has the power to clip the coin. In one instance he clipped more than $9,000,000,000 off the ruble—Russian money—and thereby destroyed that much value of the currency and Government securities.

The political authority of France had the power to clip the franc (French money). Three times it used this power. During the World War the franc was worth nearly 20 cents. By 1938 the French politicians had it clipped down to where it was worth less than 3 cents. That meant a bond which was worth about $20 during the World War was worth, in 1938, about $3. The peasants of France who had given freely of their savings for Government bonds lost by these clippings about $17 on every $20 worth of bonds they purchased. The

United States Government authorities condoned and actually promoted the French clipping of the coin in 1938. (See Washington Evening Star, May 5, 1938, and Washington Herald, May 6, 1938, as previously quoted.)

Is it right that the American middle and working classes should be subjected to even the possibility of such treatment?

The testimony given in support of this bill by Mr. Morgenthau, Secretary of the Treasury, and by Mr. Bell, Under Secretary of the Treasury, as shown in the hearings, should in itself be sufficient to convince any unbiased person of the need of refusing the request for a continuation of this power. Neither of these gentlemen gave the slightest reason for its continuation. Both made out the most damaging case against its continuation.

On page 8 of the hearings, Mr. Morgenthau says:

There have been persistent critics who said that the President's power to devalue the gold content of the dollar would be used to bring about inflation. There is no basis for believing that we are going to have inflation in this country because the President possesses this emergency power. I am sure the President will be as zealous as Congress in taking the steps to prevent inflation.

Now, the reduction of the content of the gold dollar by 40 percent is the same thing as raising the paper currency price of gold 69 percent, or of raising the paper currency price of gold from $20.67 an ounce to $35 an ounce.

Since the increase in the price of gold is predicated on the clipping of the gold coin, any use which the President makes of his power to purchase gold at the increased price necessarily involves to the same degree the use of the power to clip the coin.

In other words, the purchasing of gold at a premium is merely the active process which puts into effect the coin-clipping decree of the President of January 31, 1934. Therefore, the use of the power to purchase gold at a premium is the use of the power to clip the coin.

Already, as previously stated, the gold-purchase program of the coin-clipping process has created in the banking system $14,000,000,000 of fiat credit; that is, inflation.

Therefore, the power to give effect to clip the coin has been used to bring about inflation, and in an amount many times greater than our banking system had ever experienced before. What is more, this power is being used now. Through its daily operation a constant stream of additional inflation is being pumped into the banking system.

To the extent that the content of the gold dollar is further reduced, additional inflation will be pumped into the banking system through further gold purchases.

It is, I think, advisable at this point to again call attention to the fact that there is no warrant in law for the payment with fiat currency by the Treasury for the gold it purchases, of finagling the cost of the gold to the bank depositors, and creating a dollar of inflation in the banking system for every dollar's worth of gold purchased.

The gold-purchase provision in the Gold Reserve Act of 1934 nowhere provides that the Treasury may print paper currency to pay for any gold. Section 8 of the act specifically provides that the gold purchased by the Treasury shall be paid for—

with any direct obligations, coin, or currency of the United States, authorized by law, or with any funds in the Treasury not otherwise appropriated.

By no stretch of the imagination is it possible to read into this provision fiat currency or fiat payment of any kind. I believe the purchase of this great, useless, and menacing hoard of gold, and the payment therefor with fiat currency in direct and flagrant violation of the statutes, and finagling the actual cost to the bank depositors of the United States, is one of the worst breaches of public trust of which the world has any record.

Yet, in view of the glaring fact that the President has already produced the enormous amount of $14,000,000,000 inflation by the use of the power to clip the coin, and that he is using this power now to produce more inflation, Mr. Morgenthau, Secretary of the Treasury, makes this unbelievably astounding statement:

There is no basis for believing that we are going to have inflation in this country because the President possesses this emergency power.

With this picture of debasement and inflation before us, with a rapidly mounting public debt that is already well out of control, and the Treasury becoming increasingly hard pressed for funds, should it be expected or believed that the President will not, and in due time, use the power to further clip the coin, if he is permitted to retain it?

Obviously—

Mr. Morgenthau says in the hearings on this bill—

the administration has no present intent whatsoever to devalue the gold content of the dollar.

Obviously, I would say, if the power to clip the coin down to half of its original value is continued, it will be almost certainly used in the future.

The truth is that unless the nature of the Government's monetary and financing policies are, in the very near future, radically altered, repudiation by some means or other will be inevitable. In that event, the administration in power, regardless of party label, will most likely pursue the course of least effort and minimum loss of political prestige and resort to debasement to cancel out the public debt.

The political authorities of Italy, France, Russia, and other states have, in recent years, taken this tempting course to repudiate their public debts.

In this connection it should be pointed out that the administration has already used the power of debasement to repudiate $675,000,000 of the public debt. This was done by using a part of the clippings from the 40 percent debasement that it has already produced.

So that our political rulers have already "stolen the first apple." Would it not be a miracle if they should voluntarily resist the temptation to use the mountain of gold now in their possession to steal the remainder of our apples?

But the shepherds know how hot the midday sun shall glow from the mists of morning sky.

Some students of our diseased money and finances assume it would be necessary to enact additional legislation to give the President the power that would be required to clip the coin sufficiently to wipe the debt out completely. The law now in operation, and which he is asking to have continued, permits him to debase only to the extent where no more than about $4,000,000,000 of clippings from the gold dollar and about $5,000,000,000 from the silver dollar will result. This, of course, would be but a drop in the bucket.

To provide enough political windfall to repudiate all of the present and assumed Federal debt would require sufficient debasement to produce a total gold stock of no less than $90,000,000,000 instead of the twenty-two and five-tenths billions which our political rulers now have. The present pygmy gold dollar, containing only 13.71 grains of gold, would have to at least be quartered and made into midget gold dollars containing only about 3.5 grains of gold.

I do not believe new legislation would be required. I think the President can, with the power which he has under section 8 of the Gold Reserve Act, to raise the price of gold to any figure he may determine, achieve precisely the same thing as he could with an amendment that would give him specific authority to reduce, without limit, the content of the gold dollar.

Section 8 reads in part as follows:

With the approval of the President, the Secretary of the Treasury may purchase gold, in such amounts, at home or abroad, * * * at such rates and upon such terms and conditions as he may deem most advantageous to the public interest; any provision of law relating to the maintenance of parity * * * to the contrary notwithstanding.

Certainly if we consider the common practice of our political rulers in circumventing and twisting the laws to suit their fancies and to serve their own political fortunes, especially with respect to their handling of the gold transactions, I know of nothing in any law that would prevent the President from using his powers under section 8 of the Gold Reserve Act to repudiate a part or all of the Federal debt.

Would this require anything more than to raise the price of gold and change in the figures in the books of the Treasury?

The following soliloquy between the gentleman from Idaho, Congressman WHITE, and Under Secretary of the Treasury, Mr. Bell, as given on page 12 of the hearings on this bill, should be most helpful in answering this question.

Mr. WHITE. In the event of that proceeding (reduction of the content of the gold dollar from its present weight of 13.71 grains to 11.61 grains), what happens to our gold certificates held in the Federal Reserve Banks? * * * How by a stroke of the pen can this $4,000,000,000 by devaluing the dollar be added when certificates are out against the dollar?

Mr. BELL. As I look at it, title in the gold is in the United States Government. If gold were devalued, the profit out of the devaluation would go to the Government and the Federal Reserve banks would be paid in dollars available at that time for the face amount of the certificates they hold.

Mr. WHITE. * * * I am just wondering, with those gold certificates out, and you say by a stroke of the pen that Mr. Morgenthau would increase the Treasury to the tune of $4,000,000,000, just how that can be done with all this gold obligated to the Federal Reserve in the form of gold certificates. I cannot understand, unless we went through the mechanics of acquiring title to those certificates and released them.

Mr. BELL. A gold certificate calls for $100 in gold. It would just call for $100 of the new value; that is all. It calls for $100 in gold at the new value.

Mr. WHITE. Then the gold certificates handled by the Federal Reserve are a very insecure thing if it is just on the value which is determined to a large degree by the President with the power to devaluate gold.

Mr. BELL. They can change the books, could they not?

Mr. WHITE. They could not change their books but it would change the security.

Mr. BELL. They would still have $17,000,000,000 of gold certificates in their possession (about this amount of gold certificates Mr. White had previously stated was held by the Board of Governors of the Federal Reserve).

They could change the books, indeed. So this is the security back of the dollar—the simple matter of bookkeeping.

By means of Treasury bookkeeping the number of dollars can be increased at the whim and caprice of the President.

But everybody is secure in the possession of his dollars, because no matter how many times the President might halve or quarter the dollar, that you and I possess, or have contracted for, we are always left with the same number of dollars as we had before they were halved or quartered.

The dollars we have invested in life insurance, in social security, in savings accounts, Government bonds, and so forth, are all perfectly secure, because dollars will still be dollars, though each dollar might be cut into two or four at every full moon. Just a change in the books does the trick.

According to Mr. Bell's proposition it was the same ruble and nobody was cheated after the Bolsheviks halved, quartered, and made it into mincemeat, so that in 1920 it took 1,700 rubles to buy the same amount of the necessaries of life as 1 ruble bought in 1917. Though the people in Soviet Russia starved by the millions it was still the same ruble because the Communist rulers could change their books.

Mr. Bell would have us believe the Italian lira, which has been more than quartered—as valued against our own debased coin—since the World War is the same lira that it was before that war; that values and property were kept secure by just "changing their books," though all industry and property in Italy was communized to a great extent.

According to Mr. Bell's formula, the slipping of the French franc from about 20 cents to less than 2 cents still left the French people with the same franc, notwithstanding that after the debasement it took more than six francs to purchase the same amount of the necessaries of life than were required to buy them before the debasement. By some mysterious act in "changing their books" it was the same franc when it had been cut to less than 3 cents, as it was before its value was tampered with. It was the same franc, though a bond for which the faithful peasants had paid $20 finally fetched less than $3, because "they could change their books."

If Mr. Bell is correct, then no one in Germany was hurt when her political rulers had clipped the mark to a trillionth part of its original content. Although it took a basketful of paper marks to buy a loaf of bread where before 1 mark would buy several loaves, it was still the same mark. Nobody lost, and everybody was secured, because "they can change their books" in Germany, too.

It is highly important that we examine somewhat in detail Mr. Bell's magic formula, for it is the heart and core of every monetary fallacy of the past, and it is precisely the same devise that every corrupt government which has tinkered with its money has used to secretly tax its people.

At the present time the gold dollar is defined in the law as being 13.71 grains of gold.

At present, according to law, every silver dollar, and every kind of paper dollar, including the gold-certificate dollar, is supposed to have a value equal to the value of 13.71 grains of fine gold. Note I did not say has this value, but is supposed to have it.

Mr. White says a $100 gold certificate "calls" for $100 in gold when the legal content of the gold dollar is 13.71 fine grains of gold. He says the same $100 gold certificate will still "call" for $100 in gold should the legal content of the gold dollar be reduced to 11.61 fine grains of gold.

There is no question that Mr. Bell wants us to believe that the $100 gold certicate would be the same in value should the content of the gold dollar be reduced to 11.61 grains as it now is when the gold content is 13.71 grains.

What Mr. Bell really asks us to believe is that 11.61 fine grains of gold are equal in value to 13.71 fine grains of gold; that 11.61 grains of gold will do the same amount and kind of money work as 13.71 grains. He asks us to believe this because of some kind of change the Secretary of the Treasury can make in the Treasury's books.

How is it possible to otherwise construe his testimony than that he is asking us to believe this astounding proposition?

Referring again to the $17,000,000,000 of gold certificates which Mr. White had stated the Federal Reserve banks hold, note carefully again in this connection Mr. Bell's statement:

Mr. WHITE. Then the gold certificates handled by the Federal Reserve are a very insecure thing if it is just on the value which is determined to a large degree by the President with the power to devaluate gold.

Mr. BELL. They can change their books, could they not?

Mr. WHITE. They could not change their books but it would change the security.

Mr. BELL. They would still have $17,000,000,000 of gold certificates.

Excelsior! Excelsior! Then why waste? Why not cut the content of the gold dollar down to, say, about 1.5 grains? This would produce $90,000,000,000. Gold so-called liabilities twenty-three billion, leaving sixty-seven billions of political windfall, enough to pay off the present direct public debt as given on the Treasury books and twenty billions for additional obligations.

But why bother with a little political windfall of sixty-seven billions when it is just as easy and just as honest to get twice that amount and have one hundred and thirty-four billions, or 6 times that amount and have four hundred billions, or 25 times that amount and have more than a trillion? The fact that these last dollars would become microscopic in size would not need to bother us, because gold dollars have now become imaginary things anyway, wholly imperceptible to the senses. According to Mr. Bell, a gold dollar is something created on the books of the Treasury by some occult process of the hand and brain and which can be divided and subdivided any number of times, and each subdivided part always retain the same quality and perform precisely the same amount of work as the very first lump of gold before any division whatsoever was made.

If there is a trick in Treasury bookkeeping, that can clip the coin a little but without lowering the purchasing power of the domestic dollar, without lowering any values, then with that same trick it ought also to be possible to clip and clip the coin in a never-ending clipping process and always maintain the same security and values.

Carried to this stage, of course, the fallacy of the proposition becomes evident and ridiculous on its face.

But why? Upon what ground could the Secretary of the Treasury say this is fantastic and impracticable? On ground of principle? Surely he would not wish to be understood as advocating his formula on any other premise. The Secretary of the Treasury, fiscal agent of the United States Government, would not wish to defend his formula for giving potency to the hoard of stored gold by diluting and attenuating it with a little sleight-of-hand performance in "changing the books."

If it is a principle that some peculiar change can be made on the books of the Treasury that will reduce the legal weight of the gold dollar by 2.1 grains, and at the same time keep the purchasing power of the domestic dollar and values in general at the same level as before the reduction, it should be possible to use the same formula for changing the Treasury books to maintain the same level of purchasing power and values if the content of the gold dollar were reduced by 3 grains, 5 grains, 10 grains, to one-tenth grain, or to any fractional part thereof.

Of course, Mr. Morgenthau would not claim for his Treasury bookkeeping formula any such extreme application as this—for the simple reason that it is not based on any principle, or on anything remotely related to principle. This being true his formula is no more applicable where the content of the gold dollar is reduced by 1 grain than if it were reduced to one-millionth part of a grain.

In other words, Mr. Morgenthau and Mr. Bell have no trick by which they can change the books of the Treasury so as to debase the gold dollar to any amount and at the same time maintain the purchasing power of the dollar and all values at their former level.

Of course, there is a trick in this so-called devaluation scheme. It is, however, not a new trick. It is as old as coinage itself, and perhaps older. It is the trick that has been played by dishonest and corrupt rulers and governments since barter has been replaced by the exchange of commodities through the use of money. That trick is to lay a secret and deeply hidden tax on the great masses of people. Being afraid to tax the people outright, the political rulers in some devious way clip our coins. Then they give these clippings back to us either in payment of present purchases of our goods, services, and labor, or to pay off bonds we previously purchased from them.

As heretofore pointed out, the Treasury has already used $675,000,000 of clippings to pay off bonds.

Now, what has the whole gold and monetary policy of this administration done to our Nation? What has been its effect upon our economy?

It has destroyed our standard unit of value. Nothing that their political rulers could visit upon them could be more fatal to the happiness and welfare of any people.

It has destroyed the free and voluntary contract process and replaced it with political coercion and regimentation. The objective evidence of this is manifest everywhere. We see it in the moribund condition of new long-term contracts and the new capital market. Long-term private contracts in the last 10 or 11 years have averaged annually less than 20 percent of what they were in the 10 preceding years.

We see it in the huge volume of idle funds in the banking system, the like of which our country never before experienced. It should be noted, however, that the vast bulk of the idle funds in the banking system does not represent real savings or material assets, but represents the inflation created by the gold-buying policy.

The destruction of the free-contract process is even more manifest in the deterioration of old capital, capital already invested in industry. The National Industrial Conference Board shows there was a shrinkage in net capital in manufacturing industry of about $14,000,000,000 during the period from 1930 to 1937.

We see it in the wholesale taking over of private industry by our political rulers. We see it in the rapidly progressive regimentation of all groups—business, labor, and agriculture.

The free contract process is the wellspring of human and property rights. It is the source of the highest wages for labor and the fullest employment. It is man's basic protection to keep what he produces and to maintain the most equitable distribution of wealth. It is through and by means of this process that man's higher value sense is developed. The free contract process is the foundation of human liberty and civilization itself.

The gold policy of this administration, having destroyed the free-contract process, has ipso facto destroyed all these great sources of human achievement and happiness.

The debasement of money, in whatever form, always involves the destruction of the free-contract process. All the great thinkers of the world who have given consideration to this important subject have recognized this and the vital role the free-contract process has played in the development of the individual and civilization.

All of them have recognized the evil effects which debasement has had upon the lives of men—the destruction of productive industry, the oppression and tyranny, and the deterioration of the morals of the people. But, more particularly, all of them have recognized that the evil effects of debasement fall more cruelly upon the poorer and more industrious classes, that they press less seriously upon the rich, and that they always inure to the benefit of the more dishonest and cunning of the race.

Said the great Mr. Horner in the House of Commons in his famous speech on the need of his country returning to specie payment, or the free circulation of gold:

> With respect to the word "coin," what is it? Does it make any difference as to the standard? The coin is the King's assurance to his subjects that their property shall be protected, that the coin shall be of that fineness and weight necessary to give to all in their dealings an equal security and an equal participation of justice.

The bullion report of the select committee of the House of Commons, which I regard as the most profound study ever made of money, and which I think is so regarded generally by students of money, in referring to the evil effect of the debasement which was then afflicting England, says:

> By far the most important portion of this effect it appears to your committee to be that which is communicated to the wages of common country labor, the rate of which, it is well known, adapts itself more slowly to the changes which happen in the value of money than the price of any other species of labor or commodity.

Pelatiah Webster, who, as I recall, was a merchant in Philadelphia during colonial days, and who experienced the evil effects of debasement, which was in the form of inconvertible paper currency known as bills of credit, had this to say of it:

> We have suffered more from this cause than from every other cause or calamity. It has killed more men, pervaded and corrupted the choicest interests of our country more, and done more injustice than even the arms and artifices of our enemy.

Daniel Webster was no more sparing in his condemnation of debasement. Said he:

> A disordered currency is one of the greatest political evils. It undermines the virtues necessary for the support of the social system and encourages propensities destructive to its happiness. It wars against industry, frugality, and economy, and it fosters the evil spirits of extravagance and speculation. Of all the contrivances for cheating the laboring classes of mankind, none has been more effectual than that which deludes them with paper money. This is the most effectual of inventions to fertilize the rich man's field by the sweat of the poor man's brow. Ordinary tyranny, oppression, excessive taxation, these bear lightly on the happiness of the mass of the community, compared with fraudulent currencies and the robberies committed by depreciated paper. Our own history has recorded for our instruction enough, and more than enough, of the demoralizing tendency, the injustice, and the intolerable oppression on the virtuous and well disposed, of a degraded paper currency, authorized by law, or any way countenanced by government.

President Cleveland, who by his brilliant and noble leadership in repealing the Silver Purchase Act, which caused a serious debasement of the money, in his message to Congress urging its repeal said:

> There is one important aspect of the subject which especially should never be overlooked. At times like the present, when the evils of unsound finance threaten us, the speculator may anticipate a harvest gathered from the misfortune of others, the capitalist may protect himself by hoarding or may even find profit in the fluctuations of values; but the wage earner—the first to be injured by a depreciated currency and the last to receive the benefit of its correction—is practically defenseless. He relies for work upon the ventures of confident and contented capital. This failing him, his condition is without alleviation, for he can neither prey on the misfortunes of others, nor hoard his labor.

In referring to previous debasements of the coin, the Earl of Lauderdale said, in a speech during the debate on resumption in 1811:

> Every such instance of reduction was a fraud on the people; and it was remarkable in looking back to those periods, when such deteriorations were established, that they were uniform periods of discontent and turbulence.

Said Joseph Harris, one of the great money prophets, in his Essay Upon Money and Coins:

> The measures in a kingdom ought to be constant: It is the justice and honor of the King; for if they be altered, all men at that instance are deceived in their precedent contracts, either for lands or money, and the King most of all; for no man knoweth then, either what he hath, or what he oweth.

Then, referring to an attempt which had been made by some in Queen Elizabeth's time to debase the coin, Harris said further:

> This made Lord Treasurer Burleigh, in 1578, when some projectors had set on foot a matter of this nature, to tell them that they were worthy to suffer death, for attempting to put so great a dishonor on the Queen, and detriment and discontent upon the people. For, to alter this public measure is to leave all the markets of the kingdom unfurnished.

Queen Elizabeth, in considering the reforming of the debased coin of England, referred to it as "Conquering all that monster."

On the monument of that illustrious Queen are inscribed these prophetic words:

> Moneta in justum valorem reducta.
> Money restored to its just value.

Mr. COCHRAN. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Chairman, it would take a lot more than 10 minutes to try to make this matter really clear, especially in view of some of the things that have been said.

In the first place, I wish to say that inflation does not take place just because an expansion of the money supply of the country takes place. You might have a very marked expansion of the money supply of a nation and, if the production of wealth of that nation were expanding as fast as that in proportion, you would get no inflation at all. The sign of inflation is when you begin to get a sharp rise in the general over-all price level. Let us nail that down first.

In the second place, it ought to be made plain that the stabilization fund is not used to purchase gold, that what the stabilization fund resulted from was the profit that accrued to the American people from the first and original devaluation of the gold content of the dollar, a measure which at the time met with universal approval and which certainly added to the general over-all economic health of the United States.

Another thing I wish to say is that I, for one, am going to be against—I am against it now and I am going to keep on being against it—seeing this country at any point in the procedure pay the kind of rates of interest that had to be paid on some of the Liberty loans during the World War. I know, and so does every other thoughtful gentleman in this House, that some of the monetary powers that have been vested in the President are an effective means of preventing the financial interests of this country from causing a sufficient restriction of available credit to compel those rates of interest to rise. When we view the matter from the standpoint of the general well-being of the American Nation as a whole, it seems to me the case is very clear and plain as to where the national interest lies. Of course, at this very present moment, the Federal Reserve Board has the power to go into the open market and purchase with the national credit which it has been empowered to use, any amount of Government obligations that it wants to.

If you want to know what the real possibility of inflation is in this country, I could tell you in a few words. It is the possibility of an inflation of private bank credit on the basis of fractional reserves. If you want to control it, it is very simple to see how that can be done. It has to be done by means of a real program of dollar-for-dollar reserves behind those deposits.

A number of gentlemen have gotten up here and opposed this bill on the ground that Congress ought to retain its constitutional powers and that by passing this bill we give to the President certain powers that belong to the Congress. As a matter of fact, I think that is true, but the gentlemen who make that argument have no more intention of having Congress exercise these powers than they have of making an alliance with the Eskimos.

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

Mr. VOORHIS of California. Yes. May I say that I am the first gentleman who has spoken on this bill, so far as I know, who has yet yielded.

Mr. AUGUST H. ANDRESEN. I am very glad that the gentleman has yielded, but I believe the gentleman is very unkind in his remarks in impugning the motives of the Members who want to have this power returned to the Congress so that Congress can legislate.

Mr. VOORHIS of California. If I appeared to impugn the motives of any gentleman, I am very sorry and I apologize, because that was not my intention at all.

Mr. AUGUST H. ANDRESEN. I thank the gentleman.

Mr. VOORHIS of California. Perhaps I might have meant to question their understanding of the situation a little bit.

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

Mr. VOORHIS of California. I should like to make my point clear, then maybe it will not be so necessary.

What I want to make clear is this: If these powers are taken away from the President and not renewed, we have presently no machinery in the hands of Congress or in the hands of any agency of Congress whereby an effective control over any of these matters can be exercised. We could, it is true, set up such a control; and we could, it is true, set up such a monetary agency of the Congress; and I should like to see that done, but we do not have that under consideration today and until we do, my position is that I vastly prefer to see the power over the gold content of the dollar or any other similar power in the hands of the President of the United States, who at least represents the people of the Nation, rather than to see the power go back into the mercy of the manipulation of private and, in many cases, international banking houses, which is precisely where it would go if you take this power away from the Government official.

Now I yield to the gentleman from Illinois.

Mr. DEWEY. May I ask the gentleman if he does not believe that the Congress of the United States also represents the people, and, also, if the writing up of assets, gold, is not liable to raise interest rates? It always has, if you cheapened the currency.

Mr. VOORHIS of California. Is not the gentleman asking me two questions? My answer to the first one is that I believe the Constitution charges Congress with the responsibility of coining money and regulating its value. I should like to see Congress exercise that power, but Congress is not exercising it. Until it takes the steps I have outlined briefly, it will not be exercising that power. As long as Congress does not propose to do that job, I would rather have the President do it than have it in the hands of private financial institutions.

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

Mr. VOORHIS of California. I yield.

Mr. MASON. I just want to know when it was in the gentleman's opinion that the Congress really relinquished its power over the coining and the valuing of money.

Mr. VOORHIS of California. I think it has been on three major occasions in our history. The first time when Congress set up the so-called United States Bank that Alexander Hamilton had chartered, and the second time it did it was when it passed the National Bank Act of 1863, which empowered the national banks to create banknote money on the basis of Government bonds, thus enabling them to literally buy the interest-bearing debt of the Nation with the Nation's power to create money. The third time Congress did it was when it passed the Federal Reserve Act and gave to the privately owned central Federal Reserve banks the power to create money and left in the hands of all private banks the power to create bank credit, which is a substitute for money, on the basis of fractional reserves.

Now, we have in this legislation and in certain other types of legislation a very partial recognition of the fact that the sovereign people of a great nation have a right and a duty and an economic responsibility to be the agency that controls their money. I want to preserve that right just as much as I can. I think that to take away those powers from the President now would be decidedly a step in a backward direction rather than forward.

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

Mr. VOORHIS of California. I yield to the gentleman from Missouri.

Mr. COCHRAN. I have just at this moment read a letter, dated in April 1939, signed by Mr. Edward A. O'Neal, president of the American Farm Bureau Federation, where he used almost identically the same words that the gentleman just used in reference to taking this power away from the President at that time, and this period is more critical than it was then.

Mr. VOORHIS of California. It is, and I hope to get to that before I get through, and now I would like to ask to be permitted to proceed for a few moments without interruption.

Throughout the years the most inexcusable economic power that has ever been exercised by private individuals has been the power of the international bankers to purchase and sell gold and to ship that gold from country to country where the currency of those various countries was directly dependent upon, and in many cases redeemable in, gold, thus either expanding or contracting the monetary bases of those countries, depreciating or appreciating the value of their currency and making millions of dollars of profit out of such transactions to the economic loss of the people of the nations.

No one knows what the situation might have been in the United States if those powers had not been in the hands of some agent of the Government. As long as the money of any nation bears any relationship whatsoever to gold, there will be this danger, and therefore my belief is that never should the money of the United States be made redeemable in gold.

But gold is important in the settlement of international balances, and unless you are going to go to the barter system, it is going to continue to be useful in the settlement of international balances.

[Here the gavel fell.]

Mr. COCHRAN. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. VOORHIS of California. After all, when we come right down to it, the real reason why so much gold has come into the United States is one and a very simple reason, and Congress is largely responsible for the situation. It is because we have insisted upon exporting more than we wanted to import. I am not going into the question of whether that has been a good or a bad policy, but I do say that the imports of gold have represented the excess of exports over imports to a very large degree. The question is whether you want to start importing more than you export or whether you want to loan money or give more money to the British to assist them, as our policy indicates we want to do, or whether you want to continue to buy gold. Unless we do one of these three things aid to England is impossible and so are any American exports.

I could make a criticism of considerable force here on what we ought to do with this metal once we get it into the country, and I would say that I believe if you are going to spend what really is the substance of America—that is, the production of America—to pay for this gold, once you get it here you ought to use it as a base for Government credit instead of using interest-bearing bonds for that purpose, but I am not going into that today.

So this whole matter has to do with whether you want the control of the international exchange value of the American dollar under the control of a Government official, like the President of the United States, or whether you want it to be subject to the manipulation of private financial interests. That they will speculate in dollars the minute they believe it is opportune to do so goes without saying. To refuse a continuance of these powers means, in effect, to freeze the gold content of the dollar where it is, and once that has been done every nation in the world will know that by depreciating its currency it can put the American producers in the position of paying their cost of production in money of greater value in international exchange, that is, than foreign currency. Clearly such action would put the producers in foreign countries in a favorable position not only in the world market but in the American market itself. Should this war come to a close, there is every chance that real devaluation of currencies will take place in many parts of the world, and any person interested in the welfare of American farmers or hopeful that our trade can be revived will not want our people to be caught where they have no protection against such a situation.

Mr. WILLIAM T. PHEIFFER. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. Yes.

Mr. WILLIAM T. PHEIFFER. I would like to know whether it is the gentleman's idea, in following out his line of reasoning, with regard to the hazard of removing these powers from the hands of the President and leaving it to the manipulation of speculators, that the gentleman means to imply by that, that that great grant of power should remain permanently vested in the President and taken away from the Congress.

Mr. VOORHIS of California. I think I made myself clear in the beginning of my speech. Was the gentleman present then?

Mr. WILLIAM T. PHEIFFER. I was.

Mr. VOORHIS of California. Then I shall say it again. My belief is that this Congress should consider a piece of over-all legislation which would set up as an agent of the Congress operating under direct mandate of the Congress, a monetary agency charged with all of these powers, concentrated in the hands of that agency, and exercising exclusively the right to create money. That is my position, and I would hope that very many of the advocates of the present bill would support such a proposition. But I am by no means convinced that they would. I have been appealing for such legislation regularly ever since I came here.

Mr. WILLIAM T. PHEIFFER. Then do I understand that the gentleman favors the present bill?

Mr. VOORHIS of California. My position is that this bill is vastly better than what would otherwise result in financial chaos. In other words, it is vastly better, if I cannot get all I want, to at least have an official responsible to the American people exercise these powers, rather than leave the power of manipulation in the hands of private financiers.

If gold is to be used at all and undoubtedly it will be to settle international balances, then the only way in which our domestic currency can be protected against international gold manipulation is by control over that gold to be exercised by a representative of the people, responsible to them and I would add to have ownership of it vest absolutely in the people as a whole.

Mr. THOMAS F. FORD. Mr. Chairman, will the gentleman yield for a suggestion?

Mr. VOORHIS of California. I yield to the gentleman, my good colleague from California.

Mr. THOMAS F. FORD. Is not the stabilization fund, brought down to brass tacks, just a shotgun in the corner?

Mr. VOORHIS of California. I think most of these things are that; yes.

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

Mr. COCHRAN. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. VOORHIS of California. I hope I shall not use all of that time. I want to make a couple of observations about some things that have been said concerning the purchase of gold. First of all let me say this: We hear a great deal about the downfall of France. I do not know how many Members of the House realize the fact that the Bank of France was controlled by a board of directors, one-third of whom had to do with the Government of France, and the other two-thirds being private individuals. The Bank of France was responsible and was in a position to be responsible for refusing credit to the nation, and indeed, when the Prime Minister of France at that time, Mr. Blum, against whom so many charges have been made, proposed a sharp increase in the national-defense budget in 1936, I believe what happened was a vast export of gold out of France so that it was not possible to get that bill through.

I do not want our United States left in a position like that. That is another reason why I am in favor of this bill.

When the Treasury makes gold purchases, as a matter of fact, when that gold comes into the country it comes into some bank some place. According to law, it must be delivered to the Treasury. The Treasury takes the gold, pays for the gold with a check on its balance with the Federal Reserve bank of the district in question, then replenishes its account with that Federal Reserve bank by delivering to that Federal Reserve bank gold certificates. In my view, such payments should be made in United States currency and not in gold certificates, for I believe that gold ought to actually be in the hands of the American people. If that were true, I think we would be in a clearer position and would understand the whole thing better. But what we are paying for the gold, as I have pointed out already, is not the bank deposits of America, but America's power to produce wealth which we send out of the country in greater quantity than we import. As long as we want to do that you will have a situation where gold will flow into the United States. If you want to change that, you might as well understand that, in the long run, the only way we can do it is by importing more than we export.

I could make a long speech about how that might be made possible and still economically desirable for the American people, but I shall not do it.

I close by saying that, as I have already suggested, I think we could vastly improve the use to which we put these metals once we have acquired them. I think they belong to the American people. I think they should be used as a base for Government credit instead of interest-bearing bonds. I think we need to think thoroughly about some of these matters. As a matter of fact, today we have $3,781,000,000 of entirely free silver seigniorage and gold in the Treasury which can be used for any of these purposes, if necessary. It is a good idea that the American people find themselves in as independent a position as they do with regard to dependence upon private manufacturers of credit. I would wish they were in a still more independent position, but I am going to vote for this bill because I certainly do not want them to be in a more dependent position than they are now. This is no time to remove these powers. It will be no time, especially should this war come to a close, for at that time the welfare of any American producer who has anything to do with foreign trade is going to depend on our Nation being in a position to protect its currency against the devaluation of other foreign currencies. To my mind, these powers should not only be kept in

Mr. COCHRAN. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Chairman, it would take a lot more than 10 minutes to try to make this matter really clear, especially in view of some of the things that have been said.

In the first place, I wish to say that inflation does not take place just because an expansion of the money supply of the country takes place. You might have a very marked expansion of the money supply of a nation and, if the production of wealth of that nation were expanding as fast as that in proportion, you would get no inflation at all. The sign of inflation is when you begin to get a sharp rise in the general over-all price level. Let us nail that down first.

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Another thing I wish to say is that I, for one, am going to be against—I am against it now and I am going to keep on being against it—seeing this country at any point in the procedure pay the kind of rates of interest that had to be paid on some of the Liberty loans during the World War. I know, and so does every other thoughtful gentleman in this House, that some of the monetary powers that have been vested in the President are an effective means of preventing the financial interests of this country from causing a sufficient restriction of available credit to compel these rates of interest to rise. When we view the matter from the standpoint of the general well-being of the American Nation as a whole, it seems to me the case is very clear and plain as to where the national interest lies. Of course, at this very present moment, the Federal Reserve Board has the power to go into the open market and purchase with the national credit which it has been empowered to use, any amount of Government obligations that it wants to.

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

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May I say that I am the first gentleman who has spoken on the bill, so far as I know, who has yet yielded.

Mr. AUGUST H. ANDRESEN. I am very glad that the gentleman has yielded, but I believe the gentleman is very unkind in his remarks in impugning the motives of the Members who want to have this power returned to the Congress so that Congress can legislate.

Mr. VOORHIS of California. If I appeared to impugn the motives of any gentleman, I am very sorry and I apologize, because that was not my intention at all.

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Mr. DEWEY. May I ask the gentleman if he does not believe that the Congress of the United States also represents the people. And, also, if the writing up of more gold, is not liable to raise interest rates? It always has, if you concerned the currency.

Mr. VOORHIS of California. Is not the gentleman asking me two questions? My answer to the first one is that I believe the Constitution charges Congress with the responsibility of coining money and regulating its value. I should like to see Congress exercise that power, but Congress is not exercising it. Until it takes the steps I have outlined briefly, it will not be exercising that power. As long as Congress does not propose to do that job, I would rather have the President do it than have it in the hands of private financial institutions.

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Mr. VOORHIS of California. I think I made myself clear in the beginning of my speech. Was the gentleman present then?

Mr. WILLIAM T. PHEIFFER. I was.

Mr. VOORHIS of California. Then I shall say it again. My belief is that this Congress should consider a piece of over-all legislation which would set up as an agent of the Congress operating under direct mandate of the Congress, a monetary agency charged with all of these powers, concentrated in the hands of that agency, and exercising exclusively the rights to create money. That is my position, and I would hope that very many of the advocates of the present bill would support such a proposition. But I am by no means convinced that they would. I have been appealing for such legislation regularly ever since I came here.

Mr. WILLIAM T. PHEIFFER. Then do I understand that the gentleman favors the present bill?

Mr. VOORHIS of California. My position is that this bill is vastly better than what would otherwise result in financial chaos. In other words, it is vastly better, if I cannot get all I want, to at least have an official responsible to the American people exercise these powers, rather than leave the power of manipulation in the hands of private financiers.

If gold is to be used at all and undoubtedly it will be to settle international balances, then the only way in which our domestic currency can be protected against international gold manipulation is by control over that gold to be exercised by a representative of the people, responsible to them and I would add to have ownership of it vest absolutely in the people as a whole.

Mr. THOMAS F. FORD. Mr. Chairman, will the gentleman yield for a suggestion?

Mr. VOORHIS of California. I yield to the gentleman, my good colleague from California.

Mr. THOMAS F. FORD. Is not the stabilization fund, brought down to brass tacks, just a shotgun in the corner?

Mr. VOORHIS of California. I think most of these things are that, yes.

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

Mr. COCHRAN. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. VOORHIS of California. I hope I shall not use all of that time. I want to make a couple of observations about some things that have been said concerning the purchase of gold. First of all let me say this: We hear a great deal about the downfall of France. I do not know how many Members of the House realize the fact that the Bank of France was controlled by a board of directors, one-third of whom had to do with the Government of France, and the other two-thirds being private individuals. The Bank of France was responsible and was in a position to be responsible for refusing credit to the nation, and indeed, when the Prime Minister of France at that time, Mr. Blum, against whom so many charges have been made, proposed a sharp increase in the national-defense budget in 1936, I believe what happened was a vast export of gold out of France so that it was not possible to get that bill through.

I do not want our United States left in a position like that. That is another reason why I am in favor of this bill.

When the Treasury makes gold purchases, as a matter of fact, when that gold comes into the country it comes into some bank some place. According to law, it must be delivered to the Treasury. The Treasury takes the gold, pays for the gold with a check on its balance with the Federal Reserve bank of the district in question, then replenishes its account with that Federal Reserve bank by delivering to that Federal Reserve bank gold certificates. In my view, such payments should be made in United States currency and not in gold certificates, for I believe that gold ought to actually be in the hands of the American people. If that were true, I think we would be in a clearer position and would understand the whole thing better. But what we are paying for the gold, as I have pointed out already, is not the bank deposits of America, but America's power to produce wealth which we send out of the country in greater quantity than we import. As long as we want to do that you will have a situation where gold will flow into the United States. If you want to change that, you might as well understand that, in the long run, the only way we can do it is by importing more than we export.

I could make a long speech about how that might be made possible and still economically desirable for the American people, but I shall not do it.

I close by saying that, as I have already suggested, I think we could vastly improve the use to which we put these metals once we have acquired them. I think they belong to the American people. I think they should be used as a base for Government credit instead of interest-bearing bonds. I think we need to think thoroughly about some of these matters. As a matter of fact, today we have $3,761,000,000 of entirely free silver seigniorage and gold in the Treasury which can be used for any of these purposes, if necessary. It is a good idea that the American people find themselves in as independent a position as they do with regard to dependence upon private manufacturers of credit. I would wish they were in a still more independent position, but I am going to vote for this bill because I certainly do not want them to be in a more dependent position than they are now. This is no time to remove these powers. It will be no time, especially should this war come to a close, for at that time the welfare of any American producer who has anything to do with foreign trade is going to depend on our Nation being in a position to protect its currency against the devaluation of other foreign currencies. To my mind, these powers should not only be kept in

Mr. COCHRAN. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Chairman, it would take a lot more than 10 minutes to try to make this matter really clear, especially in view of some of the things that have been said.

In the first place, I wish to say that inflation does not take place just because an expansion of the money supply of the country takes place. You might have a very marked expansion of the money supply of a nation and, if the production of wealth of that nation were expanding as fast as that in proportion, you would get no inflation at all. The sign of inflation is when you begin to get a sharp rise in the general over-all price level. Let us nail that down first.

In the second place, it ought to be made plain that the stabilization fund is not used to purchase gold, that what the stabilization fund resulted from was the profit that accrued to the American people from the first and original devaluation of the gold content of the dollar, a measure which at the time met with universal approval and which certainly added to the general over-all economic health of the United States.

Another thing I wish to say is that I, for one, am going to be against—I am against it now and I am going to keep on being against it—seeing this country at any point in the procedure pay the kind of rates of interest that had to be paid on some of the Liberty loans during the World War. I know, and so does every other thoughtful gentleman in this House, that some of the monetary powers that have been vested in the President are an effective means of preventing the financial interests of this country from causing a sufficient restriction of available credit to compel those rates of interest to rise. When we view the matter from the standpoint of the general well-being of the American Nation as a whole, it seems to me the case is very clear and plain as to where the national interest lies. Of course, at this very present moment, the Federal Reserve Board has the power to go into the open market and purchase with the national credit which it has been empowered to use, any amount of Government obligations that it wants to.

If you want to know what the real possibility of inflation is in this country, I could tell you in a few words. It is the possibility of an inflation of private bank credit on the basis of fractional reserves. If you want to control it, it is very simple to see how that can be done. It has to be done by means of a real program of dollar-for-dollar reserves behind those deposits.

A number of gentlemen have gotten up here and opposed this bill on the ground that Congress ought to retain its constitutional powers and that by passing this bill we give to the President certain powers that belong to the Congress. As a matter of fact, I think that is true, but the gentlemen who make that argument have no more intention of having Congress exercise these powers than they have of making an alliance with the Eskimos.

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

Mr. VOORHIS of California. Yes. May I say that I am the first gentleman who has spoken on this bill, so far as I know, who has yet yielded.

Mr. AUGUST H. ANDRESEN. I am very glad that the gentleman has yielded, but I believe the gentleman is very unkind in his remarks in impugning the motives of the Members who want to have this power returned to the Congress so that Congress can legislate.

Mr. VOORHIS of California. If I appeared to impugn the motives of any gentleman, I am very sorry and I apologize, because that was not my intention at all.

Mr. AUGUST H. ANDRESEN. I thank the gentleman.

Mr. VOORHIS of California. Perhaps I might have meant to question their understanding of the situation a little bit.

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

Mr. VOORHIS of California. I should like to make my point clear, then maybe it will not be so necessary.

What I want to make clear is this: If these powers are taken away from the President and not renewed, we have presently no machinery in the hands of Congress or in the hands of any agency of Congress whereby an effective control over any of these matters can be exercised. We could, it is true, set up such a control; and we could, it is true, set up such a monetary agency of the Congress; and I should like to see that done, but we do not have that under consideration today and until we do, my position is that I vastly prefer to see the power over the gold content of the dollar or any other similar power in the hands of the President of the United States, who at least represents the people of the Nation, rather than to see the power go back into the mercy of the manipulation of private and, in many cases, international banking houses, which is precisely where it would go if you take this power away from the Government official.

Now I yield to the gentleman from Illinois.

Mr. DEWEY. May I ask the gentleman if he does not believe that the Congress of the United States also represents the people, and, also, if the writing up of assets, gold, is not liable to raise interest rates? It always has, if you cheapened the currency.

Mr. VOORHIS of California. Is not the gentleman asking me two questions? My answer to the first one is that I believe the Constitution charges Congress with the responsibility of coining money and regulating its value. I should like to see Congress exercise that power, but Congress is not exercising it. Until it takes the steps I have outlined briefly, it will not be exercising that power. As long as Congress does not propose to do that job, I would rather have the President do it than have it in the hands of private financial institutions.

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

Mr. VOORHIS of California. I yield.

Mr. MASON. I just want to know when it was in the gentleman's opinion that the Congress really relinquished its power over the coining and the value of money.

Mr. VOORHIS of California. I think it has been on three major occasions in our history. The first time when Congress set up the so-called United States Bank that Alexander Hamilton had chartered, and the second time it did it was when it passed the National Bank Act of 1863, which empowered the national banks to create banknote money on the basis of Government bonds, thus enabling them to literally buy the interest-bearing debt of the Nation with the Nation's power to create money. The third time Congress did it was when it passed the Federal Reserve Act and gave to the privately owned central Federal Reserve banks the power to create money and left in the hands of all private banks the power to create bank credit, which is a substitute for money, on the basis of fractional reserves.

Now, we have in this legislation and in certain other types of legislation a very partial recognition of the fact that the sovereign people of a great nation have a right and a duty and an economic responsibility to be the agency that controls their money. I want to preserve that right just as much as I can. I think that to take away those powers from the President now would be decidedly a step in a backward direction rather than forward.

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

Mr. VOORHIS of California. I yield to the gentleman from Missouri.

Mr. COCHRAN. I have just at this moment read a letter, dated in April 1939, signed by Mr. Edward A. O'Neal, president of the American Farm Bureau Federation, where he used almost identically the same words that the gentleman just used in reference to taking this power away from the President at that time, and this period is more critical than it was then.

Mr. VOORHIS of California. It is and I hope to get to that before I get through, and now I would like to ask to be permitted to proceed for a few moments without interruption.

Throughout the years the most inexcusable economic power that has ever been exercised by private individuals has been the power of the international bankers to purchase and sell gold and to ship that gold from country to country where the currency of those various countries was directly dependent upon, and in many cases redeemable in, gold, thus either expanding or contracting the monetary bases of those countries, depreciating or appreciating the value of their currency and making millions of dollars of profit out of such transactions to the economic loss of the people of the nations.

No one knows what the situation might have been in the United States if those powers had not been in the hands of some agent of the Government. As long as the money of any nation bears any relationship whatsoever to gold, there will be this danger, and therefore my belief is that never should the money of the United States be made redeemable in gold.

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But gold is important in the settlement of international balances, and unless you are going to go to the barter system, it is going to continue to be useful in the settlement of international balances.

[Here the gavel fell.]

Mr. COCHRAN. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. VOORHIS of California. After all, when we come right down to it, the real reason why so much gold has come into the United States is one and a very simple reason, and Congress is largely responsible for the situation. It is because we have insisted upon exporting more than we wanted to import. I am not going into the question of whether that has been a good or a bad policy, but I do say that the imports of gold have represented the excess of exports over imports to a very large degree. The question is whether you want to start importing more than you export or whether you want to loan money or give more money to the British to assist them, as our policy indicates we want to do, or whether you want to continue to buy gold. Unless we do one of these three things aid to England is impossible and so are any American exports.

I could make a criticism of considerable force here on what we ought to do with this metal once we get it into the country, and I would say that I believe if you are going to spend what really is the substance of America—that is, the production of America—to pay for this gold, once you get it here you ought to use it as a base for Government credit instead of using interest-bearing bonds for that purpose, but I am not going into that today.

So this whole matter has to do with whether you want the control of the international exchange value of the American dollar under the control of a Government official, like the President of the United States, or whether you want it to be subject to the manipulation of private financial interests. That they will speculate in dollars the minute they believe it is opportune to do so goes without saying. To refuse a continuance of these powers means, in effect, to freeze the gold content of the dollar where it is, and once that has been done every nation in the world will know that by depreciating its currency it can put the American producers in the position of paying their cost of production in money of greater value in international exchange, that is, than foreign currency. Clearly such action would put the producers in foreign countries in a favorable position not only in the world market but in the American market itself. Should this war come to a close, there is every chance that real devaluation of currencies will take place in many parts of the world, and any person interested in the welfare of American farmers or hopeful that our trade can be revived will not want our people to be caught where they have no protection against such a situation.

Mr. WILLIAM T. PHEIFFER. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. Yes.

Mr. WILLIAM T. PHEIFFER. I would like to know whether it is the gentleman's idea, in following out his line of reasoning, with regard to the hazard of removing these powers from the hands of the President and leaving it to the manipulation of speculators, that the gentleman means to imply by that, that that great grant of power should remain permanently vested in the President and taken away from the Congress.

Mr. VOORHIS of California. I think I made myself clear in the beginning of my speech. Was the gentleman present then?

Mr. WILLIAM T. PHEIFFER. I was.

Mr. VOORHIS of California. Then I shall say it again. My belief is that this Congress should consider a piece of over-all legislation which would set up as an agent of the Congress operating under direct mandate of the Congress, a monetary agency charged with all of these powers, concentrated in the hands of that agency, and exercising exclusively the right to create money. That is my position, and I would hope that very many of the advocates of the present bill would support such a proposition. But I am by no means convinced that they would. I have been appealing for such legislation regularly ever since I came here.

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the hands of a governmental official but I hope that one of these days, when the time is ripe, some of them will be used in a constructive fashion to be sure that our agricultural price level, for example, goes up to where it belongs. [Applause.]

(Here the gavel fell.)

Mr. REED of Illinois. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. SCOTT].

Mr. SCOTT. Mr. Chairman, with reference first to the extension of powers dealing with the stabilization fund, I heard no reason advanced by the Treasury Department for the continuation of these powers other than the statement that the fund constitutes a so-called reserve against the time when the Secretary of the Treasury may be unable to borrow money, except at what the Secretary called "exorbitant interest rates."

The Treasury argument, being based upon fears of possibly higher interest rates in the future, must rest upon the assumption that the holders of investing and idle [illegible] at some point in the future cease to have as much confidence in the credit of their Government, at which point "the dollars in the copper" can be used [illegible]. More than that, the Treasury presupposes that a very low interest rate is altogether good. There are two sides to that question, however, as the Federal Reserve Bulletin for January 1941 points out:

[illegible]

The argument in favor of the continuance of the stabilization fund was stated in the committee in most general terms. No more than 10 percent of the stabilization fund has ever been actually used. No use was indicated for the remainder except as a threat with which to [illegible]. Therefore, while it appears that the power to use the remainder of the fund will probably never be resorted to, the Treasury asserts that it may be needed at some time in the unforeseeable future. This is, of course, only an argument for indefinite continuance of the power for final abrogation of the constitutional power of the Congress to regulate the value of money.

None of the money in the stabilization fund is drawing interest. The Secretary of the Treasury, using an average interest rate of 2.5 percent, admitted in the hearings before the committee that the use of that part of the fund lying dormant, namely, $1,800,000,000, would yield between forty and fifty million dollars annually. The Government can save about $45,000,000 annually by reducing the stabilization fund to the $200,000,000 actually used by the Treasury, and this would be increased if the interest rate were to go higher. The Treasury Department says, "Give us the power and trust us not to use it unless some change in the world situation compels us to do so." But it is well known that Congress is likely to remain in continuous session during the period of emergency, and the Congress can surely be trusted promptly to act in the necessity of the Treasury necessary to protect it from having to pay excessive rates for the use of money. As so well stated by the members of the Economists' National Committee on Monetary Policy:

It is most important for Congress and the public to understand that if Congress were [illegible]

As matters stand today, the President can act when he, and if, he pleases, [illegible]

Why should we not save those $45,000,000 annually on a fund which has lain dormant since 1934, and which the Treasury disavows any present intention to use hereafter?

In other words, we are asked to trust the Treasury and lose $45,000,000 a year; why can we not trust the Congress, where the administration has a large majority to work its will, to provide the controls which would be needed and save the $45,000,000 a year during the period when the controls are not needed? We throw away annually more than it would cost us to build a battleship as big as the Hood or the Washington; more than it would cost us to build two large army cantonments, even when construction costs are tripled over the original estimates.

Already, taking Mr. Morgenthau's average interest rate of 2½ percent, we have lost, in earnings on this fund, the colossal sum of $317,500,000, more than a third of a billion dollars. At this rate we have thrown away enough for eight capital ships in the last 7½ years. Are we going to sink in the same fashion two more battleships in the next 2 years?

Can we afford such lavish catering simply because the Secretary of the Treasury might some day find use for a power which he has not used for nearly 8 years, and which the unanimous opinion of the country's leading experts, both in and out of the Federal Reserve System, hold should not be used at all?

The continuance of the stabilization fund deprives us of money with which to build our sorely needed weapons for defense. But the other power contained in H. R. 4646, the power to devalue the dollar, subsidizes our enemies and sometimes more than ourselves and our friends.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. SCOTT. I am sorry; I cannot yield at this point.

We blissfully flounder that China is a democracy, and we sold her $50,000,000 to support her currency, but since 1934 we have given Japan a profit of $340,000,000 on gold purchases from her in excess of $700,000,000. It is well known that Japan has used this profit to buy gasoline, [illegible] and other materials with which to wage war against the Chinese, who can hardly be expected to understand or to appreciate this kind of loan dollar diplomacy. Why are we doing, anyway? We are worse than the "filyloo" bird, which flies with its head underneath its wing, who does not care where he is going, but who likes to see where he has been. We do not even care where we are going, as we have forty-five millions a year down the rat hole; but we are not even interested in where we have been, when we were throwing away over a third of a billion dollars over the last 7½ years.

Who advised the Treasury that these powers any longer serve a useful purpose? These advisers could not have been the most responsible monetary officials of the Nation—the men who manage and control our great Federal Reserve System—because on January 1 of this year all 28 of those officials issued an unprecedented joint report to Congress explicitly recommending that the Congress should not renew the power previously given to the President to devalue the dollar. The report says, and I quote:

In view of the completely changed [illegible] national situation during the past year, the power further to devalue the dollar in terms of gold is no longer necessary or desirable and should be permitted to lapse.

The same advice has repeatedly been given to Congress by the Economists' National Committee on Monetary Policy, a group of 81 outstanding monetary specialists.

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

Mr. SCOTT. I yield.

Mr. AUGUST H. ANDRESEN. Japan has not only used this dollar exchange to fight its war against China, but it has also used it to build up a huge fleet which now threatens our very doors and which compels us to arm to defend ourselves from that source.

Mr. SCOTT. The gentleman is quite right, and I thank him for his contribution.

A vote for the dollar devaluation powers contained in this bill is a vote to put in the hands of the Treasury the power, and to subject it to the temptation to embark upon a policy of inflation as an easy means of financing the defense program. When inflation comes, with its train of public ills and private woes, the people whose life-insurance policies and savings have been lost will want to know how the inflation began, what led up to it, and whose votes made it possible. There will be explaining to do, and political heads will roll.

On the other hand, what benefit will result if the bill is amended as recommended in the minority report?

First, by prohibiting purchases of foreign gold at more than $35 an ounce, further inflation of the currency is prevented; a return is then possible to specie payments, that is to say, to the full conversion standard which permits convertibility of all currency into gold, at the option of the holder.

Second, as to the proposed limitation of the stabilization fund to the amount

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amount actually used by the Treasury Department, that is $200,000,000. The Treasury said that amount was sufficient for all such operations the Treasury was contemplating.

Last summer's increase of the lending power of the Export-Import Bank by $500,000,000 accomplishes identical objectives, namely, the support of the currencies of friendly countries.

It is submitted that not only will the proposed amendment limiting the fund to $200,000,000 curb dangerous tendencies toward inflation, but it will save forty to fifty millions per year by releasing dormant funds which the Treasury would otherwise be required either to borrow from the pockets of the people, or to tax from their hides. Is that much money worth saving? The Treasury does not think so. We think the American people believe otherwise, and we want that money put to work building planes and tanks and battleships, now. [Applause.]

Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. REED of Illinois. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. STEVENSON].

Mr. STEVENSON. Mr. Chairman, about 7 years ago two college professors got an idea that if Uncle Sam would raise the price of all foreign gold from $20.67 to $35 an ounce our export market would revive, farm prices would increase, and agriculture would become prosperous, and the millions of our unemployed would be put back to work. These professors convinced the President their idea would work, and thereupon Uncle Sam began the impossible trick of trying to pull himself out of the depression by his boot straps.

That was in 1934. We then had about $4,000,000,000 in gold in this country, and the world price of gold was $20.67 an ounce. The President demanded and secured from Congress the authority to devalue the dollar and to fix the price of gold. This right, up to that time and according to our Constitution, was vested solely in Congress. The President reduced the value of the dollar to 59 cents and raised the price of all foreign gold and newly mined gold in this country to $35 an ounce. Since then we have bought over $18,000,000,000 worth of foreign gold and buried it in a hole in the ground at Fort Knox, Ky., and foreign countries have profited to the extent of six billions on "Uncle Sap." Great Britain also made two and one-half billion.

You all recall how you were commanded to bring any and all gold that you possessed to the banks, and you were paid for it at the rate of $20.67 an ounce, but any foreigner who had any gold in his possession at that time was paid $35 an ounce for his gold. In other words, all of us American citizens who possessed a $20 gold piece at the time, which contained about 1 ounce of gold, were paid $20 for it. At the same time any citizen of any foreign country was paid $34.35 for his $20 gold piece. This financial legerdemain on the part of Uncle Sam at the expense of American taxpayers resulted in such a gold rush from foreign countries to the United States as had never before been experienced.

Communistic Russia, by the use of convict and exile labor, has produced over a billion dollars in gold at a cost of about $10 an ounce and has sold this gold to the United States for $35 an ounce—a total of over a billion dollars to Russia. Instead of investing the profit of $25 an ounce in American agricultural products, machinery, and other American products, Russia took her profits home and financed her war against little Finland, one of the best friends the United States has among the nations of the world. Japan did the same thing and invested the profits from the sale of $700,000,000 of her gold to Uncle Sam in the purchase of war supplies to carry on her war with our good friend the Republic of China, and to enlarge the Japanese Navy, which may be used against us in the near future, if our warmongers continue their devastating propaganda. I am leaving it to you whether the idea of these gold purchases by the New Deal, the devaluation of the dollar, and the increase in the price of foreign gold has revived our export market, restored agricultural prosperity, or put our unemployed to work.

Instead of stimulating agricultural exports, burdensome farm surpluses have increased by virtue of the devaluation of the dollar.

What was formerly the Republic of France made about a billion dollars profit on the sale of her gold to the United States; Belgium made a profit of one hundred and fifteen millions; the Netherlands almost four hundred millions. And now these countries and their wealth have been swallowed up by Hitler and the Axis Powers. This is another case where Santa Claus put our gifts in his bag and took them down the other fellow's chimney. These are some of the reasons why someone has suggested that Uncle Sam should change his name to "Uncle Sap."

Our Government now owns more than $22,000,000,000 of gold. With the power and authority given the President to control the value of the dollar and the price of gold, should the President exercise this authority and devalue the dollar to the limit allowed him, our hoard of gold could be increased to more than $26,000,000,000 by the mere gesture of the pen. And thus $4,000,000,000 of Federal indebtedness could be wiped out overnight.

Suppose the administration had asked Congress for authority to print $4,000,000,000 worth of greenbacks to pay off part of our indebtedness without the necessity of providing any assets to secure the payment of the $4,000,000,000 worth of greenbacks. This would be the start of inflation.

The members of the Federal Reserve System, in their report of January 1 of this year, advised against renewing the authority to devalue the dollar now requested by the President and the Secretary of the Treasury, because, in their opinion, this would lead to inflation. And this recommendation was also given to Congress by the Economists' National Committee on Monetary Policy.

One of the earmarks of inflation is a growing and ever-increasing overexpansion of bank credit due to the influx of some $18,000,000,000 of gold from foreign countries, brought about by our gold-buying spree at the rate of $35 an ounce. These excessive reserves are raising grave problems in long-term securities, and thus a serious impediment to the future well-being of all religious and charitable institutions as well as to the owners of insurance policies and bank accounts.

Inflation can ruin the entire efficiency of our defense program. A major objective of our Government should be to prevent inflation. Inflation will burden those who are least able to carry the burden. It will make the rich richer and the poor poorer. The prices of the necessities of life will rise, and thus the poor will have to use all their income to pay for food, clothing, and rents. And the rich, who sell them the food and clothing and who own real estate, will profit thereby. Unscrupulous speculators will profit through the unstable financial situation at the expense of careful and thrifty investors who will find the buying power of their investments gradually declining.

For these reasons the Board of Governors of the Federal Reserve System, in their report to Congress, stated that it was no longer necessary to further devalue the dollar or to increase the price of gold, that this was not desirable and should not be permitted by Congress.

The United States Constitution, article I, section 8, states:

Congress shall have power: To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures.

The danger of inflation is becoming more actual and imminent because of conditions which have developed, and indicated that the temptation for the administration to take the easy road to inflation should be removed for the safety of the Nation.

The administration says that it has no present intentions whatever of devaluing the gold content of the dollar, but that the President needs this power because he cannot predict the future. By the same logic the President might be entrusted with all the powers vested in Congress and the Supreme Court by our Constitution, but such a course would surrender constitutional government and establish totalitarianism.

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

(Here the gavel fell.)

Mr. COCHRAN. Mr. Chairman, I yield 1 minute to the gentleman from Idaho [Mr. WHITE].

Mr. WHITE. Mr. Chairman, will the gentleman answer one question?

Mr. STEVENSON. My time has expired.

Mr. WHITE. Mr. Chairman, I yield back the balance of my time.

Mr. COCHRAN. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. PATMAN].

the hands of a governmental official but I [illegible] one of these days, when the time is ripe, some of them will be paid in a constructive fashion to be sure that our agricultural price level, for example, gets up to where it belongs. [Applause.]

[Here the gavel fell.]

Mr. REED of Illinois. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. SCOTT].

Mr. SCOTT. Mr. Chairman, with reference first to the extension of powers dealing with the stabilization fund, I heard no reason advanced by the Treasury Department for the continuance of these powers other than the statement that the fund constitutes a so-called reserve against the time when the Secretary of the Treasury may be unable to borrow money, except at what the Secretary called "exorbitant interest rates."

The Treasury argument, being based upon fears of possibly higher interest rates in the future, must rest upon the assumption that the holders of money, big and little, will at some point in the future cease to have as much confidence in the credit of their Government; or, in other words, "the shotgun in the corner" may be used on unwilling lenders. More than that, the Treasury assumption that a very low interest rate is altogether good. There are two sides to that question, however, as the Federal Reserve Bulletin for January 1941 points out:

Interest rates have fallen to unprecedentedly low levels. Some of them are well below the reasonable requirements of an [illegible] economy, and are taking serious, long-term [illegible], for the future well-being of our [illegible] and educational institutions, for the holders of insurance policies and savings-bank accounts, and for the national economy as a whole.

The argument in favor of the continuance of the stabilization fund was stated to the committee in most general terms. No more than 10 percent of the stabilization fund has ever been actually used. No use was indicated for the remainder except as a threat with which to get interest rates down. Therefore, while it appears that the power to use the remainder of the fund will probably never be required by the Treasury except that it may be needed at some time in the unforeseeable future. This is, of course, only an argument for indefinite continuance of the power, for final abrogation of the constitutional power of the Congress to regulate the value of money.

None of the money in the stabilization fund is drawing interest. The Secretary of the Treasury, using an average interest rate of 2.5 percent, admitted in the hearings before the committee that the use of that part of the fund now dormant, namely, $1,800,000,000, would yield between forty and fifty million dollars annually. The Government can save almost $45,000,000 annually by reducing the stabilization fund to the $200,000,000 actually used by the Treasury, and this would be increased if the interest rate were to go higher. The Treasury Department says, "Give us the power and trust us not to use it unless some change in the world situation compels us to do so." But it is well known that Congress is likely to remain in continuous session during the

period of uncertainty, and the Congress can surely be trusted promptly to vest in the Secretary of the Treasury necessary controls to protect it from having to pay excessive rates for the use of money. As so well stated by the Economists' National Committee on Monetary Policy:

It is most important for Congress and the public to understand that if Congress were [illegible] this power, but if the question of further devaluation arose, there would be ample time to [illegible] in which the public could participate as a consequence of which there should be [illegible] public opinion regarding the various economic questions involved.

As matters stand today, the President, without notice, can act, if he pleases, and his action may be taken [illegible]. There need be no [illegible] or understanding of the [illegible] and people [illegible] of the bill. This is but a [illegible] economic government.

Why should we not save these $45,000,000 annually on a fund which has lain dormant since 1934, and which the Treasury disavows any present intention to use hereafter?

In other words, we are asked to trust the Treasury and lose $45,000,000 a year; why can we not trust the Congress, where the administration has a large majority to work its will, to provide the controls which would be needed and save the $45,000,000 a year during the period when the controls are not needed? We throw away annually more than it would cost us to build a battleship as big as the *Hood* or the *Washington*; more than it would cost us to build two large army cantonments, even when construction costs are figured over the original estimates.

Already, taking Mr. Morgenthau's average interest rate of 2½ percent, we have lost, in earnings on this fund, the colossal sum of $337,500,000, more than a third of a billion dollars. At this rate we have thrown away enough for eight [illegible] in the last 7½ years. Are we going to sink in the same fashion two more battleships in the next 2 years?

Can we afford such lavish catering simply because the Secretary of the Treasury might some day find use for a power which he has not used for nearly 8 years, and which unanimous opinion of the country's leading experts, both in and out of the Federal Reserve System, hold should not be used at all?

The continuance of the stabilization fund deprives us of money with which to build our sorely needed weapons for defense. But the other power contained in H. R. 4646, the power to devalue the dollar, subsidizes our enemies and sometimes more than neutralizes aid to our friends.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. SCOTT. I am sorry; I cannot yield at this point.

We belatedly discover that China is a democracy, and we lend her $50,000,000 to support her currency, but since 1934 we have given Japan a profit of $[illegible] on gold purchases from her in excess of $[illegible]. It is well known that Japan has used this profit to buy gasoline, iron, and other materials with which to wage war against the Chinese, who can hardly be expected to understand or to appreciate this kind of American dollar diplomacy. Who are we kidding, anyway? We are worse than the "fillyloo" bird, which flies with its head underneath its wing, who does not see where he is going, but who likes to know where he has been. We do not seem to care where we are going, so we throw forty-five millions a year down the rat hole; but we are not even interested in where we have been, when we were throwing away over a third of a billion dollars over the last 7½ years.

Who advised the Treasury that these powers any longer serve a useful purpose? These advisers could not have been the most responsible monetary officials of the Nation—the men who manage and control our great Federal Reserve System—because on January 1 of this year all 20 of these officials issued an unprecedented joint report to Congress explicitly recommending that the Congress should not renew the power previously given to the President to devalue the dollar. The report says, and I quote:

In view of the completely changed international situation during the past year, the power further to devalue the dollar in terms of gold is no longer necessary or desirable and should be permitted to lapse.

The same advice has repeatedly been given to Congress by the Economists' National Committee on Monetary Policy, a group of 81 outstanding monetary specialists.

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

Mr. SCOTT. I yield.

Mr. AUGUST H. ANDRESEN. Japan has not only used this dollar exchange to fight its war against China, but it has also used it to build up a huge fleet which now threatens our very doors and which compels us to arm to defend ourselves from that source.

Mr. SCOTT. The gentleman is quite right, and I thank him for his contribution.

A vote for the dollar devaluation powers contained in this bill is a vote to put in the hands of the Treasury the power, and to subject it to the temptation to embark upon a policy of inflation as an easy means of financing the defense program. When inflation comes, with its train of public ills and private woes, the people whose life-insurance policies and savings have been lost will want to know how the inflation began, what led up to it, and whose votes made it possible. There will be explaining to do, and political heads will roll.

On the other hand, what benefits will result if the bill is amended as recommended in the minority report?

First, by prohibiting purchases of foreign gold at more than $35 an ounce, further inflation of the currency is prevented; a return is then possible to specie payments, that is to say, to the full conversion standard which permits convertibility of all currency into gold, or vice versa, at the option of the holder.

Second, as to the proposed limitation of the stabilization fund to the largest

amount actually used by the Treasury Department, that is $200,000,000, the Treasury said that amount was sufficient for all such operations the Treasury was contemplating.

Last summer's increase of the lending power of the Export-Import Bank by $500,000,000 accomplished political objectives, namely, the support of the currencies of friendly countries.

It is submitted that not only will the proposed amendment limiting the fund to $200,000,000 curb dangerous tendencies toward inflation, but it will save forty to fifty millions per year by releasing dormant funds which the Treasury would otherwise be required either to borrow from the pockets of the people, or to tax from their hides. Is that much money worth saving? The Treasury does not think so. We think the American people believe otherwise, and we want that money put to work building planes and tanks and battleships, now. [Applause.]

Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. REED of Illinois. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. STEVENSON].

Mr. STEVENSON. Mr. Chairman, about 7 years ago two college professors got an idea that if Uncle Sam would raise the price of all foreign gold from $20.67 to $35 an ounce our export market would revive, farm prices would increase, and agriculture would become prosperous, and the millions of our unemployed would be put back to work. These professors convinced the President their idea would work, and thereupon Uncle Sam began the impossible trick of trying to pull himself out of the depression by his boot straps.

That was in 1934. We then had about $4,000,000,000 in gold in this country, and the world price of gold was $20.67 an ounce. The President demanded and secured from Congress the authority to devalue the dollar and to fix the price of gold. This right, up to that time and according to our Constitution, was vested solely in Congress. The President reduced the value of the dollar to 59 cents and raised the price of all foreign gold and newly mined gold in this country to $35 an ounce. Since then we have bought over $18,000,000,000 worth of foreign gold and buried it in a hole in the ground at Fort Knox, Ky., and foreign countries have profited to the extent of $7 billions on "Uncle Sap." Great Britain also made two and one-half billion.

You all recall how you were commanded to bring any and all gold that you possessed to the banks, and you were paid for it at the rate of $20.67 an ounce, but any foreigner who had any gold in his possession at that time was paid $35 an ounce for his gold. In other words, all of us American citizens who possessed a $20 gold piece at the time, which contained about 1 ounce of gold, were paid $20 for it. At the same time any citizen of any foreign country was paid $34.35 for his $20 gold piece. This financial legerdemain on the part of Uncle Sam at the expense of American taxpayers resulted in such a gold rush from foreign countries to the United States as had never before been experienced.

Communistic Russia, by the use of convict and exile labor, has produced over a billion dollars in gold at a cost of about $10 an ounce and has sold this gold to the United States for $35 an ounce—a total of over a billion dollars to Russia. Instead of investing the profit of $25 an ounce in American agricultural products, machinery, and other American products, Russia took her profits home and financed her war against little Finland, one of the best friends the United States has among the nations of the world. Japan did the same thing and invested the profits from the sale of $700,000,000 of her gold to Uncle Sam in the purchase of war supplies to carry on her war with our good friend the Republic of China, and to enlarge the Japanese Navy, which may be used against us in the near future. If our warmongers continue their devastating propaganda, I am leaving it to you whether the idea of these gold purchases by the New Deal, the devaluation of the dollar, and the increase in the price of foreign gold has revived our export market, restored agricultural prosperity, or put our unemployed to work.

Instead of stimulating agricultural exports, burdensome farm surpluses have increased by virtue of the devaluation of the dollar.

What was formerly the Republic of France made about a billion dollars profit on the sale of her gold to the United States; Belgium made a profit of one hundred and fifteen millions; the Netherlands almost four hundred millions. And now these countries and their wealth have been swallowed up by Hitler and the Axis Powers. This is another case where Santa Claus put the gifts in his bag and took them down the other fellow's chimney. These are some of the reasons why someone has suggested that Uncle Sam should change his name to "Uncle Sap."

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Suppose the administration had asked Congress for authority to print $4,000,000,000 worth of greenbacks to pay off part of our indebtedness without the necessity of providing any assets to secure the payment of the $4,000,000,000 worth of greenbacks. This would be the start of inflation.

The members of the Federal Reserve System, in their report of January 1 of this year, advised against renewing the authority to devalue the dollar now requested by the President and the Secretary of the Treasury, because, in their opinion, this would lead to inflation. And this recommendation was also given to Congress by the Economists' National Committee on Monetary Policy.

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Inflation can ruin the entire efficiency of our defense program. A major objective of our Government should be to prevent inflation. Inflation will burden those who are least able to carry the burden. It will make the rich richer and the poor poorer. The prices of the necessities of life will rise, and thus the poor will have to use all their income to pay for food, clothing, and rents. And the rich, who sell them the food and clothing and who own real estate, will profit thereby. Unscrupulous speculators will profit through the unstable financial situation at the expense of careful and thrifty investors who will find the buying power of their investments gradually declining.

For these reasons the Board of Governors of the Federal Reserve System, in their report to Congress, stated that it was no longer necessary to further devalue the dollar or to increase the price of gold; that this was not desirable and should not be permitted by Congress.

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The danger of inflation is becoming more actual and imminent because of conditions which have developed, and indicates that the temptation for the administration to take the easy road to inflation should be removed for the safety of the Nation.

The administration says that it has no present intentions whatever of devaluing the gold content of the dollar, but that the President needs this power because he cannot predict the future. By the same logic the President might be entrusted with all the powers vested in Congress and the Supreme Court by our Constitution, but such a course would surrender constitutional government and establish totalitarianism.

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

[Here the gavel fell.]

Mr. COCHRAN. Mr. Chairman, I yield 1 minute to the gentleman from Idaho [Mr. WHITE].

Mr. WHITE. Mr. Chairman, will the gentleman answer one question?

Mr. STEVENSON. My time has expired.

Mr. WHITE. Mr. Chairman, I yield back the balance of my time.

Mr. COCHRAN. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. PATMAN].

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[illegible]

Mr. PATMAN. Mr. Chairman, this power is needed by the Executive now more than ever before. I cannot see any good reason, not even an excuse, why any member of the Democratic Party should vote against this particular bill. It merely extends a needed power that has been extended heretofore.

It is true that we have a reservoir of gold amounting to approximately 75 or 80 percent of all the gold that is in monetary use in all the world. This gold, it is true, is buried in the hills of Kentucky and is not used now domestically, but by having a reservoir of gold the time will come when it will place our country in a position of great advantage. This war is not going to last all the time and when this war is over, regardless of who wins the war, they will be dealing with the United States and the United States will be dealing with all the countries in the world [illegible]

[illegible]

I happen to know, having dealt with farming legislation before the committee of which I am a member, [illegible]

on earth have ever paid in the history of the entire world. Is that criminal? Is that wrong? Do you want the farmers to pay more interest than that? Do you think it is in the interest of the general welfare for everybody to pay high interest rates? If you do, you should vote against this bill because it has a tendency to keep interest rates low, as they have been in the past.

I know that there is a group of college professors, I believe, who call themselves the economists committee, and they have been advocating the changes that have been advocated by the Federal Reserve Board. I am not willing to follow the Federal Reserve Board, and I have good and sufficient reasons why I will not follow the Federal Reserve Board. Originally the Federal Reserve banking system was pretty obnoxious to the banks of the country. They opposed it. They fought it, they did not want it, but they had to take it anyway. When they got it, they commenced getting a little amendment here and there and finally they got about an amendment to the Federal Reserve Act. The big banks got charge of it again. Now they are perfectly satisfied with it because it is their own. They handle it, they control it, they own it, they run it like they want to run it.

The Federal Reserve Board proposal has no more weight with me than if a group of Wall Street bankers were to get together, pass a resolution, and ask Congress to adopt their proposal. I consider it just the same as a Wall Street bankers' proposition, because it is in the interest of the big bankers of the country and against the interest of the general welfare of the people.

The fact that the Federal Reserve Board, assisted by the advisory council and the directors of the twelve Federal Reserve regional banks, have advocated a change is no reason in the world why we should grant it. In fact, it is a reason to make us see why it should be carefully investigated.

These economists are college professors. Let us see what they have in mind. Many of our great colleges and universities are endowed. Those endowment funds are invested in securities of different kinds and types, drawing as much interest as possible, of course consistent with sound investment. If interest rates go down low, or if they are decreased, these endowment funds cannot be invested to such good advantage and if instead of receiving an average of 4 percent per year [illegible] forces interest rates down generally and they only get 3½ percent or 3 percent per year, they complain. Why? They say that it cuts down the amount of money available for the university and "we will probably have to discharge some professors" or "we cannot grant the increases in salaries and expenses that we would like to grant; therefore we are against any policy that would force down interest rates. We believe in high interest rates."

If you will read the arguments that are made, one of the main reasons suggested in this minority report filed by the minority Members, our friends, the Republicans, states that this bill is bad because it forces down interest rates. I say for that reason it is a good bill; it should be enacted, and it should be extended. If we were to kill this bill or to defeat this law or the extension of it, we would be encouraging high interest rates. [illegible] It is true that would be very favorable to the big banks, it would be very favorable to the college professors who believe that the interest of the country is in granting higher interest rates so they will get more on their investments and thereby have more money to spend, including the payment of higher salaries. When their endowments receive more interest, they have more money to spend at each college and university; and, having more money to spend, they can get bigger salaries, better salaries, greater and larger expense accounts, and things like that. I consider that a very selfish view, but that view is taken, although I do not impugn the motives of those who accept that view. They are just as honest in their opinion, doubtless, as I am, but I believe they are absolutely wrong.

Mr. Chairman, I think it is against the interest of the people of this country to have high interest rates. Low interest rates are more favorable to the people than high interest rates, and for that reason, among others, I think this power should be extended. I see no reason in the world why any Democrat should vote against this bill; and I can see many reasons why I believe the Republicans should also vote for it. [Applause.]

[Here the gavel fell.]

Mr. REED of Illinois. Mr. Chairman, I yield 4 minutes to the gentleman from New York [Mr. EDWIN ARTHUR HALL].

Mr. EDWIN ARTHUR HALL. Mr. Chairman, I rise to make a few brief observations in stating my opposition to the bill now under consideration. No one sitting in this House day after day voting on some of the astounding measures which we are called upon to consider, can escape the analogy between our own acts and the story which I am about to tell.

It seems that within the confines of a certain asylum for the insane, a farmer drove an old broken-down wagon bearing a load of fertilizer. Suddenly, he was accosted by an inmate of that hospital. The patient hailed the farmer and said to him: "What have you got in that wagon?" The farmer answered, "Manure." The inmate then asked, "What are you going to do with it?" The farmer replied, "I am going to put it on my strawberries." Whereupon the inmate made answer, "I put sugar and cream on mine and they call me crazy."

I cannot help but feel, Mr. Chairman, that with many of the measures which we vote for or against day after day that we are following the same astounding course that has been here described.

When the Congress of the United States was first called to consider the gold-stabilization fund and to surrender its authority to the President over this matter, it marked one of the early steps that led to giving up our privileges to the Executive branch of the Government. In every speech that I have made since, I have continually deplored the tendency of the majority to accept [illegible]

[illegible] government and supplant it in this country with dictatorial, totalitarian methods.

I am going to make the following observation and quote a Biblical passage which I think applies in this instance. I believe it was Moses who made the statement 3,000 years ago: "Cursed is he who removeth his neighbor's landmark." There is no greater landmark in this free country of ours than the Constitution of the United States. There is no symbol in the entire world which means as much to you and to me as that blessed instrument of liberty which spells freedom for the American people and guarantees continuance of this Congress as a free body.

Mr. Chairman, I hope that the bill now under consideration will be defeated. [Applause.]

[Here the gavel fell.]

Mr. REED of Illinois. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. WILLIAM T. PHEIFFER].

Mr. COCHRAN. Mr. Chairman, I likewise yield 2 minutes to the gentleman from New York [Mr. WILLIAM T. PHEIFFER].

Mr. WILLIAM T. PHEIFFER. Mr. Chairman, I am indeed grateful to the distinguished acting chairman of the committee for yielding me an additional 2 minutes, particularly in view of the fact that I am rising in opposition to this measure, and some of the things I am going to say may not be exactly pleasing to my friends on the other side of the aisle.

How can we, the Congress of the United States, ever hope to get this country back on an even keel and back to that normalcy which obtained for the first 150 years of its history, so long as a subsidizing, money-meddling, spendthrift administration keeps the people in mortal fear and panic, fear for their lives and pocketbooks, by the perennial cry of trumped-up emergencies?

This bill, H. R. 4646, is a classic example of the penchant of the third New Deal to perpetuate and make permanent the vast emergency powers vested in the first New Deal, despite the oft-repeated assurance of the administration that these powers would be exercised only temporarily and would be returned to the people long ere this.

The minority report on this bill is one of the finest and sanest documents I have ever read. Its arguments are incontrovertible. The only fault I have to find with it is that it does not go far enough and it temporizes with an unconstitutional and dangerous grant of power that should be completely erased from our statute books. No President should have the right to meddle with the value of the American dollar, and particularly a President whose administration has been characterized by profligacy and waste and whose regard for the value of the dollar was epitomized in his statement of December 17, 1940, referring to the "silly old dollar sign." As to the stabilization fund, it is significant that for the first time the Secretary of the Treasury has commenced to inform the people who own these $2,000,000,000 as to how it has been and is being used; and it is shocking that in these days, when every available dollar should be used for building an unassailable defense for our country, that the gentlemen on the other side of the aisle should urge that the unexpended balance of $1,800,000,000 of this fund should lie fallow in the Treasury. This money belongs to the people and to no one else, and it is rank injustice to exact the last pound of flesh from the people in the form of vastly increased taxes so long as the huge sum of $1,800,000,000 is on deposit to their account in the Treasury of the United States.

Let us go back to 1935 when the act of May 12, 1933, under which the President altered the metallic content of the dollar was tested as to constitutionality in the Supreme Court of the United States in four cases, two of these arising out of corporate obligations containing gold clauses, one based on a United States Fourth Liberty Loan bond of 1918, calling for payment April 15, 1934, and another involving gold certificate of the series of 1928. Let me read to you a few brief excerpts from the dissenting opinion in those cases of Mr. Justice J. C. McReynolds, one of the greatest jurists ever to serve on the Supreme Court of the United States, and a man who will be honored and acclaimed by posterity for his devotion to American principles of government which was the foundation for his constant unyielding opposition to the seizure by the Roosevelt administration of unconstitutional powers. You will recall that Justice McReynolds was joined in his dissenting opinion by three other stalwart jurists, Van Devanter, Sutherland, and Butler. Here briefly is what the four of them said in the dissenting opinion. I quote from Two Hundred and Ninety-fourth United States Reports, pages 381-382:

[illegible]

Just men regard repudiation and spoliation of citizens by their sovereign with abhorrence; but we are asked to affirm that the Constitution has granted power to accomplish both. No definite delegation of such a power exists, and we cannot believe the farseeing framers, who labored with hope of establishing justice and securing the blessings of liberty, intended that the expected government should have authority to annihilate its own obligations and destroy the very rights which they were endeavoring to protect. Not only is there no permission for such actions; they are inhibited. And no plenitude of words can conform them to our charter.

You all recall the amazing turmoil throughout the country by the headlines the next day telling of the off-the-record comments of Mr. Justice McReynolds delivered from the bench. This is what he said, and it is just as true today as when he said it then:

It seems impossible to overestimate the result of what has been done here this day. [illegible]

[illegible]

It is no doubt true that we of the minority are trying in vain here today to prevent a continuance of this system fraught with all its dangers. This measure before us now is just as important to the country and just as important to every citizen of our land as was the bill of May 12, 1933; yet it is a sad commentary on the proceedings of this House that we find only a portion of the membership present to debate and pass on such a far-reaching measure.

The proponents of this bill—my friend the gentleman from Texas and my friend the gentleman from Illinois—on yesterday lightly dismissed the recommendations of the Board of Governors of the Federal Reserve System which warns against the effects of this measure, despite the fact that the Board maintains a great research and statistical staff of experts. It is far larger—and many persons believe far better informed—than the Treasury's. Its findings have been found extremely accurate over many years and are accepted generally by the public and by business as sound. But the gentlemen on the other side of the aisle say, in effect, that because they are bankers their recommendations should be discounted 100 percent. But let us get down to the grass roots on this thing and quit talking in generalities. I believe it is safe to assert that the opinions voiced by the Governors and Advisory Council of the Federal Reserve Board would be echoed and reechoed by 90 percent of the rank and file of the bankers of this country, and I do not refer alone to the bankers who are in charge of the great financial institutions of my home city of New York, but I specifically include the small country-town bankers who own and operate the modest little banks on the Main Street corners with a capitalization of between $25,000 and $100,000. I have practiced law in country towns and have represented country-town banks. Hence I speak advisedly when I say that the existing law, which it is now proposed to extend for 2 long years, has played havoc with the business of those banks and the business affairs of their customers. Not only has it dried up the business and earnings of every bank in the country but it has given rise to thousands of cases such as this:

The widow Jones or the widow Smith comes in to see her small-town banker, who has always been regarded as the financial oracle of the community. She has fallen heir to a small estate. It is, say, $2,000 in cash. She says, "Mr. Banker, how am I going to invest this money where, No. 1, it will be safe, and, No. 2, it will provide for me a modest income?" In former years, prior to the act of May 12, 1933, the small-town banker could accurately advise her, but not now. If he tells her to put her money in bonds or mortgages, there is no assurance that the dollar will not again be devalued to the point where her bond or mortgage will have no fixed value; likewise, the threat of confiscatory taxation and the possibility of Government price fixing makes an investment in real estate equally hazardous. Thus the poor widow knows not where she may safely invest her mite.

I appeal to you, my fellow Members, to consider carefully your decision on this subject. Forget about the center aisle and realize and weigh the consequences of your vote. Let us restore to the Congress its rightful prerogatives and constitutional control over the monetary system of our country. And, for one, I assure the country that Congress will exercise those prerogatives and that control fairly and squarely. [Applause.]

[Here the gavel fell.]

Mr. REED of Illinois. Mr. Chairman, I yield 20 minutes to the gentleman from Minnesota [Mr. ANDRESEN].

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I am not an expert on money. I leave that title for my distinguished friend the gentleman from Missouri [Mr. COCHRAN], who has received his instructions from his collaborators down at the other end of the Avenue. I approach this problem and the money question from the viewpoint of a layman trying to use good, common horse sense in analyzing what should be done for the best interests of our country.

Many of the experts who were in favor of this present monetary scheme which has operated for the past 7 years and 4 months are no longer for it. The only remaining ones of the so-called monetary experts who are supporting the program are the ones who are on the Government pay roll. They could not very well do otherwise and maintain their positions. So we cannot help but appreciate that they are biased in their opinion when they recommend that Congress continue this authority in the President of the United States for another 2 years. I am going to give you just a little history of this legislation and why and who put it on the statute books.

In 1932 Candidate Franklin Delano Roosevelt, who was then running for President, said he wanted sound money in this country. He ran on the famous Democratic platform and most of the people subscribed to that platform. They wanted sound money. Mr. Roosevelt was elected and took office on March 4, 1933. He and his associates began searching around for ideas to give the people than. In the search for ideas they discovered there was a noted English economist who had come to the United States and who had certain brilliant ideas about money. His name is John Maynard Keynes, a recognized authority in England on the money question; and, by the way, he is now in the United States advising the administration on what kind of a tax bill we ought to put through. At that time he thought it would be a good idea if we would adopt a new monetary policy in this country, particularly with reference to the purchase of foreign gold, for England or the British Empire produces two-thirds of the world's supply of gold. So he sold his ideas to Professor Warren and another distinguished monetary professor of Cornell, who in turn sold the idea to the President of the United States, and that idea we are being asked here today to continue until June 30, 1943.

Mr. WHITE. Mr. Chairman, will the gentleman yield for a correction?

Mr. AUGUST H. ANDRESEN. I am sorry; I cannot yield.

I will discuss a little more of the policy as I go along, and what has been done.

The hearings before our committee were very brief. The only one permitted to testify before the committee was Secretary Morgenthau. I wanted to have Mr. Eccles, the Chairman of the Federal Reserve Board, one of the greatest monetary experts in the United States, as claimed by some, to come before the committee, but he refused. I asked that other witnesses might appear, but a majority of the committee decided against any continuation of the hearings. Therefore the only record you have before you today as to the working out of the monetary policy and what the administration expects to do is found solely in the testimony of Secretary Morgenthau. The advisory committee of the Federal Reserve Board recommended that the power now lodged in the President to further devalue the dollar should be discontinued and allowed to lapse on June 30 of this year.

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

Mr. AUGUST H. ANDRESEN. I yield to my colleague.

Mr. DEWEY. Is it not true that all the monetary gold in the United States is under the control of the Federal Government, and not being in circulation this authority might permit the Treasury Department, the President or the person in power, to write up that asset to any amount he might think well, and having started and having had a taste of such writing up of an asset, might it not be possible for that asset to be written up where it could cover the entire public debt of the United States and gold certificates issued against the gold and the public debt paid off in that way?

Mr. AUGUST H. ANDRESEN. It might be possible to do that if Congress would give the President the additional authority to reduce the number of grains of gold in the dollar below 50 cents. Under the existing law or the bill we have before us, the President can devalue the amount of gold in the dollar an additional 9 cents so as to give us a 50-cent dollar instead of a 59-cent dollar, which we have today.

There is $22,568,000,000 worth of gold in the ownership of the United States Treasury, a large portion of which is pledged to the Federal Reserve System. Should the President take advantage of the authority given in this bill to further devalue the dollar an additional 9 cents, it would mean that the Treasury would be able to take a profit of $4,100,000,000 from the American people on that gold. Now, originally the Treasury took a profit of $2,800,000,000 on the $4,000,000,000 worth of gold we had on February 1, 1934, after devaluation. Approximately $800,000,000 of the profit went to the general revenue fund, and $2,000,000,000 was retained in the stabilization fund which is also being considered here today for renewal.

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield?

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

Mr. VORYS of Ohio. The gentleman uses the phrase, "make a profit off of issuing gold securities."

Mr. AUGUST H. ANDRESEN. By that I mean that if you have 100 horses that cost you $50 apiece, and you decided that those horses are worth $100 apiece and raised the price $50, that is, you mark them up, then you will have in your own mind a paper profit on your own books of $50 for each horse, and that is about the way this has happened, because we cannot sell the gold to anyone in the world and we are buying all the gold of the world. In fact, we now have between 80 and 85 percent of the supply of gold in the world.

Mr. VORYS of Ohio. I do not understand this monetary theory very well, but when you mark it up, when you give yourself a profit, all you do is to inflate, is it not? You simply issue more money for the same value than there was before, so that if everybody was smart and the thing worked perfectly, prices would change accordingly, because there is no more value behind the money than there was before.

Mr. AUGUST H. ANDRESEN. I shall go into the details of that in a little while, and I believe that I can explain it to the satisfaction of the gentleman.

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

Mr. AUGUST H. ANDRESEN. I shall yield in a few moments. I am going to refer now to the $2,000,000,000 of profit taken in 1934 and used as a stabilization fund. Some of my colleagues have already pointed out that only $200,000,000 of the $2,000,000,000 has been used as capital for the stabilization fund. One billion eight hundred million dollars has been lying dormant. During all this time we have sold billions of dollars of interest-bearing bonds to the American people, and each year we have lost $45,000,000 of interest on that dormant fund in the stabilization fund held by the Secretary of the Treasury. The Secretary of the Treasury does not propose to use that $1,800,000,000 for any other purpose. He says that $200,000,000 is sufficient capital for all the operations of the fund. The fund ceased to operate at the beginning of World War No. 2, so that there is no reason at all for the stabilization fund in any manner whatsoever. Originally the purpose of the fund was to equalize foreign exchange in relationship to the American dollar. We depreciated our money to meet the British pound and the French franc in 1934—to meet their devaluation, so that our money in America would be on a par with the French franc and the British pound and other currencies where they had devalued in 1932 and 1933.

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

Mr. AUGUST H. ANDRESEN. In a moment. Since that time these same countries like England and France and

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every other country in the world have again devalued their currency and their money is now out of line with the American dollar. If we are to be consistent here and make our theories work, we should have another devaluation in the United States, but, after all, when we have another devaluation just as we had the first one, we are letting the bankrupt countries of the world dictate the monetary policy of the United States and such action should not be again tolerated.

Mr. MAAS. And does not the gentleman fear that that will prove to be the fact that there will be a devaluation to meet the depreciated currency of the other countries?

Mr. AUGUST H. ANDRESEN. That has already taken place. Take, for instance, the Canadian dollar. There is a 10-percent premium on the American dollar in Canada. An ounce of gold is now worth, as fixed by the President and the Treasury, $35 in the United States, and an ounce of gold in Canada is worth $38.50. Why? Because $35 in American money will buy $38.50 worth of Canadian money, and so we have caused a boost in the prices in Canada and given them the benefit of our monetary policy without a return benefit to the American people. If we want to get even with Canada, we should have another 10-percent devaluation on our gold, and so it would go on.

Mr. MAAS. What would happen if we attempted to restore the original price, if this Government ever attempts to do that?

Mr. AUGUST H. ANDRESEN. If we would go back to the original amount of gold in the dollar, which was around 23 grains, the price of gold would be brought back to $20.67 an ounce, as against $35 an ounce at the present time. We have 644,000,000 ounces of gold. For every dollar you reduce the value of gold we lose $644,000,000. So you can figure it out. Take 14.33 cents and multiply that by 644,000,000 ounces and you will see the tremendous loss the Treasury would have to take.

Mr. GIFFORD. Will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield.

Mr. GIFFORD. Following all the reading I could find from the beginning of this stabilization fund, it was to stabilize the currencies of the world.

Mr. AUGUST H. ANDRESEN. That is right.

Mr. GIFFORD. For the first time at your recent hearings we find it is to be used entirely for another purpose. Morgenthau says that this $1,800,000,000 is sort of a nest egg. "When we have to borrow money and pay too high interest, I will buy bonds with it." It is entirely apart from the original thought and it is held as a nest egg to buy bonds if he has trouble buying from the public and he has had that four times already. Does the public know he has had trouble four times already?

Mr. AUGUST H. ANDRESEN. No. The public knows very little about money or what the Treasury is doing. In fact, most of the Members of Congress, unfortunately, rather feel that the money problem is so complicated that they would rather leave it to experts like the gentleman from Missouri [Mr. COCHRAN] and those down in the Treasury to dictate just what should be done.

That nest egg to which the gentleman referred represents simply clipping the dollars held by the American people to the tune of $1,800,000,000. The Secretary said he was holding that in trust for the American people, that it was not drawing interest, and that some day he was probably going to do something with it. I called to his attention the dire need for money to pay for our national defense and I asked him who this national defense was for; if that was not for all the American people; and I suggested to him that we use this $1,800,000,000 to help pay for the national defense of all the American people. He said we would not do that; that he wanted to keep this for a nest egg. Maybe, later, it will come in handy some day when we figure that our national debt will soon reach $100,000,000,000, if it is not there already. Perhaps it is there today. But I say if we are in danger in this country, particularly when we are spending about $50,000,000,000 for national defense to protect all the American people, then we should use available money, without continuing to pay interest and raise exorbitant taxes. I strongly favor complete defense for our country, but I want to get full value for every dollar spent for this purpose.

Mr. GIFFORD. Did the gentleman hear the gentleman from Texas when he said this means that a householder could save $1,600 on a $5,000 mortgage in 20 years, and connected this with it? Can you connect it with this?

Mr. AUGUST H. ANDRESEN. Not at all, because, after all, the agencies of the Federal Government during the past 7½ years have really taken over the function of loaning money to the people on all investments, as most of you know, so that it is impossible for an individual or a bank or an insurance company to go out in the market and compete with the Government.

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

Mr. AUGUST H. ANDRESEN. I yield.

Mr. CURTIS. Does this bill carry a continuation of the authority for the purchase of foreign gold?

Mr. AUGUST H. ANDRESEN. It does, and I am coming to that in just a moment.

Mr. CURTIS. Will the gentleman tell us what the effect of that has been upon the Japanese-Chinese situation, when he reaches that?

Mr. AUGUST H. ANDRESEN. I hope to discuss that in just a moment.

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

Mr. AUGUST H. ANDRESEN. Yes; I yield.

Mr. PLUMLEY. I was surprised to find, Mr. Chairman, that on the 7th day of October 1940, I said in this Congress that a subservient Congress granted the Secretary of Agriculture the right to impose taxes. That is up your alley. "They gave to the President authority to fix the value of money, a power so great over the lives of men as never heretofore to have been enjoyed save by a complete despot." I said it then, and I say it now.

Mr. AUGUST H. ANDRESEN. I thank the gentleman for his contribution.

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

Mr. AUGUST H. ANDRESEN. I yield.

Mr. YOUNGDAHL. Was it brought out in the hearings or does the gentleman know how much is lost each year, based upon the average interest rates of today, as a result of the nonuse of the $1,800,000,000?

Mr. AUGUST H. ANDRESEN. Forty-five million dollars a year, or a total over the 7 years of over $337,000,000, has been lost to the American people and has been paid out in interest by the United States Treasury on bonds.

Now I want to discuss the devaluation proposition, in which you are all interested.

[Here the gavel fell.]

Mr. REED of Illinois. Mr. Chairman, I yield the balance of my time to the gentleman from Minnesota [Mr. ANDRESEN].

The CHAIRMAN. The gentleman is recognized for 11 additional minutes.

Mr. AUGUST H. ANDRESEN. One of the main reasons for the devaluation program of the dollar was to bring about an increase in the price levels of farm products in this country, and the other reason was to stimulate exports. The theory back of all of it was this: That if we would raise the price of foreign gold from $20.67 an ounce to $35 an ounce, the foreigners would sell us their gold and that the money we gave them would be used to buy our farm and manufactured products. In that way we would get recovery in the United States. We would dispose of our surplus farm products, we would dispose of our manufactured products, start the unemployed men back to work, and we would again have good old American prosperity. That was the theory on paper as advocated by money experts and the men in the administration who sponsored the idea in 1933. It did not work that way. We got the gold, yes; we purchased nearly $15,000,000,000 worth of gold from foreign countries at $35 an ounce. What did they do with it up to the time the war started?

Mr. Keynes, the noted English economist, was, of course, interested in the idea. Great Britain produced two-thirds of the gold of the world. The British Empire sold us between $10,000,000,000 and $11,000,000,000 worth of gold during the last 7½ years. And how much did we pay them as a premium? The difference between $20.67 and $35 an ounce. We gave them a premium of around $4,400,000,000. It was an outright gift from the American people. They owed us from the last World War $4,200,000,000, without interest. So, in fact, we canceled the debt; not only canceled the debt but gave them, on top of that, $4,400,000,000, a gift from the American people. No wonder Mr. Keynes was over here to recommend the passage of this type of legislation.

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

Mr. AUGUST H. ANDRESEN. I yield.

Mr. REED of New York. We also have lent them $1,000,000,000 recently.

Mr. AUGUST H. ANDRESEN. That is on top of this.

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

Mr. AUGUST H. ANDRESEN. I am sorry; I cannot yield. I have but 7 minutes left.

Mr. Chairman, I will name some of the other countries that benefited by our generosity. At the time we started this New Deal scheme, Japan was not armed and did not have an adequate army and navy. They had to get their raw war materials from other countries. Before World War No. 2 started we sold Japan 60 percent of her supplies of war materials, England sold her 15 percent of her supplies, and the balance of her war supplies came from other countries in the world; but now we are selling Japan pretty nearly 80 percent of her war supplies. In the last 4 years Japan has sold us $700,000,000 worth of gold, and we have given them a premium of $280,000,000 just to take that gold off their hands; and right today they are buying increasing quantities of gasoline, steel products, and scrap iron, all things she needs to carry on her war.

I listened to the radio the other night and heard Col. "Wild Bill" Donovan, the man the administration sent overseas to induce the Yugoslav Government to get into the war. Somebody asked him the question in the "round table," Why does the United States continue to sell war materials to Japan? He said, "I do not know." He said, "I cannot understand it."

I asked Mr. Morgenthau the same question when he was before our committee. He said, "You will have to ask Mr. Hull." Here we have Japan, a recognized potential enemy of the United States, and we are cooperators in the partnership to bring destruction to America by furnishing her with the war materials that may be used to shoot down our boys and destroy our own ships. [Applause.]

I should like to have some man on the majority side answer the question why the United States is buying Japanese gold at a premium and selling our essential war supplies to them. I should like to know the reason for helping Japan build up a navy big enough to some day attack us.

Mr. WHITE. Mr. Chairman, would the gentleman care to answer a question?

Mr. AUGUST H. ANDRESEN. I cannot yield, Mr. Chairman; I am sorry. The gentleman can answer in his own time.

We are friends of China, and God knows we want her to win. At last we are going to give her some credit, $50,000,000 out of the stabilization fund, but we did not sell her war materials or give it to them. During the last year alone we sold Japan more than $54,000,000 in gasoline and lubricating oils and more than $247,000,000 worth of war supplies they are getting ready to use against us.

It is high time we stopped this policy of giving aid to a potential enemy.

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

Mr. AUGUST H. ANDRESEN. I yield.

Mr. REED of New York. I hope the gentleman will not forget the supplies we furnished Russia at the time Finland was making her gallant fight for life.

Mr. AUGUST H. ANDRESEN. No. I was coming to that.

Russia has produced $1,250,000,000 worth of gold since we inaugurated this policy—$1,250,000,000. Much of it found its way into the United States Treasury. Russia benefited for all of her gold production, because our Treasury fixed and maintained the world price at $35 per ounce.

So every country in the world, including Japan, Germany, Italy, and England, have been parties to selling the United States $15,000,000,000 worth of gold. They have enjoyed our bounty and the profit on their gold. This profit alone amounts to a gift of over $6,000,000,000, a gift from the American people.

Our duty as Members of Congress is to stop such a program. We should take this power away from the President, and we can take it away from him if we adopt amendments that will be offered here today.

Mr. JONKMAN. Will the gentleman yield?

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

Mr. JONKMAN. Is it not possible that some of these war materials furnished to Japan during the last few years might have found their way to some of the other Axis powers?

Mr. AUGUST H. ANDRESEN. There is no question about that, because once those materials land in Japan, the record shows they are finding their way into Russia, Germany, and even down to Italy, where they are now using those materials against friendly democracies.

Mr. Chairman, for the benefit of my good friends from the South, I want to point out one more thing. I have stated that we purchased between fourteen and fifteen billion dollars' worth of foreign gold, most of which lies buried down here in the ground in Kentucky. Do you know how much that is? I am going to tell you how much it is.

All of the real estate, the personal property, the farms, the mines, the railroads, the furniture and everything else of any value in the following Southern States does not equal the value of the gold that we have purchased from these foreign countries under this fantastic New Deal monetary scheme: Alabama, Delaware, Florida, Georgia, South Carolina, North Carolina, Louisiana, Mississippi, Virginia, and West Virginia. The total value of everything in those States amounts to about $12,987,000,000; yet through our beneficence we have purchased $15,000,000,000 worth of foreign gold that now lies buried down in the ground in Kentucky. You can guess as to its real value.

We have given away the equivalent in value of 11 fine States in the United States. Who got it? People who were only interested in the United States for what they could get out of her.

Did this program increase prices in the United States or increase exports? It did not. Foreigners sold us $15,000,000,000 worth of gold. They put the money in the banks and bought war materials and American securities with it—an interest in American business. They took the stock back with them and they are now drawing dividends. We have to pay those dividends in gold. You will find, for instance, that as a result of the American securities these people purchased with that premium money we gave them for their gold, we will probably pay out close to $300,000,000 worth of American gold as interest and dividends.

We are again playing the "Uncle Sap," as one of my colleagues stated a short time ago.

I ask you to vote for the amendments that will be offered to the bill. I am sorry I have not more time to finish my argument. [Applause.]

[Here the gavel fell.]

Mr. COCHRAN. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, the gentleman from Minnesota certainly has my sympathy. I realize that he cannot be an expert on too many questions. Naturally, when he gives so much of his time to the farm problem, he has little time to spend in studying monetary problems. I appreciate the gentleman's reference to my ability on this subject. He is extremely kind in his remarks. But I want to ask the gentleman from Minnesota if it is not true when he has great farm problems before him if he goes to the farm organizations to find out how they are going to look at the question, and then, when he determines how the great farm organizations feel, if he does not follow the leaders' advice in the interest of the farmers.

I call the gentleman's attention again to the letter the American Farm Bureau wrote to every Member of this House—and it has never been recalled or changed—in which that organization appealed to us in the interest of the farmers, and the merchants, to pass this very legislation 2 years ago, fearing grave results if we did not do so.

The gentleman is rather critical in his remarks of me because he said I go up to the other end of the Avenue to secure my information on this subject. I confess that when I am seeking information I go to the best available source, and I feel in this instance the best available source is the Secretary of the Treasury and the Treasury Department. Yes, I go there; yes, I secure my information there; and the information I secured is sound in this instance. Follow that advice with me and you cannot go wrong.

The gentleman spoke of Japan. Are we at war with Japan? Does the gentleman want to create a situation that might force Japan to declare war upon us? The gentleman says that we are selling our goods to Japan. So long as we are at peace with Japan, should we not sell our goods to Japan? Does the gentleman demand we stop all trade with Japan?

I do not know where the gentleman gets his information, but I want to know before I will admit what we are selling to Japan today is going through Russia and finding its way into Germany. I do not know whether that is true or not, and I venture the assertion that he does not know positively that it is.

So far as I am concerned, I am not a bit backward in telling the gentleman that the information I have given to the House upon this very delicate subject—upon a subject that concerns every man, woman, and child in this country—a subject which the Secretary of the Treasury told me and told you is just as essential to our financial program as our Navy is to our national defense—came from the Secretary of the Treasury, and I say the Secretary of the Treasury is the man to get this information from. I pass it along to you and hope at this critical period you will accept it and not try to make a political football of this bill.

Mr. AUGUST H. ANDRESEN. Will the gentleman yield?

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

Mr. AUGUST H. ANDRESEN. I certainly would not cast any reflection on the distinguished gentleman from Missouri, because I recognize that he is a sincere, conscientious Member of the House, and that he is performing his duty and working with the majority. Naturally he must go down and have a talk with the Secretary of the Treasury and the other experts in the Treasury Department before advocating legislation.

Mr. COCHRAN. And the gentleman's duty is to work with the minority. He is going along with the minority leader, and I compliment him for going along with his leader. At the outset the gentleman from New York made this a political issue. You know how you are going to vote. The sooner we vote the better. [Applause.]

Mr. Chairman, I yield the balance of my time to the gentleman from Idaho [Mr. WHITE].

Mr. WHITE. Mr. Chairman, it is very interesting to listen to the distinguished gentleman who preceded me, the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN]. It is also very interesting to hear so many statements in disregard of the mechanics of money. We are told that we must no do business with foreign countries because they may be potential enemies.

I tried to ask a question two or three times but no one would yield. Speaking of money, when a man is accused of a robbery and pays a lawyer a fee to defend him, I am wondering if that money should be retired and go out of circulation because it had been connected with some nefarious operation. We are dealing here with the function of money, the most important function that is supplied by the Government to the business of the country.

For the benefit of the members of the committee, I should like to read a few statements that were made at the time this legislation was first under consideration. May I remind the gentlemen who were speaking about gold that due to the shortage of gold at the time this legislation was under contemplation many of the currencies of Europe were unable to obtain the necessary gold reserves. I read from a statement by Mr. Benjamin Anderson, economist of the National City Bank of New York:

> There grew up a very wide practice of central banks in Europe holding dollars and sterling instead of holding gold in their own vaults. The Netherlands Bank had a lot of sterling and dollars, and the Bank of France had a tremendous lot of both dollars and sterling.
>
> In the collapse of sterling the Bank of France lost several times its capital, and the Government had to make good its capital. The Netherlands Bank lost its capital and the Government made good half of it.
>
> In the trouble that followed they could not trust sterling.

When they are talking about sterling they are talking about the notes of the Bank of England. Gold was so scarce as a result of the war, there had been such a strain placed upon gold, the law of supply and demand had made gold so increasingly high in terms of commodities or anything else with which you may measure gold, that its value had gone way past the price we finally legalized, $35 an ounce. If you followed the press reports of that day, you know that the French hoarders were paying $35 for one of our $20 gold pieces. So the fact that gold was increasing in value and everything else was falling, that depression and distress were overtaking this country, was one of the reasons that some monetary legislation and some monetary plan had to be worked out.

Let me tell you something about the operations in gold and how they affected our business. Gold was so scarce that banks in other countries had very low gold reserves covering their currency. If an exporter in this country found a customer in another country, particularly in central Europe, for any of his products, and made a sale, the customer with the currency of his own country went to his bank and asked for exchange with which to remit to America for the goods we wanted to export and he wanted to import. The man at the bank simply shook his head and said, "No; we cannot issue you foreign exchange because it will come back here as a draft on our gold supply, and we are so short of gold we cannot permit any gold to flow out." That condition, due to the shortage of gold, just simply stopped business.

We have gone back a thousand years in international transactions. We are reduced to the expedient of barter. We are going through the clumsy process today of gathering up our cotton and our wheat and bartering them for tin and rubber, whereas if we had the proper system of international exchange we would pay cash and eliminate all those expenditures and chances for profiteering that exist in the barter system. I just call the attention of the Members to that situation, and ask for this legislation.

Let me read a little further. This is Mr. Vanderlip testifying. He was former Assistant Secretary of the Treasury, president of the National City Bank of New York, and chairman of the New York Clearing House. I am speaking now about the situation that made the stabilization fund a necessity in this country:

> But there came another influence of that international capital movement which was much more menacing than those more-or-less normal movements of capital. When England went off the gold basis, Parliament almost at once appropriated £150,000,000 as a stabilization fund. That sounds innocent, and Parliament had a perfect right to do it, undoubtedly. It was for the ostensible purpose of preventing violent fluctuations of the pound in foreign exchanges. How could they prevent it? Only by manipulating foreign exchanges, by throwing across frontiers capital without any relation to foreign trade. One hundred and fifty million pounds is a goodly sum, but that was soon found not to be enough. It was quickly increased by £200,000,000, so that the stabilization fund, amounting to one and three-fourths billion dollars, is dropped into the foreign exchanges, to be handled by a gentleman sitting in the chair as the governor of the Bank of England. It is a movement of capital across borders, that today is as dangerous as an armada of airplanes. It is moved for the one purpose of the welfare of English commerce. Now, you may say that is also for the welfare of the world. It may be or it may not be. It certainly was not moved with any design for our welfare, and has demonstrated that it is a force that the gold standard must be guarded against.

Quoting further from Mr. Vanderlip:

> It was an account that placed in the hands of the governor of the Bank of England the ability to buy exchange in one country or sell exchange in another and to bring an element into the foreign-exchange situation having, as I have repeatedly said, no relation at all to foreign trade movements.
>
> Now, there is another attack on the monetary gold stock that is fatal to it, if it is brought in large enough volume, as it was a little over a year ago. Hoarders may withdraw gold, if all currency is redeemable in gold, and do that without any question as to the purpose for which the gold is to be used. Hoarders may invade your monetary gold stocks in a way that would threaten or might actually put you forcibly off the gold standard. Hoarders withdrew in the neighborhood of six hundred million of gold a year ago.
>
> Now, remember that $1,000,000,000 of gold may be multiplied into 10 times that demand on your bank loans, and you must reduce your bank loans forcibly, if you are down without any surplus reserves, let us say, 10 times as much as the gold withdrawal. A withdrawal of six hundred millions by hoarders becomes an enormously important force under such a situation.
>
> So that I believe that if you do not want to set up an impermanent gold standard, you must insulate it against these two forces of hoarding and of an irresponsible international movement of capital that has no relation to foreign trade.
>
> Now, it has been estimated by as high an authority as the London Times that there is at the present time ten billions—again that would be on the old gold figure—ten billions of liquid capital that flows across the borders, actuated sometimes by fear, sometimes by astuteness, sometimes by Government policy.
>
> That is as dangerous to the financial ship of state as a cargo of loose cannon balls that cannot be controlled, if you allow it to attack your monetary gold base. That makes this section of the bill, I believe, an absolutely essential one.
>
> Now, the gold standard worked for a century, but in that century we had no such movement of liquid capital. It did not exist. In the movement of liquid capital is also reflected the work of exchange speculators. We have not in this country any large speculation in foreign exchange. In Europe that is a very favored form of speculation. Our speculators do not understand foreign exchange very well, and we have never developed that form of speculation. But in France, in Belgium, in Switzerland, in Holland, and to some extent in England, there

has tremendous speculative forces that are engaged in just that thing of capital movements across frontiers that have no relation to foreign trade. I keep repeating that phrase, but it is a thing that must be grasped. This movement of capital across frontiers, without regard to foreign trade, must be guarded against. You must insulate your standard against that.

What does that mean? It means something that is dangerous. It means a method of somehow separating a demand that is a legitimate demand against a debit or credit balance in foreign trade from the movement of capital that have no relation to foreign trade. It would mean the setting up of some machinery.

Now, remember that it is just as dangerous for a country to have an inflow of capital, without any relation to foreign trade, as it is an outflow.

Mr. Chairman, that was the situation in that time of stress when this legislation was first put into operation. I am sure that every Member of the House and every Member of Congress will agree that times are far more critical, there is far greater danger of an unsettled world and of an unsettled financial situation to be guarded against, than was the case at the time this act was put into operation.

So much has been said about the power to devalue the dollar that I call the attention of the Members of the House for a moment to what happened about this time when Japan devalued its yen, and by that expedient was able to get its goods across our tariff barriers and come into this country and take our market. With the devalued yen they could pay our tariff and, in view of the high-priced dollars with which we paid for their goods, they could take away our foreign trade. It was by devaluing the dollar that we safeguarded the protectionist principle of the gentlemen on the other side that are standing for high protection. If they want protection, they have got to have protection in a way that will be effective and efficient, with power to regulate and adjust our monetary system with the systems of other countries.

Mr. Chairman, our money, the American dollar, is the best money in the world today.

In monetary management among the currency systems of the other nations, our Government has achieved that supremacy for stability, security, and recognized value of our money that has been the goal of every other nation.

When the manipulations of the financiers of other countries threatened to upset the value and stability of the United States currency, when our national economy was facing disaster after 4 years of strenuous efforts of the administration preceding President Roosevelt to revitalize our monetary system and stabilize business had met with failure, when our financial institutions were tottering on the brink of ruin, this administration came to the rescue of the business and the bankers of this country with constructive legislation and skillful monetary management, and the Treasury with the aid of Congress righted the financial ship of state and built one of the strongest monetary systems that the world has ever known, a system that [illegible] and American credit the best in the world, a system that brought to this country 60 percent of the world's gold.

When the banking system of this country failed to finance business and industry and investment capital dried up at a time when other nations were playing havoc with the exchange value of our currency by establishing and manipulating huge stabilization funds and dark depression brought disaster and threatened destruction to American business, it was not enough that we drew on the only stable thing we had remaining, the national credit, to set up the Reconstruction Finance Corporation to supply the desperate need of business for capital and credit, the new administration came to aid by its constructive financial and monetary program strengthened and expanded this great Government financial agency to better finance business and industry.

But the banks and the R. F. C. were unavailing; without a stable monetary system, new legislation was imperatively needed. First we brought the monetary value of gold into line with the value that an abnormal demand throughout the world placed upon it and further strengthened the base of our currency system by putting in use the money-metal, silver produced largely in our own country. Next to bulwark our national credit and our financial business structure at home and abroad, we matched the financial system of our competitors by setting up a stabilization fund of $2,000,000,000 created and placed in reserve without the cost of a penny to the American people by setting aside the increment of gold obtained by reducing the gold content of our dollars.

Thus our Government in the time of financial stress evolved and put into operation one of the most ingenious and constructive programs of monetary management that it has been the good fortune of any government or people to have at any time.

How has this legislation, the Gold Reserve Act of 1934, worked? Look about you. Gold, the bulwark of money and credit in every nation, began to flow into our Treasury in an increasing tide; the national credit has grown stronger under every strain that has been put upon it. Our money, the American dollar, is the strongest currency in the world today.

And now to quote from the words of Secretary Morgenthau:

We are going forward into times of even greater peril. We are in the midst of many systems of currency and exchange control. Some are operated with no friendly intent toward the United States. Our stabilization fund is a potent weapon of defense in our international economic relations. This is hardly the time to abandon the machinery of control which we have built up to protect the dollar and the American economy.

Economic warfare, as well as military warfare, is now being waged on all sides of us. There is no certainty that even with peace these aggressive economic instruments will be abandoned by other countries. Nobody can say what kind of international economy will emerge from this war. But it would surely be unwise to [illegible] private speculation and foreign governments [illegible] value of the dollar.

By these [illegible] I have no hesitation [illegible]

[illegible] that Congress [illegible]

Statement [illegible] Monetary Commission of 1913[illegible]

[illegible]

The [illegible] of inconvertible paper money on the contrary [illegible] and commerce.

The proposition often made that the quantity of money in this country should [illegible]

RATES OF INTEREST ALWAYS LOW WHEN MONEY IS [illegible]

Equally fanciful and erroneous is the proposition that the rates of interest depend upon the volume of money. [illegible]

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[illegible]

WHY IT [illegible]

[illegible]

Such bonds naturally increase in price.

* * * * *

But this is altogether an error. If a man could be moderately certain of making 4, or 5, or 6-percent profit in a business enterprise, he would not take a Government bond at 2 percent, no matter how good the credit of the Government.

The most certain sign, therefore, that the value of the monetary unit is increasing * * * is the fact that interest on securities of the first class is decreasing.

There has been much talk about this gold that is stored in Kentucky. Economic law is in operation here and throughout the world, and if we were to coin that gold and put it into circulation, to be withdrawn at will by people of foreign countries, we would soon be bereft of this great bulwark to the security of our national economy and our national currency.

Mr. Chairman, I am going to yield at this point to my good colleague the gentleman from Nevada [Mr. SCRUGHAM] who was not in the House at the time I was yielded time.

Mr. SCRUGHAM. Mr. Chairman, money, including its metallic forms—gold and silver—is generally subject to the same laws of supply and demand that govern the value of commodities and services. For many decades, up to the time of the present Roosevelt administration, the value of money in this country was largely controlled by a comparatively small group of shrewd men, known as international bankers, who manipulated money values chiefly for their personal profit. Our business and economic system was built on the right of profits to all who could get them, with little or no regulation or consideration of whether or not the Nation as a whole had any benefit therefrom. The control of the money of a nation is a prize that is still being fought for by vested interests, and their proposed method of accomplishment of their end is to hamstring the Government control, through freezing the value of the medium of exchange, gold, and the prevention of Government regulation. Our greatest weapon in protecting the industries and wage earners of the country from low wage foreign competition is our great stock of gold and silver. Our governmental control of our money is what controls the situation. With this mighty instrument in administration hands we can stabilize the value of Government securities. We more fully control runaway paper inflations and depressions, as has been well demonstrated during the past 7 years. America today stands in a peerless position to dominate the world financial situation, which we could not do by freezing our gold and silver values. The powers proposed to be again given to the administration are not only a protection to the taxpayers and the public of this Nation, but an absolute necessity if we are to hold our own economic supremacy in this stupendous and cutthroat international competition which faces us in the immediate future. I can imagine no more short-sighted congressional policy than to refuse our Treasury the right to place the proper value on our own gold, which will be to the best economic interest of the whole Nation. We certainly do not want to play into the hands of profiteers.

This talk of inflation due to our control of the price of gold is, to my mind, the absurdest nonsense. On the contrary, nothing will be more conducive to stability. After the Civil War destructive inflation due to the vast circulation of uncovered greenbacks was ultimately prevented by the production of hundreds of millions of dollars' worth of gold and silver from the Comstock mines of Nevada and from other Western States. Quoting from the report:

During the last 2 years the international exchange markets have been more disrupted than they have been in the past 20 years. It appears that the period ahead of us may be even more critical. We are in the midst of many systems of currency and exchange controls. Some are operated with no friendly intent toward the United States. Economic warfare as well as military warfare is now being waged on all sides of us. There is no certainty that even with peace these aggressive economic instruments will be abandoned by other countries. The stabilization fund has proved its value during years of unparalleled crisis in international trade and finance and is a potent weapon of defense in our international economic relations. Your committee believes that it would be unwise at this time to abandon the machinery of control which we have built up to protect the dollar and the American economy. It would surely be an inopportune time to let private speculators or foreign governments determine the exchange value of the dollar.

The bill also extends for 2 years the authority of the President to alter the gold content of the dollar. The President's authority, as under existing law, will be limited to fixing the gold content of the dollar between 50 and 60 percent of its former weight. The President exercised this authority on January 31, 1934, by fixing the gold content of the dollar at 15 5/21 grains of gold, nine-tenths fine, which is approximately 59 percent of its former weight. The Secretary of the Treasury assured your committee that there is no present desire or intent on the part of the administration to alter the gold value of the dollar. However, as was stated by the Secretary of the Treasury, this is no time for the United States to surrender any of its instruments for dealing adequately and promptly with international economic and monetary problems.

We are facing a period of inevitable economic warfare of world-wide extent, the like of which has never been known in all recorded history. The time will come when our factories must change from the manufacture of instrumentalities of destruction to something else. Our production of materials of peacetime economics must compete with almost pauper labor from most of the other nations of the world. We must not surrender or freeze the value of our gold and silver. I earnestly ask this body to fully approve the bill as presented to the House. [Applause.]

The Clerk read as follows:

Be it enacted, etc., That subsection (c) of section 10 of the Gold Reserve Act of 1934, approved January 30, 1934, as amended, is further amended to read as follows:

"(c) All the powers conferred by this section shall expire June 30, 1943, unless the President shall sooner declare the existing emergency ended and the operation of the stabilization fund terminated."

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. AUGUST H. ANDRESEN: On page 1, in line 9, before the period, insert a comma and the following: "and after June 30, 1941, such funds shall be reduced by $1,800,000,000, and such sum shall be credited to the general fund of the Treasury."

Mr. AUGUST H. ANDRESEN. Mr. Chairman, the purpose of this amendment is to reduce the stabilization fund to its capital amount of $200,000,000, taking the balance, $1,800,000,000, which has been dormant for 7½ years, and is now dormant, and placing it in the general fund of the Treasury to be used for national-defense expenditures.

When Secretary Morgenthau appeared before our committee he stated that this $1,800,000,000 was being held in trust for the American people and that he wanted to keep it intact for the American people.

During this critical time when we are spending billions of dollars for national defense, when the Congress proposes to increase tremendously the levies of taxes upon the rank and file of the people for national defense, it seems to me this money that is now lying dormant and not drawing any interest, could well be used to defend and protect all American citizens.

By not using this fund for the past 7 years and 4 months the Treasury has lost $45,000,000 a year of interest. The tax bill that will come before the House will contain many provisions. The committee is searching around trying to find additional sources of taxation so as to raise just a few million dollars here and a few million dollars there. By using this money we can at least save the taxpayers $45,000,000 a year and at the same time spend this money so that it will be for the welfare of all the American people.

The purpose of the stabilization fund was to stabilize foreign currencies in their relation to the American dollar. The Government of the United States entered into an agreement with Great Britain and France called the tripartite agreement. That was an arrangement between the countries whereby we would seek to have a normal and stable exchange rate between the French franc, the British pound, and the American dollar. The operations under that agreement ceased when the World War No. 2 started, and since that time the fund has not functioned in any manner to stabilize the American dollar with relation to foreign currencies. All of these foreign currencies have depreciated in value. Many of the countries have issued block money where the country that gets the block money in the normal channels of foreign trade must spend such money in the country of origin. There are now no foreign currencies to stabilize.

Secretary Morgenthau said that the main reason he needed the stabilization fund was to handle a $50,000,000 item for China. We are going to help China stabilize its currency and provide them with some foreign exchange so they can purchase war materials here in the United States. Another reason was that we were lending about $40,000,000 to the Argentine to help them stabilize their currency and get foreign exchange in the United States.

These two items and any other items that they might want to use can be handled through the $200,000,000 capital stabilization fund which will be left and which Secretary Morgenthau indicated would be sufficient to take care of any of the needs they might have for such a fund in the Treasury. I may be mistaken in my theory of the use of this money. It seems to me a good business judgment that if we have money that is not drawing any interest, we should use it rather than borrow money and pay interest. If we have to borrow the money, it costs us $45,000,000 a year, and if we use it, we save that money to spend for national defense.

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

Mr. WHITE. Mr. Chairman, this is a novel proposition and a novel position taken by the minority members of the Coinage, Weights, and Measures Committee. I have in my hand the majority report, and I shall quote the words of its [illegible] during what would [illegible] big business [illegible] say, such a company as the Standard Oil Co., if they had [illegible] their assets and had not [illegible] positions, and I [illegible] happen to the [illegible] companies spent all of their money during periods of [illegible] and then [illegible] to keep their organization together and their mining properties [illegible] in operation. I wonder what will happen to this country in that [illegible] war if we dissipate this little fund and security that has [illegible] the American people a [illegible] from the increments in the devalued gold dollar. It has been the greatest bulwark and the greatest instrument to stabilize our foreign relations, insofar as our currency is concerned, we have ever had. Why, Dr. Sprague, from our own Treasury Department, was a man from this country who went to England and who helped the Bank of England out of a hole by establishing a stabilization fund when that country went off the gold standard. We have had to match the machinations of these countries by setting up our own stabilization fund. Listen to this inconsistent report. They advocate two principles that are diametrically opposed to each other. Let me read it to you:

We oppose the continuation of the President's power to reduce the gold content of the dollar for two reasons—

I shall not read the whole report. I have not the time. Quoting further:

Thus as a consequence of the defense effort the dangers of inflation are much more acute and imminent than they were 2 years ago.

Don't overlook the point. They are talking about inflation. To continue with the report:

Although inflation did not result from devaluation of the dollar in January 1934, the situation now existing is in no way comparable. In the years prior to the defense emergency the economic system was operating far below full capacity, whereas at present we are operating very close to capacity. As production approaches capacity, the danger of inflation becomes more acute. Since inflation can [illegible] the efficiency of our entire defense program, administrative spokesmen repeatedly emphasize that a major objective of governmental price policy today is to prevent inflation. For example, a major purpose of the Office of Price Administration and Civilian Supply created by Executive order of April 11, 1941, is, according to the President, to avoid "unwarranted price rises." Similarly, the President created the Priorities Division of the Office of Production Management to allocate certain scarce materials to prevent the prices of such materials from being grossly inflated by unusual and inequitable demands. Certainly the administration is aware that inflation must be guarded against now, more than ever before in the Nation's history.

That is a fine principle, that is the basis of the report, but listen to the inconsistency of the thing. I turn now to another part:

In effect the remaining $1,800,000,000 in the exchange stabilization fund is lying idle in the Treasury at the very time when taxes on the American people are being greatly increased for defense purposes. The interest on this sum at current rates is more than $48,000,000 a year. Consequently we recommend that this $1,800,000,000 in the inactive account of the exchange stabilization fund should now be used by the Federal Government to reduce the amount of borrowing that will have to be done through the banking system. This will be highly advantageous for there are certain inflationary tendencies resulting as a consequence of governmental deficit financing.

The Secretary of the Treasury asserts that the money in this account is a "nest egg" being held in trust for the benefit of the American people as a whole, and that the money should only be spent for a worthy purpose. There can be no more worthy purpose, benefiting the whole Nation, than financing national defense. Certainly if the money in this fund is used for this purpose now it will remove all temptation to use it for a less worthy cause on some unforeseen future occasion.

What would happen if $1,800,000,000 of gold were dumped into the money stream, into our currency? It would operate to make an inflation of eleven and one-half billion dollars, and I would like to ask the gentlemen how they reconcile this proposition of being opposed to inflation and wanting to dump $1,800,000,000 in gold into the currency stream, thereby causing an inflation of eleven and one-half billion dollars. Consistency, thou art a jewel.

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

Mr. WHITE. Yes.

Mr. WORLEY. Is it not a fact that the Secretary of the Treasury testified in the committee as follows:

The very fact that I have this reserve is a kind of a cap on the market to keep the people who own the money from running the rates up on me, because they know I have it.

If the amendment should be adopted, the Secretary would be doing exactly as he said he would be doing, paying through the nose for higher interest rates. He would find himself in the same position as the Richfield Oil Co. with all their assets, all their oil wells, and all their business, when they had no reserves.

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

Mr. WHITE. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. WHITE. The Public Lands Committee had to pass a bill to relieve the Richfield Oil Co. of $1,500,000 of royalties that the Standard Oil Co. might take them over which they could do with their cash reserves. Here in this great crisis, with the world aflame, when nobody knows what is going to happen, we are asked to dissipate and throw away this bulwark against the national economy of the American people. I do not think I have to ask you to vote down the amendment. It is foolish. Let us follow the plan we started.

Mr. AUGUST H. ANDRESEN. Will the gentleman yield?

Mr. WHITE. I will yield, but the gentleman would not yield to me.

Mr. AUGUST H. ANDRESEN. The gentleman asked me a question, and I want to answer him.

Mr. WHITE. The gentleman would not yield to me, but I will show him that courtesy.

Mr. AUGUST H. ANDRESEN. I just wanted the gentleman to know that I am more interested in the American people than I am in foreigners.

Mr. WHITE. Well, let us protect the American people and protect our currency and protect our national economy. Let us continue the stabilization fund.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, I cannot help but refer to the statement that the gentleman from Idaho [Mr. WHITE] just made. "Consistency, thou art a jewel." When I think of the gentleman asking the question why the Standard Oil Co. had great reserves, why any other great corporation had great reserves, in order to be in good financial position we all know that it was to protect business in time of depression. But I want the gentleman from Idaho to take up the daily statement of the United States Treasury and see what condition you have it in. It is simply awful. Every time you mention the Treasury statement they all start to run away; they do not want to hear about what they are doing to it. When I speak of "they," I mean the New Dealers.

Mr. WHITE. We are just running for the statement.

Mr. RICH. Yes; you just are running it in the red every minute. I will give you one. Pick up the statement of the United States Treasury and see what this New Deal administration has done to this country in the last 8 years. It is a sorry-looking statement. They all ought to blush with shame. Then the gentleman from Idaho, with all the gentlemen on that side, has voted for the great waste and extravagance that this administration has put on this country. When you look at the national debt that we have of over $50,000,000,000 caused by the New Deal and then make the statement, "Put your house in order," and then say, "Consistency, thou art a jewel," I wonder if they should not put their heads on their arms and weep crocodile tears and really be ashamed of what they have done. I think it is time for the American people to wake up to these Members of Congress who say one thing and do something else. I am sick and tired of all the talk we have on the floor and then they say, "Consistency, thou art a jewel."

Mr. MASON. Squandering thirty billion.

Mr. RICH. They have squandered thirty-three billion, and they will continue to do it as long as the President asks them to do it, because they do not have enough backbone to say to the gentleman in the White House "no." If my people would send me to Congress and I did not have enough backbone to tell the gentleman in the White House that I would not do the things that are wrong, do the things that would wreck this country and put my children and my children's children in jeopardy and put this Nation in jeopardy, I would be ashamed of myself.

Now you have been in power for 8 years. Did you hear my statement this morning about President Roosevelt when he criticized Mr. Hoover and his administration, as he said, for 3 long years? You remember what he said. I say to you, for 8 long years you have been in the red every year. You are going in the red right now for this year more than Mr. Hoover was in all his administration of 4 years. You have been in the red on the average every year since this administration has been in office more than Mr. Hoover was in his 4 years. Yet Mr. Roosevelt said when he came in office he was going to balance the Budget. He has not said a word about it for the last 4 years. Now, you Democrats want to give this administration the power to regulate money. Perhaps I had better say New Dealers, in case there might be some Jeffersonian Democrats who are opposed to the squandering and spending of this administration. I hope there are a few of them left and I hope that the people back home will recognize those few and spare them for posterity, because I do not know what will be done with all the New Dealers that have supported this administration. You come in here and you want to give this administration, the President, the power to regulate money. It is simply absurd. I would not give the President of the United States this power any longer. Certainly not this third termer. If the people in my district said that I should, I would resign my seat in Congress. I am sure they would not ask it; they are too sensible in my district.

Mr. WHITE. Will the gentleman yield?

Mr. RICH. No; I do not yield.

Mr. WHITE. How do you expect to get an answer if you do not yield?

Mr. RICH. I want to tell you something. I do not want to hear you any more. [Laughter and applause.]

Mr. WHITE. That is very apparent.

Mr. RICH. It is ridiculous. It is ridiculous and embarrassing, the things you say.

Mr. WHITE. I know it is always embarrassing to a Republican to have his record pulled on him.

Mr. RICH. You will find that the Republicans have always been able to take care of themselves. If I had to turn into a New Dealer to keep my seat in Congress I would not be here; I just would not have the job at that price. [Applause.]

Let us vote for this amendment.

[Here the gavel fell.]

Mr. GIFFORD. Mr. Chairman, I rise in opposition to the pro forma amendment.

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

Mr. GIFFORD. I yield.

Mr. COCHRAN. Mr. Chairman, I find that six gentlemen desire to be heard on this amendment. I ask unanimous consent that all debate on this amendment and all amendments thereto close in 30 minutes.

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

There was no objection.

Mr. GIFFORD. Mr. Chairman, I support the amendment offered by the gentleman to use this $1,800,000,000. We note that the Secretary of the Treasury acknowledged that he does not need it for the purpose for which it was set up. He may need it possibly sometime after the war is over, but at the present time $200,000,000 is sufficient. To our amazement he acknowledged for the first time in the last 7 years that he wants to buy b[illegible] it if he finds the public does not buy readily or if he is forced to pay a high rate of interest. I recall that this was denied when the purpose for which this money was to be used has been discussed on the floor of Congress. Many of us suggested it might be used for that purpose.

We should not continue this power. I suggested yesterday that the only way to stop the joy ride was to arrest the chauffeur or take his license away from him. And that is what some of us are trying to do here. That is the necessity of the moment. When license is given to him, let us point out the roads that he must necessarily travel. These new untried thoroughfares which have led us into this mountainous debt and into a dangerous financial situation must be avoided. Congress should again take the wheel and assume its responsibility. He should now be our servant and not our master. Many Presidents seem to like to get into a position where they are the master. Woodrow Wilson, speaking in St. Louis, said:

> Things get very lonely in Washington sometimes. The real voice of the great people sometimes seems faint and distant in that strange city. You hear politics until you wish that both parties were smothered in their own gas.

That is the respect President Wilson had for Congress.

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

Mr. GIFFORD. Mr. Chairman, I do not yield.

Mr. Chairman, I propose to read a few things said by your old masters of finance, great men of the Democratic Party, whose opinions no longer prevail.

> The principle of spending money to be paid by posterity, under the name of funding, is but swindling posterity on a large scale.

That was said by Thomas Jefferson.

John C. Calhoun said:

> A power has risen up in the Government greater than the people themselves, consisting of many and various powerful interests combined into one mass and held together by the cohesive power of the vast surplus in the banks.

And today we are trying to do something to reduce that surplus and we find a party in power opposing it, scorning the recommendations of their own competent advisers who have warned us and earnestly recommended that many so-called emergency powers be now discontinued. I refer to the Federal Reserve Board.

Mr. PATMAN. Mr. Chairman, will the gentleman yield for a question?

Mr. GIFFORD. In just a moment I shall be pleased to.

I have read you what John C. Calhoun said. Grover Cleveland repeated it in almost the same words.

Thomas H. Benton said:

> This new page opened on the book of public expenditures, and this new departure taken—which leads into the bottomless gulf of civil pensions and family gratuities.

The driver of this automobile has been scattering free rides and free lunches until the supply has run out, and now he asks you to furnish him more gasoline and oil to go perhaps over exactly the same road and scatter more largesse. It is high time the driver was deprived of his license and when it is reissued he should be given direction by the Congress as to the exact road he is to follow in this experimentation of coin clipping and other acrobatics with the Nation's money and credit.

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

Mr. GIFFORD. I yield.

Mr. PATMAN. Does the gentleman favor the amendment to put this $1,800,000,000 into circulation?

Mr. GIFFORD. I favor using this to buy bonds now instead of paying interest.

Mr. PATMAN. I do not believe the gentleman has answered my question.

Mr. GIFFORD. Will the gentleman repeat his question?

Mr. PATMAN. Does the gentleman favor the amendment or is he opposed to it?

Mr. GIFFORD. As I read the amendment I favor it if the money would be used to buy bonds instead of having to borrow that much and pay interest on it.

Mr. PATMAN. I do not believe the gentleman is answering my question.

Mr. GIFFORD. Yes; I am answering it; it is the gentleman who attempts to becloud my answer.

I have many notations here. I have read the hearings, not only the current hearings but the hearings back in the other years when these powers were granted and renewed. Still again the President wants to extend this power against the advice of his own Federal Reserve Board. Well do we now realize that this President of our desires all kinds of delegated power and once given he will never consent to give them up. It is necessary to take them from him.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. PATMAN] for 4 minutes.

LOW INTEREST IN PEOPLE'S FAVOR

Mr. PATMAN. Mr. Chairman, I do not believe that the gentleman who has just spoken can consistently be for this amendment. This amendment would put into circulation $1,800,000,000. One time when I offered a bill to pay the World War veterans much less than $1,800,000,000 it was branded as an inflationary measure. This proposal would pay into circulation more than would have been paid to the World War soldiers on their so-called bonus certificates. I do not know of any amendment that has ever been offered that is half as inflationary as this particular amendment, and how those who want to avoid inflation can consistently argue in favor of this amendment, I cannot understand.

The payment of $1,800,000,000 into circulation means inflation to the amount of at least $12,000,000,000 under our present system. If you want to inflate the currency to the extent of $12,000,000,000 and do it immediately, quickly, overnight, you should vote for this amendment. I believe in a certain amount of expansion of currency when it is needed, but the country seems to be going along now rather smoothly and I do not know what kind of a shock it would be to our economic and financial system to have injected into its economic veins $12,000,000,000 of new money without any brakes whatsoever. However, those of you who want $12,000,000,000 pushed into circulation immediately should vote for this particular amendment.

Although I have been branded as an inflationist many times, I am certainly not that kind of an inflationist. I find myself now opposed to those who have opposed me in the past. The truth of the matter is, and the Members of the House might just as well recognize it now, the Federal Reserve Banking System is in the hands of the big banks of this country. When you hear the voice of the Federal Reserve Board you hear the voice of the biggest bankers in this Nation. They are jealous of the United States Treasury. They want this amendment in here. Why? Because the Treasury if it has this $1,800,000,000 will have some influence over the United States bond market. That is admitted. I am glad of it. It has a good, wholesome influence, it has something to do with interest rates, and I am glad for the Treasury to have it. But if this amendment is adopted, then the Federal Reserve will have succeeded in taking away from the Treasury an enormous power which they, representing the big banks of the country, want for themselves.

Those who favor the big banks against the people should vote for this amendment. Maybe I am wrong about it. I know that they are just as honest in their views as I am, but I am telling you the effect of it: and if you favor high interest and are against low interest, you should vote for this amendment because it will have a tendency to bring about high interest.

Mr. DEWEY. Will the gentleman yield?

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

Mr. DEWEY. Might not the $1,800,000,000 be applied to the retirement of that amount of public debt now held by the Federal Reserve System, which certainly would not be inflationary?

Mr. PATMAN. It could be done, yes; but then the Treasury would be deprived of a great power and I am not willing to deprive the Treasury of it. If I had the confidence in the Federal Reserve Board that some people have I would be willing to strip the Treasury of all its power, but this means stripping the United States Treasury, which is supposed to represent the people and does represent the people, of an enormous power and turn it over to representatives of the big banks, and I am opposed to it. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Mississippi [Mr. RANKIN] for 4 minutes.

[Mr. RANKIN of Mississippi addressed the Committee. His remarks will appear hereafter in the Appendix.]

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. SMITH].

(Mr. SMITH of Ohio asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. SMITH of Ohio. Mr. Chairman, the claim that is made here that the Republicans are inconsistent in asking that the $1,800,000,000 stabilization fund that is not being used be spent, and that it will produce inflation if it is spent, if it is used to pay for current or past bills, is very foolish.

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

Mr. SMITH of Ohio. No; I cannot yield. I have said it for the last time now.

Mr. WHITE. Mr. Chairman——

Mr. SMITH of Ohio. Mr. Chairman, I refuse to yield.

The CHAIRMAN. The gentleman from Ohio declines to yield.

Mr. SMITH of Ohio. I am going to ask you this simple question. What are you going to do with the $1,800,000,000?

Mr. WHITE. How am I going to answer it if the gentleman will not yield?

Mr. SMITH of Ohio. I ask for order, Mr. Chairman.

The CHAIRMAN. The gentleman from Ohio declines to yield.

Mr. SMITH of Ohio. I ask you, what are you going to do with this $1,800,000,000? It is created. Sooner or later you will have to spend it. It is an act that is completed. It is not as though we intended to create that fund; it is here. Therefore, all the Republicans, if you want to make it party issue, are asking is that it be used and spent now, when it is needed. That is all they are asking.

Furthermore, why talk about $1,800,000,000 producing inflation? What about the $675,000,000 of the so-called profit that has already been spent to pay off bonds? What have you to say about that? What have you to say about the $145,000,000 the Treasury is carrying in its general fund? Talk about inflation.

Mr. WHITE rose.

Mr. SMITH of Ohio. Mr. Chairman, I refuse to yield.

Mr. WHITE. Mr. Chairman, I rise to a question of personal privilege.

The CHAIRMAN. The gentleman from Idaho cannot raise that question while the gentleman from Ohio has the floor. The gentleman refuses to yield and will proceed.

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

The CHAIRMAN. The gentleman will state it.

Mr. WHITE. The gentleman has addressed a question to me, and I want him to yield so I can answer it.

Mr. SMITH of Ohio. I have not addressed a question to anybody.

The CHAIRMAN. That is not a point of order. The gentleman from Ohio will proceed.

Mr. SMITH of Ohio. You talk about inflation, you talk about the danger of inflation if this $1,800,000,000 should be used to pay off bonds. I explained to you this afternoon that through the gold-purchase program you have created $14,000,000,000 of inflation in the banking system. I challenge you to deny that.

What have you done with the bank deposits of the United States? You have reduced them in value. You have depreciated them in value so that the bank deposits, taken as a whole, are worth only 78 cents on the dollar, and you are talking about $1,800,000,000 here producing a dangerous inflation.

Further, the statement was made that this would be paid to the Federal Reserve banks. It would not be paid to the Federal Reserve banks. It would go into circulation. The Federal Reserve banks would have nothing whatever to do with it.

Here is another thing about inflation. What is being done at the present time by the process of depositing bonds in the banks? The Treasury simply deposits the bonds in the banks and checks against them. What is that but inflation?

I should think that the New Deal Party would be the last on earth to talk about the danger of inflation. Do you know that the President of the United States has today the power, if he cares to use it, to set into motion a potential inflation that already exists of about $400,000,000,000? Then you talk about the danger of inflation.

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

Mr. SMITH of Ohio. No; I will not yield at the present time.

So that your argument that this $1,800,000,000 will be used as inflation amounts to this. You have already spent $675,000,000. In other words, you have already stolen the first apple. What can we expect you to do following that? We expect you, of course, if you have the opportunity, to steal the remainder of our apples. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. WORLEY].

Mr. WORLEY. Mr. Chairman, I wish I knew more about the monetary system in America than I do. I wish I could say the bill under consideration is a perfect bill, but I cannot. I wish I could say that everything the majority party has done toward this particular piece of legislation has been perfect, and I wish I could say that it would be a panacea for all of our economic ills, but, in all fairness and in all candor, I cannot do it, and I do not believe anyone else can.

The amendment which was offered by the gentleman from Minnesota was also offered in the Committee on Coinage, Weights, and Measures by him. Testimony was obtained from the Secretary of the Treasury, Mr. Morgenthau, relative to this particular amendment, and I quote from the hearings of the committee. Mr. Morgenthau's reasons are these:

> I have felt that this $1,800,000,000 is a sort of nest egg that belongs to the people of this country—one that we could use in case the time might come when I might not be able to borrow, except at very unreasonable rates.

Continuing after a colloquy with the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN], the Secretary of the Treasury said:

> The very fact that I have this reserve is a kind of a cap on the market to keep the people who own the money from running the rates up on me, because they know I have it.

It seems to me that an analogous situation would be that of a farmer who went to a bank to borrow money to buy a threshing machine. Suppose the farmer had $200. You know good and well that the banker would be inclined to give him a cheaper rate of interest if he had something in reserve than he would if the farmer did not have a dime in his pocket and had to rely entirely on the beneficence of the banker. You take away this $1,800,000,000 from the Secretary of the Treasury and he will necessarily have to go where he can get the money, and he will have to pay a higher rate of interest than the 2½ percent he is paying now.

It is perfectly true that the money in this stabilization fund is not earning any interest and the interest would run approximately $45,000,000 a year, but you must bear in mind at the same time that if this money were taken away the $45,000,000 would be about one-half of what he would have to pay in interest. We had to pay 4¾ percent during the World War for money similar to this, and I say, in all fairness and in all candor, the amendment offered by the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] should be defeated because I believe it to be a short-sighted amendment, and in spite of the fact this money would revert to the general-revenue fund, I still believe and I think the majority of the membership of this side, and I hope a majority of the membership on the minority side, will concur in the proposition that it is a short-sighted policy to try to take this $1,800,000,000 away from this fund. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from South Carolina [Mr. HARE] for 2 minutes.

Mr. HARE. Mr. Chairman, I am very grateful for the invitation to speak on the subject now under consideration, and I appreciate the compliment the chairman pays in suggesting by implication that my views may operate to harmonize the difference of opinion on the subject. However, I have never heard the theory of money discussed, but what I am reminded of the observation made by that great humorist, Will Rogers, when he said:

> There are two classes of crazy people in this country; one class is confined to our asylums and the other class is made up of those who claim to know all about money.

[Laughter.]

Therefore, in order to avoid being placed in the latter classification, I shall forego the pleasure of discussing this subject at present, but at some unguarded moment in the future I may be prevailed upon to express my views on the matter. [Laughter and applause.]

The CHAIRMAN. The Chair recognizes the gentleman from Missouri [Mr. COCHRAN] for 4 minutes.

Mr. COCHRAN. Mr. Chairman, I do not belong to either class that the gentleman from South Carolina referred to. [Laughter.] I make no pretense of being an authority on money. We have one outstanding bond issue now, paying 2¼ percent. I do not believe we can recall them until 1952. In the meantime we must keep that obligation and pay 4¼ percent interest on those bonds until the time arrives when we can recall them.

The Secretary of the Treasury has told us, "Let me have this money and as long as I have the money I am not going to be dictated to by the money interests of this country as to the rate of interest I am going to be required to pay to run your Government when I need money." The Secretary of the Treasury also states that an increase of one-tenth of 1 percent in the average rate of interest on the public debt would more than offset the entire interest saving that might result from the use of the stabilization fund to retire a small part of the national debt. With your Secretary of the Treasury making this statement, it seems to me we should follow him and therefore I hope the amendment will be defeated. Mr. Chairman, I ask for a vote.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN].

The question was taken; and on a division (demanded by Mr. AUGUST H. ANDRESEN) there were—ayes 95, noes 118.

So the amendment was rejected.

The Clerk read as follows:

SEC. 2. The second sentence added to paragraph (b) (2) of section 43, title III, of the act approved May 12, 1933, by section 12 of said Gold Reserve Act of 1934, as amended, is further amended to read as follows: "The powers of the President specified in this paragraph shall be deemed to be separate, distinct, and continuing powers, and may be exercised by him, from time to time, severally or together, whenever and as the expressed objects of this section in his judgment may require; except that such powers shall expire June 30, 1943, unless the President shall sooner declare the existing emergency ended."

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. AUGUST H. ANDRESEN: On page 2, at the end of line 9, insert: "No foreign gold shall be acquired by the United States after the date of enactment of this act at a price in excess of $35 an ounce."

Mr. AUGUST H. ANDRESEN. Mr. Chairman, the amendment which I have just offered was proposed in the Committee on Coinage, Weights, and Measures and was adopted by a majority of that committee a week ago last Tuesday, I believe. The majority of the committee apparently regretted their action and on the next day they called a special meeting and rescinded it and the amendment was then defeated by a strict party vote, the majority at that time all voting against the amendment.

I am offering the amendment at this time and in the few minutes I have I want to explain it to you. We have already under the New Deal monetary policy with respect to gold purchased nearly $15,000,000,000 worth of foreign gold at $35 an ounce. Our total gold supply in the Treasury is $22,568,000,000 as of May 22, a few days ago. In addition to the gold in the Treasury there is around $1,900,000,000 in earmarked gold in the banks in New York, earmarked and held for foreign countries and individuals. This money will eventually find its way into the United States Treasury and we will soon have between 85 and 90 percent of the total world supply of monetary gold in the Treasury of our country.

My amendment seeks to peg the price paid for future purchase of foreign gold at $35 an ounce. In other words, my amendment fixes it so that the Treasury cannot pay more than $35 an ounce for foreign gold in the future. We are the only purchasers of gold in the world. We take it all at $35 an ounce. We fix and maintain the price. Under the bill before us, if continued, the President still has the right to raise the price of gold from $35 an ounce to $41.34 an ounce. The only ones who would benefit by such an increase in price of approximately $7 an ounce are the foreigners and a few domestic mines. Is there any reason in the world why we should raise the price of gold $7 an ounce and give the foreigners who are mining gold and gold speculators the advantage of it? My amendment here does not deprive the domestic miners of an increased price for their gold. It is somewhat similar to the proposition we established a few years ago when we discontinued buying foreign silver metal at 50 cents to $1 an ounce. We buy foreign silver at the world price, while in this country we continue to pay something like 71 cents an ounce for domestic-mined silver. My amendment pegs foreign gold at $35 an ounce so that the United States Treasury cannot pay more for it. That will give some stability to our American dollar and to our foreign exchange and will give stability to the contracts entered into between this country and citizens of foreign countries. Everyone will know that the gold dollar which we hope will be continued as a medium of international exchange will have a definite, fixed value. Therefore, I am proposing that this amendment be adopted by both sides of the aisle, so that we can stop the iniquitous practice of further devaluation of the dollar and increase in the price of gold. I believe it is our duty now to begin working for American citizens, and we can do it by adopting this amendment. [Applause.]

Mr. WORLEY rose.

The CHAIRMAN. For what purpose does the gentleman from Texas rise?

Mr. WORLEY. Mr. Chairman, I rise in opposition to the amendment.

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

Mr. WORLEY. Yes.

Mr. COCHRAN. Mr. Chairman, I ask unanimous consent that all debate upon this amendment and all amendments thereto close in 30 minutes.

The CHAIRMAN. Is there objection?

Mr. AUGUST H. ANDRESEN. Mr. Chairman, there are several other amendments to be proposed.

Mr. COCHRAN. Mr. Chairman, I ask unanimous consent that all debate upon this amendment close in 30 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. WORLEY. Mr. Chairman, it is not my purpose to attempt to monopolize any of the time which belongs to the committee, but there are two phases of this bill in which I am particularly interested and upon which I tried to inform myself officially so that I can at least give my views, which I think and hope are sound. During the discussion of the bill in the committee several amendments were offered by members of the minority side. All of them were defeated until this amendment was offered along toward the last of the morning session. Frankly, it sounded very good to the members of the majority side of the committee, and even better to the Republican members of the committee. Consequently it was adopted. It was adopted without a great deal of thought being given to it, and it was adopted by a two-vote margin, as I recollect. Shortly after its adoption the chairman asked the Secretary of the Treasury for his opinion as to the exact effect the amendment would have on the bill. The answer which the Secretary gave I shall read, because I think it expresses concisely the proper objections. The Secretary said:

Section 2 of H. R. 4646 extends the power to reduce the gold content of the dollar. To this same section has been added a committee amendment which provides that no foreign gold can be acquired at a price in excess of $35 an ounce.

The effect of the amendment is to nullify completely the power to devalue the dollar given in the first sentence of section 2 since any dollar devaluation necessarily increases the price of gold. This is true, of course, because the value of the dollar is expressed in terms of gold and when the gold content of the dollar is reduced it means that you have to pay more dollars to buy an ounce of gold. Congressman ANDRESEN's amendment also constitutes a pro tanto repeal of section 8 of the Gold Reserve Act which is permanent legislation and which authorizes the Secretary of the Treasury, acting with the approval of the President, to purchase gold at home or abroad "at such rates and upon such terms and conditions as he may deem most advantageous to the public interest."

The reasons for the continuation of the President's power to devalue the dollar were fully explained by the Secretary of the Treasury in his testimony before the committee on May 8, 1941. The Secretary stated that the administration has no present intent whatsoever to devalue the gold content of the dollar, but that this is not the time to remove flexible power from the Executive when heads of other nations possess virtually complete powers over the domestic and external monetary affairs of their countries.

The power to devalue the dollar is a strong reserve weapon and is much needed to protect American monetary and economic interests.

There is no basis whatever for inferring that the continuance of these existing monetary powers will have any inflationary effect. On the other hand, to take away these powers may well affect the interest rates which the Government will have to pay on the enormous financing program upon which it is embarking.

At a time when the United States owns over 22¼ billions of gold, constituting about 60 percent of the world's monetary stocks of gold, Congress should not hastily adopt legislation limiting existing Executive powers to deal with gold.

I trust that that answer from the Treasury Department, which is charged with knowing, along with the Congress, the effect of different amendments offered to legislation which comes before this House for action, will be accepted as the most expert opinion that anybody in the Government can offer. I think the reasons advanced why this amendment should not be adopted are sound and sane, and I hope that the Members will vote against the amendment. [Applause.]

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

Mr. Chairman, this amendment should prevail. As I understand it, it is a compromise between the recommendation of the Board of Governors of the Federal Reserve and those who want to continue this power.

May I take just a moment to tell you the history of this legislation? I will do it as briefly as I can. In 1932 the House Committee on Banking and Currency divided itself into subcommittees for the purpose of discussing several issues which were confronting us at that time. One of them was a bill to establish a Federal monetary authority, which the gentleman from Maryland, Judge Goldsborough, introduced. We worked for 7 weeks on that bill to establish a Federal monetary authority. We had all of the leading economists of the Nation before the committee at that time, including Professor Pierson, who collaborated with Professor Warren in advising the President on the gold policy which the President later put into effect. It was contended at that time by Professor Pierson that to devalue gold would result in an immediate increase in the commodity-price index. That is what we were very much concerned about in those days, the purpose being to create a situation where the equivalent of an ounce of gold was $35. Anything you formerly bought with an ounce of gold would have to be purchased with $35 instead of $20.67. The whole theory of gold-devaluation legislation was to increase the commodity price by 59 percent. It failed. The Treasury has admitted that it failed and I am told that one of the sponsors of the plan who advised with the President now admits privately to his colleagues that in practice the plan has failed, disproving the theory that the fluctuation in the dollar price of gold will necessarily cause a fluctuation in the commodity-price index.

It did not accomplish its purpose and the only single individual in the world today who still believes that it did or will is the President of the United States. In his stubbornness and contrary to his inaugural address of March 4, 1933, he insists upon following a plan which has been repudiated by every leading economist in the world. The Board of Governors of the Federal Reserve gave the President an out when they advocated that this power be allowed to lapse. Surely if we are ever going to have any stability in the world's money market we have to let this power lapse, or at least take the first step toward stabilization of the dollar value of gold. This amendment puts a ceiling on the dollar value of gold and may alleviate the fears expressed not only by the Board of Governors of the Federal Reserve but their advisory council, by all the leading economists, bankers, and money men in the United States, that we are approaching a situation which may result in having to take very drastic steps to prevent inflation.

The purpose of gold devaluation originally you understand was to inflate, and the President still thinks that by devaluing or revaluing the dollar price of gold, the commodity price index will fluctuate proportionately. It is a fallacy, and we, the Congress, who have this power to do so should today initiate the movement for stabilization of world currencies. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. VOORHIS] for 5 minutes.

Mr. VOORHIS of California. Mr. Chairman, I am more interested in the stability of the American dollar in our own markets and our own business than I am in an arbitrary figure with regard to its gold content. Furthermore, what the American people are interested in—and all they are interested in—is how much bread, meat, clothing, and shelter those dollars will buy. It makes no difference to them how the relationship of the dollar to grains of gold is arranged. The whole purpose of this legislation is to enable the American Government to prevent some other nations in the world from devaluing their currencies in terms of gold, which is used to settle international balances, and thus in effect raising the cost of production to the American producers in terms of international exchange without our being able to take compensatory action.

The adoption of this amendment will practically nullify the purposes of the legislation. It seems to me, therefore, it should be defeated. If we are ever going to arrive at a reasonable stability of the relationship between the currencies of the world it has got to be done by means of agreement, and certainly the way to start out is not to tie the hands of your own country so it will not have any basis or bargaining power on which to make such an agreement.

It is obvious to me, at any rate, that an attempt to influence the price level by changing the gold content of the dollar is likely to be a fruitless or, at any rate, an inadequate attempt. I do not believe it will do it. I think the thing that controls the price level is the relationship between the quantity of money in circulation and its velocity, on the one hand, and the quantity of goods and services, on the other. That is not the purpose of this legislation, and ought not to be injected into the discussion if we are trying to understand this matter.

It was said a little while ago that we should do something for the American people. I have heard speeches on the floor of the House over and over again wherein it was said that we should do something for the American people along the line of raising tariff barriers against the importation of certain products, and that we should try to encourage exports from our own country at the same time we discouraged imports into it. That is supposed to be doing something for our country, the idea being somehow or other that the more goods you send out of the country the better off you are and that the less you bring into the country the better off you are. I think that is open to some question. On the other hand, if we do not let other countries send their products to this country to pay for what we send out we have got to have some means by which they can pay. Under present existing circumstances the United States is, because of two reasons, exporting a very large quantity of goods. The main one of those reasons is that we are selling a great quantity of war goods—mostly, of course, to the British. The other is that we are trying to hold on to some markets for some of our products which are produced in real, actual surplus. If you are going to do that, and if you are not going to import a corresponding amount, which clearly is impossible, you have got to make it possible for the purchaser to pay for the purchases; and under those circumstances there must be some means of payment, and so far it has largely been gold. Furthermore, we have got to be able to protect our producers against monetary manipulation from abroad. This need seems to me to justify the continuation of this power not only during the war but after the war is brought to a close.

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

Mr. VOORHIS of California. I yield.

Mr. AUGUST H. ANDRESEN. Does the gentleman believe there would be any danger of manipulation of gold from abroad due to the fact we have such a large proportion of the gold right here in this country?

Mr. VOORHIS of California. I am not speaking of the manipulation of gold from abroad. I am expecting that the time will come, if this war should cease, as I hope it soon may, that there will probably be a tendency in many nations to devalue their currencies. It will be one easy way to discharge their debts. I think the result would be—and I believe the gentleman will agree that the result would be—that of raising the cost of production to the American producer. We should be able to prevent that. That is the purpose of this power.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. SMITH] for 4 minutes.

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

Mr. SMITH of Ohio. Mr. Chairman, the argument of the gentleman from California who just preceded me amounts to this: That if other nations debase and clip their coins, we want to be in position to debase and clip our coins. That is exactly what it amounts to. There is not a student of money who has not pointed out and who does not realize that no government ever benefits from such a policy. They know that the benefits that are supposed to be attached thereto are very temporary; that in the long run it costs them more than they get out of it.

I have heard it said here this afternoon, Mr. Chairman, that we have great people working at the Treasury. I am not going to dispute that, but I want to read a little testimony from the hearings held by the Committee on Coinage, Weights, and Measures. One of the members asked a question of Mr. Bell, Under Secretary of the Treasury, and I presume Mr. Bell was speaking for Mr. Morgenthau, Secretary of the Treasury. The question is as follows:

Then the gold certificates handled by the Federal Reserve are a very insecure thing, if it is just on the value which is determined to a large degree by the President with the power to devaluate gold?

Mr. BELL. They can change their books, would they not?

They could not change their books, but it would change the security.

Mr. BELL. They would still have $17,000,000,000 of gold certificates in their possession.

Let us reduce this proposition to common sense. In substance, the Secretary of the Treasury says that a $100 gold certificate is of the same value whether it calls for a hundred dollars of gold with a content of 13.71 grains to the dollar or whether it calls for a hundred dollars of gold with a content of 11.61 grains to the dollar. That is precisely the proposition we have here. If that is the case, then a gold certificate for $100 ought to call for the same value dollars if the gold content of the dollar is cut in two or in four or into a millionth part of its present content. Either Mr. Bell's formula stands on principle or it does not stand on principle, but by some sleight-of-hand performance they can change their books.

The politicians changed their books in France. They cut down the value of the franc so that at one time they took three and one-half billion dollars from the people. Furthermore, they could change their books in France so that the French peasants who bought bonds at $20 had to sell them for $3. They could also change their books in Russia. The Russian Communists changed their books so that at one time when they did change their books they cheated and stole from the poor Russian peasants over $9,000,000,000. So did the Germans change their books so that the German mark, or the content of the mark, was reduced a trillionth part of its original value.

Now, with regard to the limitation this amendment would place of $35 an ounce. Of course, it should be pegged at that figure. As far as I am concerned, I would take all of these powers away from the President. We should coin the gold and return it to circulation. That would bring back the free-contract process. The gold-prohibition law has destroyed the free-contract process—the very basis of civilization itself. [Applause.]

I believe the President could, under section 8 of the Gold Reserve Act, debase to any degree he might determine the gold dollar.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. PATMAN] for 4 minutes.

Mr. PATMAN. Mr. Chairman, I cannot add anything to what my colleague the gentleman from Texas [Mr. WORLEY] has already said in opposition to this amendment. He gave a logical, convincing reason why the amendment should be defeated, and I, too, want to commend him for the ability he has demonstrated upon this occasion in support of the bill now under consideration. I think he has made a wonderful and effective fight.

The principle of this bill involves 640,000,000 ounces of gold—approximately 40,000,000 pounds. If that gold were shipped from New York to Fort Knox, Ky., in railroad freight cars, it would require 8 railroad trains carrying 50 cars each, each car containing 100,000 pounds of gold. So it does involve a commodity that is very valuable—something that should be given great consideration.

I was surprised at the desperation of my friend the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] in his effort to get some kind of an amendment to this bill and in order to get some kind of an amendment he is willing to submit an amendment which means putting this $1,800,000,000 into the general fund of the Treasury, then issuing what I have always understood from friends on his side of the aisle to be printing-press money. I hope that the gentlemen who voted for that amendment will never again condemn printing-press money.

Mr. AUGUST H. ANDRESEN. Will the gentleman yield?

Mr. PATMAN. I will be glad to yield to the gentleman if he has not a long, involved question.

Mr. AUGUST H. ANDRESEN. The gentleman knows that that $1,800,000,000 is in gold and that the money which would be issued would be gold money.

Mr. PATMAN. We cannot issue gold money.

Mr. AUGUST H. ANDRESEN. It would have gold backing. It would not be fiat money.

Mr. PATMAN. No; because gold is not in circulation any more and we could not issue gold certificates. That is illegal. What the gentleman is talking about would be good under the old law, but that law has been repealed.

Mr. AUGUST H. ANDRESEN. I recognize that.

Mr. PATMAN. Now, the only thing you could issue is what the gentleman has always referred to as printing-press money for the purpose of making these payments.

When this emergency is over, I do not know what kind of situation will confront us, but we do know that the President as the Chief Executive of this Nation should have some bargaining power. If you were to adopt this amendment, you would deprive the Chief Executive of the bargaining power which he needs to take care of the United States of America.

Mr. AUGUST H. ANDRESEN. Will the gentleman yield?

Mr. PATMAN. For a brief question.

Mr. AUGUST H. ANDRESEN. Does the gentleman favor paying foreigners more than $35 an ounce for their gold?

Mr. PATMAN. My time has almost expired. This is a question of helping the people of the United States and a question of giving the President sufficient power to deal with a great situation when this emergency is over.

Mr. Chairman, I hope the pending amendment will be defeated.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Idaho [Mr. WHITE].

Mr. WHITE. Mr. Chairman, in listening to the eminent gentleman from Michigan [Mr. WOLCOTT] I was reminded of what Will Rogers said in the midst of the last depression. He said:

Too much wheat, too much cotton, too much beef, too much wool, too much pork, too much of everything, and we are going through the unique experience of starving to death in the midst of plenty.

The gentleman from Michigan says that this program of our administration is a failure. Well, if $22,000,000,000 of gold in our Treasury and a prosperous country with a national credit that sustains the borrowings of the Treasury represent a failure, then our program must be a failure, but I do not know how the gentleman from Michigan measures a failure if that is evidence of a failure.

Let me contrast for a moment what happened when the gentleman from Michigan [Mr. WOLCOTT] was in the House and a Republican President was in the White House with what the situation is now. Let me contrast what his administration accomplished and what he probably rates as a success in contrast to his idea of the failure of this administration.

In that administration the surplus exports of this country just equaled the bonds we bought from foreign countries in lending them the money with which they bought our surplus goods. We all know what happened to the foreign bonds. When they were defaulted and we found that we had simply made those countries a present of these surplus exports that were exported during that great, successful administration. Now we have been sending our surplus exports abroad and having them paid for in good hard cash in the form of gold, and we have that gold safe in our vaults in this country. I wonder if the gentleman from Michigan [Mr. WOLCOTT] would say that is a failure. If he does, who will accept his verdict? But I believe the rating of economics will show that this program we are advocating here has been one of great success.

I hope this amendment will be voted down. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, the gentleman from Minnesota [Mr.

ANDRESEN] made the statement that his amendment would give stability to our dollar and to our foreign exchange. The adoption of his amendment in these days of uncertainty and rapid changes would have the opposite effect. It would have a tendency to unstabilize our currency and have an adverse effect upon our foreign exchange.

The amendment which was offered a few minutes ago, and which the Committee of the Whole in its wisdom rejected, would have taken $1,800,000,000 from the stabilization fund. If that amendment had been adopted it would have been fatal. The purpose of that fund is to protect the economic life of America in these trying days. It has played an important part during the past 7 years, and it might play a more important part in the future if certain events happen abroad which we all hope will not happen.

The pending amendment is aimed to take away the authority of the President to further devalue the gold content of the dollar. The purpose of the original passage of this legislation in 1934 was to protect our economic system. England had gone off the gold standard, France had gone off the gold standard, and other countries had gone off the gold standard, but the United States had remained on the gold standard. The result of these competing countries going off the gold standard was that their production costs were lowered, they were able to underbid American manufacturers and producers in the foreign markets, and they were able to get over our tariff protection and send their products into continental America.

By reason of their lowered production costs in consequence of the action they had taken, what we did then we had to do as a measure to protect ourselves and to protect our economic system. Following the passage of the law relating to the devaluation of the gold content of the dollar, the President issued a proclamation. He was authorized to devalue to between 50 and 60 percent, and he devalued to 59 percent plus. He now has that slender margin. He does not intend to exercise it unless events abroad compel him to do so. What he does in the interest of our country is dependent upon events that may happen abroad. We do not know what day in the future some country abroad in competition with our country may bring about some kind of a further devaluing influence which may compel the limited power extended to the President by the pending bill for the next 2 years to be exercised in our interest.

This bill simply extends the present law. In 1934 the original act was passed to remain in effect for 2 years, with the power in the President to extend it for 1 year, which he did. That was one extension. The Congress of the United States in its wisdom gave to the President two additional extensions. This is nothing but an extension of the present law, necessary by reason of world conditions, and in the best interest of the economic life of our Nation.

As I see it, this is a plain, simple question of common sense. I am surprised to see that a party issue is made of it. I regret it very much. In the last vote one Republican Member voted against the amendment. I do not know what will happen on this amendment so far as a party vote is concerned. However, the continuation of this power, limited now to a fraction of one-fifth of what it was before, to devalue the gold content of the dollar, is necessary, and the power will be exercised only in the event that future happenings compel it.

The original bill passed in 1934, the establishment of the stabilization fund, and the devaluation of the gold content of the dollar, were necessary as the result of actions abroad. Such action was in the best interests of our country. The amendment offered by the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] should be defeated and the bill passed. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN].

The question was taken; and on a division (demanded by Mr. AUGUST H. ANDRESEN) there were—ayes 100, noes 120.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. COCHRAN and Mr. AUGUST H. ANDRESEN.

The Committee again divided; and the tellers reported that there were—ayes 116, noes 131.

So the amendment was rejected.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. AUGUST H. ANDRESEN: On page 2, after line 9, insert "The first sentence of such paragraph (b) (2) so added is amended to read as follows: 'Nor shall the weight of the gold dollar be less, after June 30, 1941, than 15 5/21 grains of gold nine-tenths fine.'"

Mr. COCHRAN. Mr. Chairman, will the gentleman from Minnesota yield?

Mr. AUGUST H. ANDRESEN. I yield.

Mr. COCHRAN. Mr. Chairman, this amendment is identical with the other amendment except it deals with weight rather than dollars, and I ask unanimous consent that all debate on this amendment close in 10 minutes.

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

There was no objection.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, the amendment that was defeated provided only that $35 should be paid for foreign gold, while the amendment that is now before the committee proposes to fix the weight of gold for both the dollar in this country and the amount paid to foreigners. In other words, the unit of value for gold will be 15 5/21 grains of gold nine-tenths fine. This is the present weight of the gold dollar under the proclamation issued by the President in February of 1934. This amendment is broader than the amendment that was just considered and defeated, because it covers all of the gold we have in the Treasury, and I may say definitely prevents the President from devaluing the dollar in terms of gold.

The purpose of the minority is to take away from the President the devaluation power which he now possesses and which expires on June 30, 1941, and which the majority seeks by this bill to continue for another 2 years. It is not necessary to have any great discussion on this amendment. You know the purpose of it. I believe the amendment should be adopted. The minority on the committee has agreed to it and that is the issue before us now. I am satisfied if we could have a secret ballot in this House on this amendment it would be adopted overwhelmingly. [Applause.]

Mr. COCHRAN. Mr. Chairman, the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] is to be complimented on his frankness and his fairness. He tells you just exactly what his amendment seeks to do. He wants to take away the power that section 2 of this bill gives the President. There are no ifs and ands about it. The gentleman makes it perfectly plain to you he seeks in this way to take out section 2 and therefore I hope the amendment is voted down. Mr. Chairman, I now ask for a vote. [Applause.]

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. AUGUST H. ANDRESEN) there were—ayes 87, noes 105.

So the amendment was rejected.

Mr. CASE of South Dakota. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CASE of South Dakota: Page 2, line 9, strike out the period and insert: "*Provided*, That during this extension of time for the exercise of these powers, in paying for the gold authorized to be acquired by this act, as amended, the Secretary of the Treasury shall use gold coins or gold certificates based on the weight of the gold dollar fixed under these powers, and for that purpose he is authorized to provide for the coinage of gold coins of the value of $10 and $20, each of the standard of fineness proclaimed under these powers and to deliver the same to the tenderer of gold bullion in the amount of dollars to which he is entitled, or in lieu thereof, the Secretary of the Treasury may cause to be issued and delivered redeemable gold certificates in an amount in dollars equal in value of the gold coins to which the tenderer of gold bullion would be entitled."

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

Mr. CASE of South Dakota. Yes.

Mr. COCHRAN. Mr. Chairman, this is the last amendment and I ask unanimous consent that all debate upon this amendment and all amendments thereto close in 10 minutes.

The CHAIRMAN. Is there objection?

Mr. SMITH of Ohio. Mr. Chairman, I reserve the right to object. I would like to have 5 minutes.

Mr. COCHRAN. I suggest the gentleman take 2½ minutes and I shall take 2½ minutes.

The CHAIRMAN. The gentleman from Missouri asks unanimous consent that all debate upon this amendment and all amendments thereto close in 10 minutes. Is there objection?

Mr. SMITH of Ohio. I object.

Mr. COCHRAN. Mr. Chairman, I move that all debate upon this amendment and all amendments thereto close in 10 minutes.

Mr. CASE of South Dakota. Mr. Chairman, I make the point of order that that motion is not in order at this time or until there has been debate.

The CHAIRMAN. The point of order is sustained.

"THE WAY TO RESUME IS TO RESUME"

Mr. CASE of South Dakota. Mr. Chairman, this amendment is rather a simple thing. It is not complex. If it were complex, I would not be offering it, because I do not pretend to be an expert in money matters. I listen to the real students of the subject with interest because I am convinced the question is fundamental. I listen and repeat what I read or hear. So this amendment is simple. It simply says, as a President of the United States once said, the way to resume specie payment is to resume it.

This amendment restores the use of gold coin and gold certificates as legal tender. That is the effect of it. The amendment provides that when the Treasury buys gold it shall use gold to pay for that gold, by the use of gold coin or gold certificates. A purchase will wash itself. The Treasury will no longer be obliged either to borrow money and pay interest on it or to go through some rigmarole with the Federal Reserve bank issuing notes and one thing and another.

It provides for a clean-cut transaction. The miner or the owner of gold bullion offers the gold to the Treasury and the Treasury will pay for the gold either with gold coin or gold certificates based on the standard of fineness then existing under the powers which the President is authorized under this general act to exercise. The miner, of necessity, pays his expenses with the gold coin he receives, and you have started the circle of gold exchange. Automatically the gold coin and the gold certificate must become legal tender for taxes and all other obligations. Whatever additional legislation is needed to provide a sufficient volume of gold coin and gold currency will follow as a matter of course.

Two years ago, when we were debating this same proposition, I remember using the illustration of the boy with the marbles, and asked the question what would happen when the boy captured all of the marbles. At that time we were increasing our acquisition of gold. We then had between 66 and 70 percent of the world's gold in this country. Some of you were worried then. What do you think of the situation now? Today, 2 years later, we have between 80 and 85 percent of the world's gold—about $23,000,000,000 worth of it. We have a tremendous stake, in other words, in the value of the world's gold.

This amendment is an attempt, first of all, to underwrite and to protect the value of the goods and labor that we have invested in the gold that we have already bought. The device is simple. It is to distribute the ownership.

The amendment is an attempt, in the second place, to provide a medium of exchange in order that the nations of the world can trade again. When we make it legal, again, to own and use gold exchange, it will find its way into international trade.

The reason for the economic breakdown in world affairs—at least one big reason—was the lack of sufficient gold in some countries to serve as a base for their currency and to clear their international exchange. They were forced, then, to take two steps: First, to devalue; second, to resort to barter. So common is the knowledge of those steps that one hardly needs to mention them. The break-down of Europe can be traced to the breakdown of the London Economic Conference. Other forces enter in, of course. Disaster feeds on disaster. Barter at a bargain, in turn forces another barter at a lower rate of return. In time the descending spiral spells ruin. Disaster reigns until some way is found to restore trade.

Barter limits trade, ordinarily, to two people. A medium of exchange, of a value acceptable to everybody, broadens trades to three, four, five, or more parties, and permits the producers of one kind of goods to get a fair return in goods they want. The value of a medium of exchange is that it reduces forced sales. You no longer have to take something you do not want in exchange for something you produced. You get, with an exchange medium, something you can use to buy what you really want. Through the ages gold has been found to be the best medium. And that is why many of our respected students of world problems insist that one of the most important steps to world order is the restoration of that medium for international exchange.

I have introduced other measures to work in that direction—for instance, the bill to authorize use of gold from the stabilization fund to pay for French possessions in this hemisphere. Other steps, such as the purchase of deficiency metals, must be worked out to distribute the gold by buying what we want or need, if the world is to achieve peace and order again.

This amendment proposes a simple step. It proposes to use gold to pay for the gold we buy and start the circle of exchange to that extent. It restores legality to the ownership and use of gold. It is a step that must be taken sometime. It will create a wider interest in the gold in which the United States has invested twenty-two or twenty-three billions of dollars' worth of labor and good.

Instead of reaching the point where Uncle Sam becomes the one boy who has cornered all of the marbles and has to quit playing when the other boys resort to trading jackknives, we will be reestablishing a system in which the other boys and the other nations in the world can get gold, and international trade can flow again. "The way to resume is to resume." I ask for the adoption of the amendment. [Applause.]

Mr. COCHRAN. Mr. Chairman, I ask unanimous consent that all debate upon this amendment and all amendments thereto close in 6 minutes.

The CHAIRMAN. Is there objection? There was no objection.

Mr. SMITH of Ohio. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection? There was no objection.

Mr. SMITH of Ohio. Mr. Chairman, I am happy to support this amendment. There is nothing that the United States of America needs so much today as to return to specie payments. Few people realize what happened to this country by the gold-prohibition law. The gold-prohibition law has done nothing less, as I said awhile ago, than to destroy the free or voluntary contract process, the very basis of civilization itself. The greatest protection the laboring man has to keep what he produces, is to be paid in value money, and the slickest device to cheat him out of what he produces is this which we are on at the present time, political promise to pay money, universally condemned by all sound students of money. Not only is the free circulation of gold the basic protection for the laboring man to keep what he produces but to be paid in hard money, gold, is the greatest protection on earth to maintain the most equitable distribution of wealth.

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

Mr. SMITH of Ohio. No. I do not yield. Mr. Chairman, I do not care to yield at this time.

If you will examine the literature on the question of debasement since the coinage of money first began, about 700 years before Christ, and perhaps even before that, you will find that all students have condemned the debasement of money. That is all you are asking for here—to continue to debase money; to clip the coin. That is all you are asking for.

What did Daniel Webster say about the sort of money that we are now on and the New Deal party asks to have continued? He said it is the greatest of inventions, to fertilize the rich man's field by the sweat of the poor man's brow. That is what Daniel Webster said on the floor of the Senate about 100 years ago.

What did Grover Cleveland say about this kind of money? Grover Cleveland certainly would not support this money scheme that now exists; Grover Cleveland who saved the Democratic Party by abolishing or repealing the Silver Purchase Act. He understood money perhaps as well as most Presidents we have had. He pointed out that this kind of money has its most injurious effect upon the poor and the working-class people. He explained, as all men who study this question know, that the wages of the laborer always lag behind the price increase. Oh, yes; you say you are not going to have any price increase. You are going to have somebody to hold prices down. The very fact that you have set up an agency to control prices shows that you fear inflation. It makes no difference what you do, you are not going to prevent the effects of inflation which the gold policy has produced. [Applause.]

[Here the gavel fell.]

Mr. COCHRAN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the minority has been arguing against inflation and still it submits an amendment that will provide inflation.

This amendment is contrary to the entire monetary policy of this Government now in existence. It provides for the coinage of gold coins in the value of $10 and $20, and delivery of same to individuals for gold bullion. In other words, the men who mine gold out in the Black Hills where the gentleman comes from will get gold coin in return for their bullion rather than paper money they now get. At the present time the Government hoards gold, but if you pass this amendment you pass out gold and the individuals who get it will then hoard the gold. If this was done it would be necessary to call in this gold ordered coined under this amendment, which the President has power to do under this act. So why coin gold and pass it out and have it brought back again?

This amendment should be defeated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from South Dakota [Mr. CASE].

The question was taken; and on a division (demanded by Mr. CASE of South Dakota) there were ayes 84 and noes 108.

So the amendment was rejected.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and Mr. COOPER having assumed the chair as Speaker pro tempore, Mr. RAMSPECK, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 4646, and pursuant to the provisions of House Resolution 211, he reported the same back to the House.

The SPEAKER pro tempore (Mr. COOPER). Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

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

The SPEAKER pro tempore. The question is on the passage of the bill.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. AUGUST H. ANDRESEN. I am, Mr. Speaker.

The SPEAKER pro tempore. Is the gentleman a member of the committee?

Mr. AUGUST H. ANDRESEN. I am, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from Minnesota qualifies. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. AUGUST H. ANDRESEN moves to recommit the bill to the Committee on Coinage, Weights, and Measures with instructions to report the same back to the House forthwith with the following amendment: On page 2, at the end of line 8, insert "No foreign gold shall be acquired by the United States after the date of enactment of this act at a price in excess of $35 an ounce."

Mr. COCHRAN. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the motion to recommit.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 144, nays 218, answered "present" 2, not voting 67, as follows:

[Roll No. 67]

YEAS—144

Allen, Ill.	Gale	Pittenger
Andersen,	Gamble	Ploeser
H. Carl	Gearhart	Plumley
Anderson, Calif.	Gehrmann	Powers
Andresen,	Gerlach	Rankin, Mont.
August H.	Gilchrist	Reece, Tenn.
Andrews	Gillie	Reed, Ill.
Angell	Graham	Reed, N. Y.
Arends	Guyer, Kans.	Rees, Kans.
Baldwin	Gwynne	Rich
Bates, Mass.	Hall,	Robertson,
Baumhart	Edwin Arthur	N. Dak.
Bender	Hall,	Robertson, Va.
Bennett	Leonard W.	Robsion, Ky.
Bishop	Halleck	Rockefeller
Blackney	Hill, Colo.	Rodgers, Pa.
Boehne	Hope	Rogers, Mass.
Bolles	Howell	Rolph
Bolton	Hull	Rutherford
Brown, Ohio	Jennings	Satterfield
Burch	Jensen	Scott
Burdick	Johns	Shafer, Mich.
Butler	Johnson, Calif.	Simpson
Canfield	Johnson, Ill.	Smith, Maine
Carlson	Johnson, Ind.	Smith, Ohio
Carter	Jones	Smith, Va.
Case, S. Dak.	Jonkman	Springer
Chenoweth	Kean	Stevenson
Chiperfield	Keefe	Stratton
Clason	Kilburn	Sumner, Ill.
Clevenger	Kinzer	Sutphin
Cluett	Knutson	Taber
Coffee, Nebr.	Kunkel	Talle
Copeland	Lambertson	Thill
Crowther	Landis	Thomas, N. J.
Culkin	LeCompte	Tibbott
Curtis	Maas	Tinkham
Day	Martin, Iowa	Treadway
Dewey	Martin, Mass.	Van Zandt
Ditter	Mason	Vorys, Ohio
Dondero	Michener	Vreeland
Dworshak	Miner	Walter
Eaton	Mott	Wheat
Elston	Mundt	Wigglesworth
Engel	Murray	Wilson
Englebright	O'Brien, N. Y.	Wolcott
Fellows	Oliver	Wolfenden, Pa.
Fenton	Paddock	Wolverton, N. J.
Fish	Pheiffer,	Woodruff, Mich.
Ford, Leland M.	William T.	Youngdahl

NAYS—218

Allen, La.	Colmer	Flannery	Jackson	Mitchell	Scrugham
Anderson,	Connery	Fogarty	Jacobsen	Monroney	Secrest
N. Mex.	Cooley	Forand	Johnson,	Murdock	Shanley
Barden	Cooper	Ford, Miss.	Luther A.	Myers, Pa.	Shannon
Barnes	Costello	Ford, Thomas F.	Johnson, Okla.	Nelson	Sheppard
Barry	Courtney	Fulmer	Johnson, W. Va.	Norrell	Sheridan
Beam	Cox	Gathings	Kefauver	Norton	Smith, Conn.
Beckworth	Cravens	Gavagan	Kelley, Pa.	O'Brien, Mich.	Smith, Wash.
Beiter	Creal	Geyer, Calif.	Kelly, Ill.	O'Connor	Snyder
Bell	Crosser	Gibson	Kennedy,	O'Leary	South
Bland	D'Alesandro	Gore	Martin J.	O'Neal	Sparkman
Boggs	Davis, Ohio	Gossett	Kennedy,	Pace	Spence
Boren	Davis, Tenn.	Granger	Michael J.	Patman	Starnes, Ala.
Bradley, Pa.	Delaney	Grant, Ala.	Keogh	Patrick	Steagall
Brooks	Dickstein	Green	Kerr	Patton	Sullivan
Brown, Ga.	Dingell	Gregory	Kilday	Peterson, Fla.	Tarver
Bryson	Disney	Haines	Kleberg	Peterson, Ga.	Tenerowicz
Buck	Doughton	Hare	Kocialkowski	Pfeifer,	Terry
Buckler, Minn.	Downs	Harrington	Kopplemann	Joseph L.	Thom
Buckley, N. Y.	Doxey	Harris, Ark.	Kramer	Pierce	Thomas, Tex.
Bulwinkle	Drewry	Hart	Lanham	Plauché	Thomason
Burgin	Duncan	Healey	Lea	Poage	Traynor
Byrne	Durham	Hébert	Leavy	Priest	Vincent, Ky.
Camp	Eberharter	Heffernan	Lesinski	Rabaut	Vinson, Ga.
Cannon, Mo.	Edelstein	Hendricks	Lewis	Ramsay	Voorhis, Calif.
Capozzoli	Eliot, Mass.	Hill, Wash.	Ludlow	Ramspeck	Ward
Casey, Mass.	Elliott, Calif.	Hobbs	Lynch	Randolph	Wasielewski
Chapman	Ellis	Holbrock	McArdle	Rankin, Miss.	Weaver
Claypool	Faddis	Hook	McCormack	Richards	Weiss
Cochran	Fitzgerald	Houston	McGehee	Rivers	Welch
Coffee, Wash.	Fitzpatrick	Hunter	McIntyre	Robinson, Utah	Wene
Cole, Md.	Flaherty	Imhoff	McKeough	Rogers, Okla.	West
Collins	Flannagan	Izac	McLaughlin	Russell	Whelchel
			McMillan	Sabath	White
			Maciejewski	Sacks	Whittington
			Maciora	Sanders	Williams
			Magnuson	Sasscer	Worley
			Mahon	Sauthoff	Wright
			Merritt	Scanlon	Young
			Meyer, Md.	Schaefer, Ill.	Zimmerman
			Mills, Ark.	Schuetz	
			Mills, La.	Schulte	

ANSWERED "PRESENT"—2

Cole, N. Y.	Stefan

NOT VOTING—67

Arnold	Harris, Va.	Nichols
Bates, Ky.	Harter	O'Day
Bloom	Hartley	O'Hara
Boland	Heidinger	Osmers
Bonner	Hess	O'Toole
Boykin	Hinshaw	Pearson
Bradley, Mich.	Hoffman	Rizley
Cannon, Fla.	Holmes	Romjue
Cartwright	Jarman	Short
Celler	Jarrett	Sikes
Clark	Jenkins, Ohio	Smith, Pa.
Crawford	Jenks, N. H.	Smith, W. Va.
Cullen	Johnson,	Somers, N. Y.
Cunningham	Lyndon B.	Stearns, N. H.
Dies	Kee	Sumners, Tex.
Dirksen	Kirwan	Sweeney
Domengeaux	Larrabee	Taylor
Douglas	McGranery	Tolan
Edmiston	McGregor	Wadsworth
Gifford	McLean	Wickersham
Grant, Ind.	Mansfield	Winter
Hancock	Marcantonio	Woodrum, Va.
Harness	May	

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Stefan for, with Mr. Smith of West Virginia against.

Mr. Cole of New York for, with Mr. Larrabee against.

Mr. Douglas for, with Mr. Somers of New York against.

Mr. Short for, with Mr. Clark against.

Mr. O'Hara for, with Mr. Cullen against.

Mr. Hess for, with Mr. Pearson against.

Mr. Hancock for, with Mr. O'Toole against.

Mr. Grant of Indiana for, with Mr. Celler against.

Mr. Holmes for, with Mr. Romjue against.

Mr. Winter for, with Mr. Bates of Kentucky against.

Mr. Wadsworth for, with Mr. Harter against.

Mr. Stearns of New Hampshire for, with Mr. Bloom against.

Mr. Harness for, with Mr. Tolan against.

Mr. Hoffman for, with Mr. McGranery against.

Mr. Jenkins of Ohio for, with Mr. May against.

Mr. McGregor for, with Mr. Smith of Pennsylvania against.
Mr. Osmers for, with Mrs. O'Day against.
Mr. Jarrett for, with Mr. Kirwan against.
Mr. Dirksen for, with Mr. Boland against.
Mr. Hartley for, with Mr. Bonner against.
Mr. Cunningham for, with Mr. Cannon of Florida against.
Mr. McLean for, with Mr. Boykin against.
Mr. Gifford for, with Mr. Woodrum of Virginia against.

Until further notice:

Mr. Cartwright with Mr. Crawford.
Mr. Sumners of Texas with Mr. Jenks of New Hampshire.
Mr. Arnold with Mr. Heidinger.
Mr. Harris of Virginia with Mr. Bradley of Michigan.
Mr. Jarman with Mr. Risley.
Mr. Nichols with Mr. Hinshaw.
Mr. Mansfield with Mr. Marcantonio.
Mr. Dies with Mr. Edmiston.
Mr. Lyndon B. Johnson with Mr. Sikes.
Mr. Taylor with Mr. Kee.
Mr. Sweeney with Mr. Wickersham.

Mr. COLE of New York. Mr. Speaker, I have a pair with the gentleman from Indiana, Mr. LARRABEE. If he were present he would have voted "nay." I therefore withdraw my vote of "yea" and answer "present."

Mr. OSMERS. Mr. Speaker, I have a pair with the gentlewoman from New York Mrs. O'DAY. If present, she would have voted "nay." I therefore withdraw my vote of "yea" and answer "present."

Mr. STEFAN. Mr. Speaker, I have a pair with the gentleman from Virginia, Mr. SMITH. If he had been present, he would have voted "nay." I therefore withdraw my vote of "yea" and answer "present."

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the passage of the bill.

Mr. COCHRAN and Mr. AUGUST H. ANDRESEN asked for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 226, nays 138, answered "present" 2, not voting 65, as follows:

[Roll No. 88]

YEAS—226

Allen, La.	Connery	Ford, Thomas F.
Anderson, N. Mex.	Cooley	Fulmer
Barden	Cooper	Gathings
Barnes	Costello	Gavagan
Barry	Courtney	Gehrmann
Beam	Cox	Geyer, Calif.
Beckworth	Cravens	Gibson
Beiter	Creal	Gore
Bland	Crosser	Gossett
Boehne	D'Alesandro	Granger
Boggs	Davis, Ohio	Grant, Ala.
Bonner	Davis, Tenn.	Green
Bradley, Pa.	Delaney	Gregory
Brooks	Dickstein	Haines
Brown, Ga.	Dingell	Hare
Bryson	Disney	Harrington
Buck	Doughton	Harris, Ark.
Buckler, Minn.	Downs	Hart
Buckley, N. Y.	Doxey	Healey
Bulwinkle	Drewry	Hébert
Burch	Duncan	Heffernan
Burgin	Durham	Hendricks
Byrne	Eberharter	Hill, Wash.
Camp	Edelstein	Hobbs
Cannon, Mo.	Eliot, Mass.	Holbrock
Capozzoli	Elliott, Calif.	Hook
Case, S. Dak.	Ellis	Houston
Casey, Mass.	Faddis	Hunter
Chapman	Fitzgerald	Imhoff
Claypool	Fitzpatrick	Izac
Cochran	Flaherty	Jackson
Coffee, Wash.	Flannagan	Jacobsen
Cole, Md.	Flannery	Johnson, Luther A.
Collins	Fogarty	Johnson, Okla.
Colmer	Forand	Johnson, W. Va.
	Ford, Miss.	

Kefauver	Nelson	Secrest
Kelley, Pa.	Nichols	Shanley
Kelly, Ill.	Norrell	Shannon
Kennedy, Martin J.	Norton	Sheppard
Kennedy, Michael J.	O'Brien, Mich.	Sheridan
Keogh	O'Connor	Sikes
Kerr	O'Leary	Smith, Conn.
Kilday	O'Neal	Smith, Va.
Kleberg	Pace	Smith, Wash.
Kocialkowski	Patman	Snyder
Kopplemann	Patrick	South
Kramer	Patton	Sparkman
Lanham	Peterson, Fla.	Spence
Lea	Peterson, Ga.	Starnes, Ala.
Leavy	Pfeifer, Joseph L.	Steagall
Lesinski	Pierce	Sullivan
Lewis	Plauché	Tarver
Ludlow	Poage	Tenerowicz
Lynch	Priest	Terry
McArdle	Rabaut	Thom
McCormack	Ramsay	Thomas, Tex.
McGehee	Ramspeck	Thomason
McIntyre	Randolph	Traynor
McKeough	Rankin, Miss.	Vincent, Ky.
McLaughlin	Richards	Vinson, Ga.
McMillan	Rivers	Voorhis, Calif.
Maciejewski	Robertson, Va.	Ward
Maciora	Robinson, Utah	Wasielewski
Magnuson	Rogers, Okla.	Weaver
Mahon	Russell	Weiss
Merritt	Sabath	Welch
Meyer, Md.	Sacks	Wene
Mills, Ark.	Sanders	West
Mills, La.	Sasscer	Whelchel
Mitchell	Sauthoff	White
Monroney	Scanlon	Whittington
Moser	Schaefer, Ill.	Williams
Murdock	Schuetz	Worley
Myers, Pa.	Schulte	Wright
	Scrugham	Young
		Zimmerman

NAYS—138

Allen, Ill.	Gearhart	Pittenger
Andersen, H. Carl	Gerlach	Ploeser
Anderson, Calif.	Gifford	Plumley
Andresen, August H.	Gilchrist	Powers
Andrews	Gillie	Rankin, Mont.
Angell	Graham	Reece, Tenn.
Arends	Guyer, Kans.	Reed, Ill.
Baldwin	Gwynne	Reed, N. Y.
Bates, Mass.	Hall, Edwin Arthur	Rees, Kans.
Baumhart	Hall, Leonard W.	Rich
Bender	Halleck	Robertson, N. Dak.
Bennett	Hill, Colo.	Robsion, Ky.
Bishop	Hope	Rockefeller
Blackney	Howell	Rodgers, Pa.
Bolles	Hull	Rogers, Mass.
Bolton	Jennings	Rolph
Brown, Ohio	Jensen	Rutherford
Burdick	Johns	Satterfield
Butler	Johnson, Calif.	Scott
Canfield	Johnson, Ill.	Shafer, Mich.
Carlson	Johnson, Ind.	Simpson
Carter	Jones	Smith, Maine
Chenoweth	Jonkman	Smith, Ohio
Chiperfield	Kean	Springer
Clason	Keefe	Stevenson
Clevenger	Kilburn	Stratton
Cluett	Kinzer	Sumner, Ill.
Coffee, Nebr.	Knutson	Sutphin
Copeland	Kunkel	Taber
Crowther	Lambertson	Talle
Culkin	Landis	Thill
Curtis	LeCompte	Thomas, N. J.
Day	McGregor	Tibbott
Dewey	Maas	Tinkham
Ditter	Martin, Iowa	Treadway
Dondero	Martin, Mass.	Van Zandt
Dworshak	Mason	Vorys, Ohio
Eaton	Michener	Vreeland
Elston	Mott	Walter
Engel	Mundt	Wheat
Fellows	O'Brien, N. Y.	Wigglesworth
Fenton	Oliver	Wilson
Fish	Osmers	Wolcott
Ford, Leland M.	Paddock	Wolfenden, Pa.
Gale	Pheiffer, William T.	Wolverton, N. J.
Gamble		Woodruff, Mich.
		Youngdahl

ANSWERED "PRESENT"—2

Cole, N. Y.	Stefan

NOT VOTING—65

Arnold	Cartwright	Douglas
Bates, Ky.	Celler	Edmiston
Bell	Clark	Englebright
Bloom	Crawford	Grant, Ind.
Boland	Cullen	Hancock
Boren	Cunningham	Harness
Boykin	Dies	Harris, Va.
Bradley, Mich.	Dirksen	Harter
Cannon, Fla.	Domengeaux	Hartley
Heidinger	Larrabee	Short
Hess	McGranery	Smith, Pa.
Hinshaw	McLean	Smith, W. Va.
Hoffman	Mansfield	Somers, N. Y.
Holmes	Marcantonio	Stearns, N. H.
Jarman	May	Sumners, Tex.
Jarrett	Murray	Sweeney
Jenkins, Ohio	O'Day	Taylor
Jenks, N. H.	O'Hara	Tolan
Johnson, Lyndon B.	O'Toole	Wadsworth
Kee	Pearson	Wickersham
Kirwan	Risley	Winter
	Romjue	Woodrum, Va.

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Smith of West Virginia for, with Mr. Stefan against.
Mr. Larrabee for, with Mr. Cole of New York against.
Mr. Somers of New York for, with Mr. Douglas against.
Mr. Clark for, with Mr. Short against.
Mr. Cullen for, with Mr. O'Hara against.
Mr. Pearson for, with Mr. Hess against.
Mr. O'Toole for, with Mr. Hancock against.
Mr. Celler for, with Mr. Grant of Indiana against.
Mr. Romjue for, with Mr. Holmes against.
Mr. Bates of Kentucky for, with Mr. Winter against.
Mr. Harter for, with Mr. Wadsworth against.
Mr. Bloom for, with Mr. Stearns of New Hampshire against.
Mr. Tolan for, with Mr. Harness against.
Mr. McGranery for, with Mr. Hoffman against.
Mr. May for, with Mr. Jenkins of Ohio against.
Mr. Kirwan for, with Mr. Jarrett against.
Mr. Boland for, with Mr. Dirksen against.
Mr. Cannon of Florida for, with Mr. Cunningham against.
Mr. Boykin for, with Mr. McLean against.
Mr. Woodrum of Virginia for, with Mr. Hartley against.
Mr. Smith of Pennsylvania for, with Mr. Bradley of Michigan against.
Mrs. O'Day for, with Mr. Crawford against.

General pairs:

Mr. Sumners of Texas with Mr. Jenks of New Hampshire.
Mr. Arnold with Mr. Heidinger.
Mr. Jarman with Mr. Risley.
Mr. Bell with Mr. Hinshaw.
Mr. Mansfield with Mr. Marcantonio.
Mr. Cartwright with Mr. Englebright.
Mr. Harris of Virginia with Mr. Murray.
Mr. Dies with Mr. Edmiston.
Mr. Taylor with Mr. Kee.
Mr. Sweeney with Mr. Wickersham.
Mr. Lyndon B. Johnson with Mr. Boren.

Mr. STEFAN. Mr. Speaker, I am paired with the gentleman from West Virginia, Mr. SMITH. Had he been present, he would have voted "yea." I voted "nay." I desire to withdraw my vote and now vote "present."

Mr. COLE of New York. Mr. Speaker, I have a pair with the gentleman from Indiana, Mr. LARRABEE. I therefore withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

DISASTER LOAN CORPORATION AND ELECTRIC HOME AND FARM AUTHORITY

Mr. SABATH, from the Committee on Rules, submitted the following privileged resolution (H. Res. 217, Rept. No. 641), which was referred to the House Calendar and ordered to be printed:

June 5, 1941
11:30 a.m.

RE AID TO BRITAIN

Present: Mr. Bell
Mr. Foley
Mr. Stewart
Mr. Cochran
Mr. Viner
Mr. White
Mr. Bernstein

H.M.Jr: Well, Professor Bell.

Bell: I didn't get any help from them on any letter to the State Department at all.

H.M.Jr: You didn't?

Bell: I think the Bell group, as you called them, is interfering with quick administrative decisions and procedure. (Laughter.)

Jake and Walter feel that we shouldn't make any change at this time, we should go ahead and send notices to all governments but not discriminate against some.

H.M.Jr: All right. Now this afternoon - let me see if I have got my lesson. We are going to tell Hopkins that inasmuch as I have given my word on behalf of the President and myself that we would try to relieve the British - buy up between three and four hundred million dollars worth of their contracts entered into prior to - was the date January 1 or the fifteenth of March?

Bell: It is after January 1.

White: After. There is no date. You are going to relieve them of that much in contracts.

H.M.Jr: And in order to do that he has got to help me out by making it possible for them to postpone these contracts to the extent of two hundred million dollars and he will place orders for similar material with the same manufacturers or with other manufacturers?

Bell: Well, that is Cox' proposal. You see, we suggested that the United States Government take over British contracts amounting to three or four hundred million dollars that had been signed after January 1, plus the investment in plant facilities, which would amount to about a hundred million, or including the investment in plant facilitie s.

Oscar Cox said that in reading the testimony he didn't think that they ought to do that but what he would suggest that we do is to take the contracts that had been signed after March 11, the date of the act, and take those over in the amount of about seventy-eight million dollars and to make up the difference, the War Department enter into contracts with the same manufacturers who had contracts with the British for the same identical material, or similar material, and then we postpone the cash liability of the British under their contracts for a later period, say next year or 1942.

H.M.Jr: Only seventy-eight million?

Bell:	Seventy-eight million after March 11, and then in addition to that, say we will contract for two hundred million dollars worth of material, the same kind of material with the same manufacturers, as the British have contracts for.
H.M.Jr:	Is there any disagreement?
Bell:	The only disagreement there is that we thought it was some finagling in order to get around the thing, but I don't think we have got any better solution to the problem.
H.M.Jr:	If Hopkins after giving it careful consideration wants to do it --
Foley:	I think it is important, Mr. Secretary, that it be Mr. Hopkins', because it is his responsibility, and that he not be able to pin it on you as being your proposal. I think you ought to put it up to him for his consideration, and if he wants to do it, it will be very good.
H.M.Jr:	I haven't mastered all the details. I think when we meet at two, Dan, I will just raise the question and if Hopkins says, "Well, how do you think it could be done," so that we don't all talk, I will ask you to talk, do you see?
Bell:	Yes. Do you want me to tell him what we had in mind and then Cox' counter proposal which is all right with us if it is all right with him?
Cochran:	Or even let Cox put it up.
Foley:	Why put it on Oscar? We don't know how far Oscar may have gone with Harry and Harry may think Oscar shouldn't have done it. Why not

say that - give him our proposal and then say the objection was made that that would be relieving the British of those contracts and it would be contrary to the testimony before the committees when the appropriation measure was up, and a counter suggestion was made that a deferment on the part of the American manufacturers of three hundred fifty to four hundred million dollars of British contracts would violate what had been said to Congress and would accomplish the same result.

What does he think about it?

Bell: That is all right with me. I think Oscar has already talked to Harry and told him that he made this kind of suggestion. I don't think.....

White: You doubtless remember also that Hopkins in a subsequent visit reiterated his determination to do it.

Bell: The last time he was here he admitted that the commitment had been made and we had got to get out of it.

White: He definitely stated we had got to do it.

H.M.Jr: I am going to take the attitude that this is a follow-up meeting and they have been working on this thing and this seems to be the way to do it.

Here is Maynard Keynes sitting here and wanting an answer, and I would like to give it to him, with Hopkins' help. If Hopkins thinks we will have this if he would send for Maynard Keynes and just tell it to him.

Foley: That is right.

H.M.Jr: Now, of course, with Ben Cohen back, you see, Ben is very much on our side on this thing, so I told him we would use him if necessary but he isn't going to go back right away with Winant so if we want to use him, he is here. He has talked with Brendan Bracken, and he has got all that stuff and it seems as though Churchill is upset with this thing, so that is all - Cohen can tell that to Hopkins if necessary.

Now, on the six fifty, have you got that story, too?

Bell: Some of it. We went back and had a meeting as to whether or not we should call Keynes and we decided that we should not call Keynes until after this meeting today.

We did call Cox last night, and he went over the memorandum, the letter and memorandum which Keynes had given you, plus the list that was attached. He said that he couldn't see anything in that memorandum that presented any difficulties whatever, bringing all those purchases under the Lend-Lease, with the exception of one item, which is the thirty million dollars, for the expansion of the oil well machinery of the Shell plant in South America, which had been disapproved by the President.

Thirty million dollars isn't going to make or break the British Government. The only other item that he could think of was the one that Keynes mentioned which is the expenses of the trainees in this country, and Oscar says so far as he can find out, that all their expenses are going to be paid by our Army and the only dollars they will need is what little money that the British Government gives them to spend and they will get the most of their pay, he assumes, in English currency.

He said that couldn't possibly cost over - well, at the most, seven million dollars a year, which would be a thousand dollars a man, and he thinks it will be not half that much.

Viner: How can we find out about that? You see, the newspaper stories are not running that way.

Bell: About the expenses?

White: The newspaper stories would be less than a thousand dollars a year.

H.M.Jr: What do you want to know?

White: A thousand dollars per man.

H.M.Jr: What do you want to know?

Viner: What was the arrangement with the British as to the financing of these students? According to his story, only pocket money. According to the newspapers, every time they refer to it it says the tuition and the living expenses of the students are to be paid by the British.

H.M.Jr: Well, Cox would know.

Bell: I think he does know. He very definitely stated yesterday that the Army was going to feed them.

White: Feed them and house them.

Bell: He said the only other item in that - it was only a quarter of a million dollars - is the purchase of the land.

H.M.Jr: To show how far they are going under the Lend-Lease, somebody told me - this is all in the room - this English naval vessel at Norfolk, the sailors had to go ashore - who told me this?

Bell: I guess Merle and I. You mean Philadelphia?

H.M.Jr: No, this is another story. I got this on the high seas. The men of this ship at Norfolk are housed and fed ashore in Norfolk and paid for by the United States Navy while they repair this ship, which will go on for months.

Cochran: Their pay is included, too?

H.M.Jr: Not their pay, no, but they are housed and fed and that bill is paid for by the United States Navy.

White: They don't get paid in dollars in their salary anyway.

H.M.Jr: I tell you who told me. The Commander of this Atlantic destroyer fleet who just came from Norfolk told me they are doing it.

(Discussion off the record.)

H.M.Jr: I think we are in pretty good shape. Will you all be back at two?

White: There is one --

Bell: After this is over, I should think that Keynes ought to sit down and go over this with Oscar Cox and General Burns.

White: Cox seemed to think that they just didn't understand what can be done, what might be done under the arrangement, and that is why Dan thinks they first ought to clear that up, because Cox seems to feel that most of that six hundred would be taken care of.

They raised one item - Keynes mentioned one item and Cox had an explanation for it, which indicates that apparently on a number of the things that were troubling the British there is a special and reasonable explanation for.

He mentioned the case of agricultural implements, which they apparently are unable to get through Lend-Lease. Cox said the story with respect to the agricultural implements was that they had specified the make and they felt they could buy other makes more cheaply through their routine channels.

H.M.Jr: That is the English?

White: What?

H.M.Jr: The English or Procurement?

White: Procurement. They said if the English wanted this specific make, they would be glad to buy it for them; but then the English would have to specify why this special make and not other makes were needed for that particular purpose.

Bell: You see, you have got American interests over in London pushing their own sales.

H.M.Jr: Well, I have no sympathy with that.

Bell: The John Deere Company is over there selling a John Deere plow.

H.M.Jr: If you can get the same plow and the same specifications and one is cheaper than the other, they ought to buy the cheaper one. I think this is pretty good. Don't you think we are in pretty good shape for this afternoon, Viner?

Viner: I think that it is a question there of whether Cox is correct when he says that the administrative problems that concern Keynes are not formidable. I am a little nervous as to whether Cox doesn't think that we could easily substitute for all the elaborate English purchasing machinery our own without involving a very serious delay.

My guess is that these things come in in thousands and thousands of items and that things aren't going nearly as smoothly here as Cox indicates and that there may be - we may be very casually saying, "We will take over all the elaborate business of selection and specification and so on."

H.M.Jr: But you are on another subject. I have passed my word. I want to make good on it.

You see, that is my immediate problem.

Bell: Well, Jake is talking about the --

Viner: I am speaking of the six hundred.

H.M.Jr: Oh, that is something else.

White: Cox mentioned something that might be of passing interest. He thought that the British Purchasing Mission here had a large staff with nothing to do now or relatively little to do, and he thought that their desire to handle their own purchases might be related to that in some way, that they felt with that staff they could handle a good deal of it.

H.M.Jr: Well, again I have no sympathy with that. You see, if I can just get this thing - after all, I have taken morning after morning on this thing - and get this off my own desk and get it down to a level where Keynes can go to work and knock this thing out and then I can get on something else, that is what I would like to do, having felt that I have made a contribution toward what he has come over here for.

He tells me the Chancellor of the Exchequer has a little easier mind on his financial outlook. If I can get it launched in the right direction, he can go back and say, "Well, they are sympathetic," and you have got a little more leeway and things aren't quite so tight as they seem to be, and the British Treasury and Mr. Churchill will feel a little bit more easy about the finance. Then I have done all I can do.

White: He has already told me that. He said that he has changed his mind in the few weeks that he has been here. He has got some new slants on the problems and realizes that the view that is held in London with respect to many of these matters is unwise.

H.M.Jr: Did he?

White: Yes.

H.M.Jr: Well, I got it from a friend of mine - he saw him. He seems to feel that he has gotten a very sympathetic hearing here after he got off to a bad start. He didn't mention the bad start, but he mentioned -he was very complimentary, so I don't know how he talked up at Princeton.

Stewart: He confirmed that, but he mentioned the bad start and the cordial relationships which now exist.

H.M.Jr: Well, it was a bad start. But also the cordial relationships? So he is feeling all right?

Stewart: Yes.

H.M.Jr: Well, I think it is important that he should.

Bell: Oscar thinks that one difficulty with the British is they have got too many people running around in Washington and haven't got a central man any more like if you dealt with some one, it wouldn't be anybody but Purvis.

H.M.Jr: That is right.

Bell: Now there are about six all going in different directions.

H.M.Jr: I know. I made Purvis.

Bell: Cox said that could be changed.

H.M.Jr: I made Purvis in the sense that I would only deal with him and they knew that at home in England. I wouldn't deal with anybody else.

Well, thank you all. I will see you at two.

Usso in stays
appx to 15 am

June 4, 1941

TO THE SECRETARY:

Subject: British financial requirements in United States and resume of negotiations respecting partial relief therefrom

A. Administration commitments to Congress with respect to existing British obligations in this country

1. The Secretary told Congress in January that

(a) Great Britain has the dollar resources sufficient to meet the balances due on contracts entered into prior to January 1, 1941 (About $1400M)

(b) The British have agreed to sell during 1941 every dollar of property that they own in the United States in order to raise funds for this purpose. (See Appendix A for pertinent quotations and A-2 for excerpt from memorandum handed you by Peacock.)

2. Budget Director Smith told the House Appropriations Committee in March that

(a) None of the $7 billion appropriation would be used to pay for any of the goods ordered by the British Government before the Lend-Lease Act (March 11, 1941)

(b) The British Government would pay for orders placed before the Lend-Lease Act out of their dollar assets. (See Appendix B for pertinent quotations.)

B. <u>Commitments by the Secretary to the British in conference with Sir Frederick Phillips and others on March 19, 1941</u>

The Secretary stated that the President, Hopkins, and himself had agreed to relieve the British of from $300 - $400 million of commitments. (No date was mentioned.)

It is not clear from the record as to the basis for the $300 - $400 million figure. Phillips did, however, on January 6, 1941, mention the desirability of maintaining a reasonable working balance of $250 million.

(See memorandum attached (Exhibit B-2) giving a summary of Secretary's Press conference on March 13, 1941, at which he mentioned $350M. This figure also appeared in a United Press article of March 17 in Journal of Commerce. The basis for this figure probably came out of the President's memorandum of March 10, 1941, which is attached (Exhibit B-3). See also Secretary's statement on March 19 in diary where $400M is mentioned by Bell which was taken from McCloy's letter of March 17, but which did not exactly cover situation Secretary had in mind.)

C. <u>What the British have requested</u>

1. Attainment as soon as possible of a working cash balance of $600 million.

   This request was contained in an undated Aide Memoire forwarded to us from the White House on March 19, but evidently dating from a prior date. The same request was made in the letter from Waley of the British Treasury to Ben Cohen and included in a cable from London dated March 18. (See Appendix C.)

2. <u>Keynes' letter to the Secretary of May 16</u>

   This letter and the memorandum accompanying it made two points:

   (a) Reference to the Secretary's earlier commitment to relieve the British of $300 - $400 million of contracts.

   (b) Request for an additional $650 million of relief from contracts. This is to enable the British to place orders outside of Lend-Lease for the following categories of goods:

      (i) Those difficult to administer, estimated to amount to $400 million for two years ($200M a year)

      (ii) Those giving rise to legal or political difficulties, estimated at $250 million for two years ($125M a year)

      (The British also stated that if Lend-Lease excluded all shipments to the Dominions, they would require additional relief.)

D. What can we do for them?

1. With respect to the $300 - $400 million

(a) Plant facilities by RFC

Already taken over	$ 48 M	
Can be taken over (estimated investment $85M)	52	$ 100 M

(b) Supply contracts already taken over by War Department 50

(c) Supply contracts entered into by British after March 11, 1941, which can be taken over by War Department 78

$ 228 M

(d) Relief by War Department entering into contracts for identical materials now under British contracts and thus deferring British cash liabilities under such contracts to a later date. (See Cox's memorandum, Appendix D.) 200

$ 428 M

We have some doubts about adopting proposal (d), but it is added here as a policy matter for discussion. It was discussed with Secretary on June 3 and it was decided to discuss the matter with Hopkins to see if proposal could be adopted.

2. With respect to the $650 million

(a) Nothing has as yet been done, but it is clear that you could give them further relief through Mr. Cox's proposal set out under (d) above. We do not recommend this.

(b) The purchase of Vultee planes from the British to be sold to China provides for an additional $25 million of cash to be given to the British. It may be possible to expand this a little more by finding other items.

(c) Mr. Keynes ascertained that the $650 million relief could be reduced by $50 million by arranging to purchase certain commodities under Lend-Lease. Through administrative arrangements, it would seem to be possible to reduce the $650 million still further, so that even the minor detailed purchases could be brought under Lend-Lease. This device has been only tentatively explored.

OFFICE FOR EMERGENCY MANAGEMENT
DIVISION OF DEFENSE AID REPORTS
WASHINGTON, D. C.

MEMORANDUM

June 5, 1941

TO: Secretary Morgenthau

FROM: Oscar Cox

SUBJECT: Deferment of British Contracts

Yesterday I spoke to Mr. Hopkins and sent him a memorandum on this subject. I am sure that he is quite familiar with the problem up for decision.

He has asked me to attend a meeting with you at the Treasury at 2:00 p.m. today.

OSC

June 4, 1941

TO THE SECRETARY:

Subject: British financial requirements in United States and resume of negotiations respecting partial relief therefrom

A. Administration commitments to Congress with respect to existing British obligations in this country

1. The Secretary told Congress in January that

   (a) Great Britain has the dollar resources sufficient to meet the balances due on contracts entered into prior to January 1, 1941 (About $1400M)

   (b) The British have agreed to sell during 1941 every dollar of property that they own in the United States in order to raise funds for this purpose. (See Appendix A for pertinent quotations and A-2 for excerpt from memorandum handed you by Peacock.)

2. Budget Director Smith told the House Appropriations Committee in March that

   (a) None of the $7 billion appropriation would be used to pay for any of the goods ordered by the British Government before the Lend-Lease Act (March 11, 1941)

   (b) The British Government would pay for orders placed before the Lend-Lease Act out of their dollar assets. (See Appendix B for pertinent quotations.)

B. Commitments by the Secretary to the British in conference with Sir Frederick Phillips and others on March 19, 1941

The Secretary stated that the President, Hopkins, and himself had agreed to relieve the British of from $300 - $400 million of commitments. (No date was mentioned.)

It is not clear from the record as to the basis for the $300 - $400 million figure. Phillips did, however, on January 6, 1941, mention the desirability of maintaining a reasonable working balance of $250 million.

(See memorandum attached (Exhibit B-2) giving a summary of Secretary's Press conference on March 13, 1941, at which he mentioned $350M. This figure also appeared in a United Press article of March 17 in Journal of Commerce. The basis for this figure probably came out of the President's memorandum of March 10, 1941, which is attached (Exhibit B-3). See also Secretary's statement on March 19 in diary where $400M is mentioned by Bell which was taken from McCloy's letter of March 17, but which did not exactly cover situation Secretary had in mind.)

C. What the British have requested

1. Attainment as soon as possible of a working cash balance of $600 million.

   This request was contained in an undated Aide Memoire forwarded to us from the White House on March 19, but evidently dating from a prior date. The same request was made in the letter from Waley of the British Treasury to Ben Cohen and included in a cable from London dated March 18. (See Appendix C.)

2. Keynes' letter to the Secretary of May 16

   This letter and the memorandum accompanying it made two points:

   (a) Reference to the Secretary's earlier commitment to relieve the British of $300 - $400 million of contracts.

   (b) Request for an additional $650 million of relief from contracts. This is to enable the British to place orders outside of Lend-Lease for the following categories of goods:

      (i) Those difficult to administer, estimated to amount to $400 million for two years ($200M a year)

      (ii) Those giving rise to legal or political difficulties, estimated at $250 million for two years ($125M a year)

      (The British also stated that if Lend-Lease excluded all shipments to the Dominions, they would require additional relief.)

B. <u>What can we do for them?</u>

1. <u>With respect to the $300 - $400 million</u>

(a) <u>Plant facilities by RFC</u>

Already taken over	$ 48 M	
Can be taken over (estimated investment ($75M)	52	$ 100 M
(b) Supply contracts already taken over by War Department		50
(c) Supply contracts entered into by British after March 11, 1941, which can be taken over by War Department		75
		$ 225 M
(d) Relief by War Department entering into contracts for identical materials now under British contracts and thus deferring British cash liabilities under such contracts to a later date. (See Cox's memorandum, Appendix D.)		200
		$ 425 M

We have some doubts about adopting proposal (d), but it is added here as a policy matter for discussion. It was discussed with Secretary on June 3 and it was decided to discuss the matter with Hopkins to see if proposal could be adopted.

2. <u>With respect to the $650 million</u>

(a) Nothing has as yet been done, but it is clear that you could give them further relief through Mr. Cox's proposal set out under (d) above. We do not recommend this.

(b) The purchase of Vultee planes from the British to be sold to China provides for an additional $25 million of cash to be given to the British. It may be possible to expand this a little more by finding other items.

(c) Mr. Keynes ascertained that the $650 million relief could be reduced by $50 million by arranging to purchase certain commodities under Lend-Lease. Through administrative arrangements, it would seem to be possible to reduce the $650 million still further, so that even the minor detailed purchases could be brought under Lend-Lease. This device has been only tentatively explored.

HDW:DWB:co

FEDERAL LOAN AGENCY
WASHINGTON

JESSE H. JONES
FEDERAL LOAN ADMINISTRATOR

JUN 4 - 1941

Dear Henry:

Reference is made to your letter of May 2, 1941, requesting the latest additional information regarding the progress being made in the negotiations for the acquisition of British-owned facilities in this country.

No requests have been received from the War Department for acquisition of any plants other than the five mentioned in my letter to you of March 19, 1941. It is contemplated that these five plants will be taken over by Defense Plant Corporation, an RFC subsidiary, but no payments have as yet been made on account of any of these five plants except that of the Tennessee Powder Company. We believe generally this situation is due to the fact that since the passage of the Lend-Lease Bill the British have been slow to follow through on their desire to realize on these assets and have not yet delivered the necessary cancellation letters with respect to orders they had formerly placed, as is more particularly referred to below. The following is the status with reference to each project.

1. Tennessee Powder Company. Although the agreements for acquisition of this plant and the leasing of the same to E. I. du Pont de Nemours & Company were executed on March 19, 1941, the actual transfer of the ownership of the plant was postponed until its final completion, such transfer taking place on May 23, 1941. The estimated cost was approximately $26,000,000 of which $25,000,000 was paid on the date of actual transfer and the balance will be paid as soon as the RFC auditors have completed their cost survey.

2. Buffalo Arms Corporation. The terms of the lease between Defense Plant Corporation and Buffalo Arms Corporation have been agreed upon by the parties, but the lease is awaiting execution pending receipt of the necessary cancellation letter from the British Purchasing Commission with respect to British orders formerly placed. It is contemplated that Defense Plant Corporation will take over this plant when the construction work is completed in June or July and that the total cost will be approximately $6,070,000.

3. Colt's Patent Fire Arms Manufacturing Company. The terms of the lease agreement between Defense Plant Corporation and Colt have been agreed upon by the parties, but the lease is awaiting execution pending receipt of the necessary cancellation letter from the British Purchasing Commission. It is contemplated that the plant will be taken over by Defense Plant Corporation upon its completion some time next fall, at a purchase price of approximately $6,660,000.

4. Kelsey-Hayes Wheel Company. The terms of the lease agreement between Defense Plant Corporation and Kelsey-Hayes have been agreed upon by the parties, but the lease is awaiting execution pending receipt of the necessary cancellation letter from the British Purchasing Commission. It is contemplated that this plant will be taken over by Defense Plant Corporation in July, upon its completion, at a purchase price of approximately $5,300,000.

5. High Standard Manufacturing Company, Inc. Negotiations are now being conducted with this Company to work out a lease agreement with Defense Plant Corporation. Although the terms of the lease have been agreed upon, it is still necessary for the Company to obtain a cancellation letter from the British Purchasing Commission. It is contemplated that Defense Plant Corporation will take over this plant when the construction work is completed in June or July, at a cost of approximately $4,300,000.

Sincerely yours,

Jesse H. Jones
Administrator

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

26,000
6,070
6,660
5,300
4,300
$48,330

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Willard Hotel,
Washington, D.C.,
2nd May 1941.

Dear Cochran,

1. I enclose a copy of a sort of programme which was drawn up here of the major British plant facilities which have at various times been mentioned in discussions with the R.F.C. for sale to the Defense Plant Corporation.

Of the items in this programme, the Tennessee Powder Company and the four Machine Gun Plants may be regarded as settled. The amount we expect to get from these sales has been included in the figures we have given you of our estimated financial position.

As regards the remainder of the list, while all of them have been mentioned at one time or another, there is as yet no expression by the R.F.C. of their willingness to take them over. It is very difficult to give you anything more than rough estimates of the sums we might hope to receive if the transactions were satisfactorily concluded. We know what we have spent or contracted to spend, but we do not know what the R.F.C. would be willing to take over, e.g. they might exclude expenditure on training staff, some of which would be in our total capital figure, they might exclude expenditure on special jigs and tools, and so on.

The best case I can make of the maximum sums that we should be likely to obtain is -

New Jersey	9.3
Packard	24.9
Wright Aeronautical Corporation	9.0
General Motors	4.0
Tank contracts	7.0
Western Cartridge	3.0
Remington Arms	3.0
Total	60.2

In the case of the Tennessee Powder Plant, we are asked to pay rental of 20% of capital cost per year so long as the plant is used for our benefit. Accordingly, the nett sum that would be received if this kind of precedent were followed would be below $60 millions.

2. I enclose a second paper showing details of those existing contracts which we think would be most suitable for possible taking over by the War Department.

Sincerely yours,

/s/ F. Phillips

Mr. H. Merle Cochran,
United States Treasury,
Washington, D. C.

Copy:alm 5-3-41

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April 23, 1941.

SALE OF CAPITAL FACILITIES TO R.F.C.

The major British financed plant facilities which we have, at one time or another, discussed with the R.F.C. for sale to D.P.C.* are listed below, together with estimated cost, nature of facilities, amounts paid by the British thereon and status thereof:

Name	Estimated Cost (millions)	Nature of Facilities	Advance Payments by Brit. (millions)	Status
Tennessee Powder Co.	$ 25.5	Powder plant	$ 24.9	DPC has contracted to purchase plant when completed (probably May 1941)
New Jersey Powder Co.	11.5	Powder plant	9.3	Preliminary negotiations suspended without apparent reason. British submitted full figures to RFC.
Houde Engineering Co. Colts Patent Firearms Co. High Standard Mfg. Co. Inc. Kelsey-Hayes Wheel Co.	22.8**	Machine gun plants	25.7	Negotiations almost concluded. Sale to be completed when plants completed, which will not be for several months.
Packard Motor Car Co.	24.9	Plant for Rolls Royce engines	24.9	No development.
Wright Aeronautical Corp.	21.9	Wright engine plant	14.4	No development.
General Motors	7.0	Allison engine plant	6.5	No development.

* Defense Plant Corporation, a subsidiary of the R.F.C.
** This figure includes only recoverable items of cost presently estimated.

Sale of Capital Facilities to R.F.C. (cont.)

Name	Estimated Cost (millions)	Nature of Facilities	Advance Payments by Brit. (millions)	Status
Pullman Standard Car Mfg. Pressed Steel Car Co. Lima Locomotive Co. Republic Steel Corp. Blaw-Knox Co.	$ 9.5	Tank plants	$7.3	No development.
Western Cartridge Co.	5.6	Ammunition plants	4.8	No development.
Remington Arms Co.	5.2	Arms and ammunition plants	4.2	No development.
TOTAL	$133.9		$122.0	

The maximum amount recoverable by the British upon sale of the above plants is the total of British advance payments, less deductions for such items of expense which the R.F.C. is unwilling to bear. Following the pattern of the Tennessee Powder Company arrangement, we would receive no payments until the plants in question are completed.

Copy:alm 5-3-41

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CONTRACTS SUITABLE FOR THE WAR DEPARTMENT TO TAKE OVER

Millions of U.S. dollars.

	Contract	British advances outstanding on product.	Balance due	Total
A 194	Curtiss Wright, Air Engines	23.7	19.3	43.0
A5103	Option exercised on A194	29.0	39.6	68.6
A 196	General Motors, Air engines,	28.0	36.3	64.3
A 787	Packard, Air Engines	21.3	88.7	110.0
A1381	Pullman, Tanks	4.9	10.4	15.3
A1465	Continental, Tanks	8.0	14.0	22.0
A1795	Pressed Steel, Tanks	5.5	11.3	16.8
A1960	Baldwin, Tanks	5.7	15.5	21.2
A1962	Lima, Tanks	4.4	8.4	12.8
A2869	Republic Steel, Tanks	1.8	14.2	16.0
	Total	132.3	257.7	390.0

Notes. These figures, which are all subject to revision, relate to product and exclude capital advances.

Of the total balance due, about one-third falls due between May and August, one-third between September and December, and the remainder in 1942.

Washington,
2nd May 1941.

Copy:alm 5-3-41

JUN 3 1941

My dear General Burns:

I have your letter of May 20, 1941, enclosing a draft of the proposed regulations on the valuation of defense articles transferred or received by the United States under the Act of March 11, 1941, and requesting any comments or suggestions which I might wish to make concerning them.

I have been over these regulations and do not have any suggestions or amendments to offer. I believe that they fully cover the matters of valuation of defense articles and defense information.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Major General J. H. Burns,
Office for Emergency Management,
Washington, D. C.

ORIGINAL FORWARDED TO ADDRESSEE
FROM OFFICE OF THE SECRETARY

File to Mr. Thompson

By Messenger

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
WASHINGTON, D.C.

May 20, 1941.

My dear Mr. Secretary:

I am sending you herewith a draft of the proposed regulations on the valuation of defense articles transferred or received by the United States under the Act of March 11, 1941.

I would greatly appreciate any comments or suggestions which you may wish to make about them.

Sincerely yours,

J H Burns

J. H. BURNS
Major General, U. S. Army.

The Honorable

The Secretary of the Treasury.

Enclosure

OFFICE FOR EMERGENCY MANAGEMENT

Division of Defense Aid Reports

Regulation No. 1

Evaluation of Defense Articles and Defense Information

Pursuant to the Act of March 11, 1941, Executive Order No. 8751, issued by me on May 5, 1941, and the Military Order issued by me on May 6, 1941, I hereby prescribe the following rules and regulations for the valuation of defense articles and defense information transferred or received by the United States:

1. The Executive Officer of the Division of Defense Aid Reports, or his designee from that Division, in consultation with representatives of the Treasury Department and the Bureau of the Budget, shall determine the value of defense articles and defense information transferred or received by the United States. The Executive Officer is also empowered to obtain the information necessary to a proper valuation from the War, Navy or Agriculture Departments, or the Maritime Commission, in the case of any defense articles or information transferred or received by such departments or agencies.

2. Defense articles transferred or received by the United States under the Act of March 11, 1941, shall be valued by the Executive Officer, subject to the procedure set forth in Section 1, by giving such consideration as he deems necessary to the original cost, the reproduction cost, the age, character and condition of the defense articles, the degree of depreciation or obsolescence, the use or uses to which the articles are to be or can be put, and any other criteria which he deems relevant to the proper valuation of such articles.

3. Defense information transferred or received by the United States under the Act of March 11, 1941, shall be valued by the Executive Officer, subject to the procedure set forth in Section 1, by giving such consideration as he deems necessary to the cost of developing such defense information, the use value of such information, and any plan, specification, design, prototype or other data conveyed in connection with or as a part of such information, and any other criteria relevant to the value of such defense information.

WAR DEPARTMENT
WASHINGTON

May 20, 1941

My dear Mr. Secretary:

Reference is made to your letter of May 2, 1941, in which you request information with respect to the status of War Department arrangements for taking over British contracts.

In Mr. McCloy's letter to the Under Secretary of the Treasury, dated March 17, 1941, it was stated that arrangements then under consideration by the War Department and Reconstruction Finance Corporation would relieve the British Government of contracts for supplies and plant facilities to the extent of $427,560,000. Since that date the Congress has appropriated $7,000,000,000 (Defense Aid Appropriation Act, 1941) to carry out the provisions of the Lend-Lease Act, and all of the $427,560,000 program has now been taken over by the use of lend-lease funds, with the exception of $97,900,000. Of the $97,900,000, $49,600,000 represents the actual amount of War Department funds obligated for the purpose of entering into new contracts to replace certain British supply contracts, and $48,300,000 represents the face amount of British plant facility contracts, which are being replaced by contracts with the Defense Plant Corporation. In connection with the plant facility program, it should be understood that the face amount is the obligation of the original British contracts, the ultimate obligation of the Defense Plant Corporation being somewhat less than this, due to the fact that the Defense Plant Corporation will not acquire all of the facilities provided under British contracts. Likewise, in the case of British supply contracts, reimbursements to the British Government will be less than the actual cost to the British due to the fact that War Department procurement agencies are able to contract on a more favorable basis than the British Purchasing Commission.

In reference to your inquiry regarding the actual payments that may be expected to be made to the British Government as a result of this taking over of British equipment obligations, it is difficult for the War Department to give any reliable figure as reimbursement to the British Government under British contractual agreements with these manufacturers is a matter to be settled by the British Purchasing Commission and the manufacturers.

For your information, the British Purchasing Commission has entered into contracts for certain plant facilities amounting to $85,600,000 in addition to the facilities represented by the $48,300,000 referred to above. Study by the War Department indicates that in the interest of national defense the acquisition by the United States of these additional facilities is desirable. Accordingly, steps are now being taken by the War Department which it is hoped will lead to the further acquisition of these facilities by the Defense Plant Corporation. Inasmuch as the $85,600,000 represents the face amount of the additional British facilities, it is not known at this time what the ultimate cost thereof will be, or how much reimbursement will be due the British Government under existing contracts.

The foregoing comprises the extent to which War Department arrangements for relieving the British Government of contracts placed in this country by the British Purchasing Commission have been made.

Sincerely yours,

Henry L. Stimson

Secretary of War

The Honorable
The Secretary of the Treasury

ASSISTANT SECRETARY OF STATE

WASHINGTON

May 31, 1941.

Dear Merle:

As I told you over the telephone, we have been having some discussions with Messrs. Foley and Bernstein regarding a draft of lease-lend agreement with the British. In their absence I am sending to you a revised draft, together with a memorandum to the President, the original of which Secretary Hull has approved, so that they and Secretary Morgenthau may have it on Monday morning.

The President has written Secretary Hull asking him to submit to the President a draft of agreement as soon as possible, after discussing it with Secretary Morgenthau. I believe that he wishes, if possible, to have an agreement under discussion with the British some time during the coming week.

If Secretary Morgenthau wishes it, I shall be very glad to go over with him any questions which he may have about the draft before the two Secretaries discuss it.

Sincerely yours,

Dean Acheson

Mr. H. Merle Cochran,
Room 279,
Treasury Department,
Washington, D. C.

Memorandum to the President.

The attached draft of lease-lend agreement with the British is submitted in response to the President's letter of May 16, 1941.

It is suggested that matters of form - whether, for instance, what is covered in Article IV of this draft should be included in this agreement or in another document - be passed without decision at this time. If decision can be reached now as to the substance of the agreement, so that the Department may discuss that with the British, form and method can be submitted for approval after the British views are known.

The substance of the proposal is as follows:

__First__. A joint declaration of a cooperative purpose, between the two nations and all others willing to join, to establish a just peace based on security for all nations and order under law.

__Second__. __The considerations moving from the British:__

1. An undertaking

1. An undertaking by them to supply similar aid to us should our defense at any time require it.
2. An undertaking to examine, with a view to giving full support and assistance to strengthening our defense, any further needs of ours for bases.
3. All material transferred which shall be in existence at the end of the war to be given back to us upon request of the President.
4. All military material destroyed or used up in the war to be written off.
5. Against obligations for other materials - food, non-military material, etc. - the British to receive credits for property, services, information, facilities, or other considerations or benefits accepted or acknowledged by the President. It seems desirable to keep the credit accounting flexible so that, for instance, if the British developed and gave us a workable night bomber detection device, the President might be able to write off a category of obligations without necessarily putting a monetary value upon the device. The final settlement of any balance owed to be made so far as possible in a way not to burden

economic

economic relations.

6. An undertaking by the British to give full support to us -

(a) In a program of international trade and financial policies designed to facilitate trade between us and among all nations willing to join.

(b) In improving international trade especially where difficulties have arisen from clearing, compensation, or payment agreements made by the British - for instance, the Argentine blocked sterling arrangement.

(c) In a program of equitable dealing with surplus commodities and non-discriminatory access to raw materials open to all nations.

(d) In a program open to all nations for post war relief and rehabilitation.

[It may ultimately be thought desirable to formulate these economic provisions in a separate document. Incorporated here, as an undertaking by the British, they have more solemnity than a mere statement of intention, but are not a commitment by the United States requiring ratification as a treaty.]

Third.

__Third.__ The remaining provisions call for periodic review of accounts, no transfer of title without the President's consent, protection of rights of patent owners.

May 23, 1941.

Pursuant to Section 3 of the Act of the Congress of the United States of America of March 11, 1941, the President has determined that the defense of the United Kingdom is vital to the defense of the United States, and for that reason the United States is now providing, and will continue to provide, aid toward that defense.

The United States and the United Kingdom declare that in giving and receiving this aid they are engaged in a cooperative undertaking, open to all nations and peoples willing to join therein, entered upon in defense of national and political freedom, with self restraint and sober purpose, to the end of establishing a just and enduring world peace, based upon security for all nations and order under law.

The United States and the United Kingdom here agree to the terms and conditions on which the obligations of the United Kingdom to the United States which arise from the transfer of defense articles and defense information from the one nation to the other shall be discharged.

The methods here provided for the discharge of these obligations are devised to make possible for the future the establishment of international economic relationships essential for the maintenance of peace with freedom and

opportunity

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opportunity for all who walk in the paths of peace.

Article I.

Should circumstances arise presently or in the future in which the United States in its own defense may require defense articles or defense information which the United Kingdom is or may be in a position to supply, the United Kingdom will make such defense articles and defense information available to the United States under arrangements similar to those expressed in this agreement.

Article II.

The United Kingdom will continue to examine with the United States their need for military, naval, or air bases with a view to giving its full support and assistance in strengthening the defense of the United States.

Article III.

(1) The United States recognizes the benefit to the defense of the United States, contemplated by the Act of Congress of March 11, 1941, of the use by the United Kingdom in its own defense and in the defense of free states of the aid given and to be given under the Act.

(2) Defense articles transferred to the United Kingdom under the act which shall not have been destroyed

or

or consumed shall be returned to the United States upon request of the President of the United States, whereupon all obligation, other than that provided in Articles I and II of this agreement, in respect thereto shall be thereby discharged.

(3) In respect of defense articles such as [note: the following enumeration is suggested for discussion and intended to cover articles expended or destroyed in military operations or in preparation for them as distinguished from articles for civilian use.] weapons, munitions, aircraft, vessels, and boats, machinery, facilities, tools, material, and supplies for their manufacture, production, processing, repair, servicing, or operation, and their component material, parts, and equipment, all obligation, other than that provided in Articles I and II of this agreement, shall be discharged upon the destruction or consumption thereof by act of war or in the defense of the United Kingdom, or in the use for which the said articles were leased or lent.

(4) In respect of all other obligations arising by reason of transactions or delivery of articles under the said Act of Congress not specified above, the United States and the United Kingdom shall periodically review their

accounts

accounts. Against such obligations the United Kingdom shall receive credits, in amounts determined by the President after consultation with the Government of the United Kingdom, for any property, services, information, facilities, or other consideration or benefits accepted or acknowledged by the President on behalf of the United States.

(5) Whatever balance of obligation may remain at the end of the present emergency shall be liquidated so far as possible in such a way as not to burden the international economic relations between the two countries or between either of them and other countries in the post war period.

Article IV.

(1) In furtherance of the purpose jointly declared in this agreement the United Kingdom undertakes:

(a) To give its full support to the United States in a program of international economic, trade and financial policies and arrangements which will reduce and remove wherever practicable obstacles to trade and facilitate the interchange of goods and services between the two nations and among all nations willing to join therein;

(b) To aid the United States in improving their trade and financial relations with the British Commonwealth of Nations and with other countries, especially, in those instances in which difficulties exist by

reason

reason of clearing, compensation, payment or similar agreements or arrangements entered into by the United Kingdom;

(c) To join with the United States and other nations willing to cooperate with them in devising and establishing fair and equitable methods for dealing with the surplus products of either of them and of other nations, and for providing free and non-discriminatory access to raw materials.

(2) The United States and the United Kingdom have already entered into and will proceed with negotiations looking toward a joint effort by the two countries and other nations willing to join therein to relieve the distress and want caused by the war, wherever, and as soon as, such relief will help the oppressed and not aid the aggressor.

Article V.

For the purposes provided in Article III of this agreement records shall be kept of all defense articles and defense information transferred or supplied under this agreement, and of all credits and liquidations; and at intervals of not less than every ninety days schedules of such defense articles, defense information, credits, and liquidations shall be exchanged and reviewed.

Article VI.

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Article VI.

The United Kingdom undertakes that it will not without the consent of the President transfer title to or possession of any defense article or defense information transferred to the United Kingdom under this agreement to, or permit the use thereof by, anyone not an officer, employee, or agent of the United Kingdom.

Article VII.

If, as a result of the transfer to the United Kingdom of any defense article or defense information, it becomes necessary for the United Kingdom to take any action or make any payment in order fully to protect, pursuant to the Act, any of the rights of any citizen of the United States who has patent rights in and to any such defense article or information, the United Kingdom will so proceed, when so requested by the President.

Article VIII.

The parties to this agreement, and the officials signing this agreement on their behalf, each for itself, himself, or themselves, represent and agree that the execution and delivery of this agreement have in all respects been duly authorized, and that all acts, conditions, and legal formalities which should have been performed and

completed

...ed prior to the making of this agreement have been ...ed and completed as required by and in conformity ... respectively, the laws of the United States and the ... Kingdom.

Signed in Washington in duplicate this

ON BEHALF OF THE UNITED STATES OF

____

(Title)

ON BEHALF OF HIS MAJESTY'S GOVERNMENT
IN THE UNITED KINGDOM

____

(Title)

Analysis of Drafts of Lend-Lease Agreement

Treasury Draft	State Department Draft
Preamble. Recital of authority in the President under the Lend-Lease Act and his determination that defense of Great Britain is vital to our defense.	Preamble. The President has determined the defense of the U.K. is vital to the defense of the U.S. and that therefore the U.S. is providing aid toward that defense. U.S. and U.K. declare that in doing this they are engaged in a cooperative undertaking open to all nations to establish a just world peace. The obligations of U.K. under the Agreement are to be discharged in such way as to make for the future establishment of international economic relationships essential for maintenance of peace with freedom of opportunity.
Article I. The President will furnish Lend-Lease aid to Britain as valued and listed in schedules attached to the Agreement.	Article I. U.K. to supply similar aid to U.S. should our defense at any time require it.
Article II. Britain agrees to redeliver useful defense articles, equivalent amount of similar defense articles and amounts of tin, rubber, jute and other products produced in the British Empire or elsewhere. To the extent that the foregoing does not constitute full reimbursement, Britain agrees to furnish us other things, services, information, etc., acceptable to the President.	Article II. U.K. will continue to examine with U.S. need for military, naval and air bases and give support and assistance in strengthening the defense of the U.S.
Article III. By future agreement the parties may substitute any other arrangement for repayment by Britain for Lend-Lease aid.	Article III. (1) U.S. recognizes benefit to itself of use by U.K. of aid given under Lend-Lease Act. (2) U.K. will return to U.S. articles which shall not have been destroyed or consumed. This will constitute full discharge of the obligation for such articles.

Article III - Continued.

(3) All military material destroyed or used up in the war to be written off.

(4) Against obligations for food and other non-military material, U.S. and U.K. will periodically review accounts and U.K. will receive credit in amounts determined by the President after consultation with U.K. for any benefits or other consideration acknowledged by the President.

(5) Obligations remaining at end of emergency shall be liquidated so far as possible in such way as not to burden the international economic relations between the two countries or between either of them and other countries in the post-war period.

Article IV. The President is to determine the fair value of any consideration or benefit received by the United States from Britain and to give Britain credit therefor. The status of the account under the Agreement is to be periodically reviewed.

Article IV. (1) To carry out the purposes of the Agreement, U.K. undertakes:

(a) to give full support to the U.S. in its program of international trade and financial policies which will reduce obstacles to trade;

(b) to aid U.S. in improving trade and financial relations with British Empire and other countries, especially where difficulty exists by reason of clearing agreements entered into by U.K.

(c) to join U.S. and other countries in devising fair methods for dealing with surplus products and providing non-discriminatory access to raw materials.

(2) U.S. and U.K. continue negotiations to relieve want caused by war, as soon as such relief will help the oppressed and not aid the aggressor.

	Article V. Records shall be kept of materials transferred under Agreement and of all credits and liquidationsand every ninety days such accounts shall be exchanged and reviewed.
Article V. Britain agrees it will not, without consent of President, transfer title or possession of any defense articles, etc.	Article VI. Same as Treasury Article V.
Article VI. Provision re protecting patent rights of American citizens.	Article VII. Same as Treasury Article VI.
Article VII. Material delivered by Britain to United States in payment is to be delivered in the United States and such payments are to be exempt from restrictions, regulations, and taxes of Great Britain.	State draft has no equivalent provision.
Article VIII. United States may at any time cease furnishing Lend-Lease aid to Britain but this will not affect Britain's obligation to repay. Any default by Britain shall entitle the United States to enforce its rights.	State draft has no equivalent provision.
Article IX. President may exercise his power through any officer or agency designated by him.	State draft has no equivalent provision.
Article X. Provision re parties giving notice to each other.	State draft has no equivalent provision.
Article XI. Formal provision re legality of execution of document.	Article VIII. Similar to Treasury Article XI.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 5, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 11:45 yesterday morning Mr. Bell and I raised the question with the Secretary of a reply to Sir Edward Peacock in regard to the proposed transaction involving a loan of $16,000,000 against the Coates-Clark group of thread companies.

On May 28 Sir Edward had addressed a letter to the Secretary upon this subject, which had been turned over by the Secretary to Mr. Bell. When Sir Edward had telephoned the Secretary on Tuesday for an expression of his views on the proposal, the Secretary called me in and asked that I get in touch with Sir Edward. Upon telephoning New York, I learned that Sir Edward was in Washington. Consequently, I got in touch with him in Sir Frederick Phillips' office at 12:45 on Tuesday, June 3. He was returning to New York at 3 p.m. I told him that the Secretary planned to study his proposal the following morning, but that if an immediate decision was necessary, the Secretary would change his schedule and do the necessary. Sir Edward said there was no such urgency and that a reply on the following day would be satisfactory.

In our discussion yesterday, the Secretary told Mr. Bell and myself that he desired to give no opinion to Sir Edward on this proposal until Mr. Jesse Jones might look it over. Mr. Bell was instructed to get in touch with Mr. Jones on the subject, and I was to phone Sir Edward after Mr. Bell had spoken with Mr. Jones.

Mr. Bell succeeded in reaching Mr. Jones at 4:50 yesterday evening. Mr. Jones knew nothing of this proposal. He was willing to look into it, and asked if it would be agreeable for him to get in touch with Sir Edward Peacock thereon. Mr. Bell answered in the affirmative.

At 5 o'clock I spoke with Sir Edward Peacock by telephone. He had left his office, but I found him at another address (Pennsylvania 6-4240). I told him that his letter had had the attention of the Secretary, but that the latter would take no decision until Mr. Jones had an opportunity to look at it. Mr. Bell had thereupon telephoned Mr. Jones and it was agreed that the latter should get directly in touch with Sir Edward Peacock for full information concerning the proposed arrangement and the properties involved. Sir Edward told me that he had had no connection with Mr. Jones to date on this matter, but would be prepared to give the latter any information which he might request this morning.

H.M.C.

THE WHITE HOUSE
WASHINGTON

June 5, 1941

My dear Mr. Secretary:

Pursuant to the authority vested in me by the Constitution and laws of the United States, I hereby authorize you to accept delivery of a gift of the defense articles set forth in the annexed schedule from Mr. John F. Camp, 1103 National Bank of Commerce Building, San Antonio, Texas.

I find that:

(1) The defense of the United Kingdom is vital to the defense of the United States;

(2) Sections 4 and 7 of the Act of March 11, 1941 have been complied with by the necessary agreement on the part of His Majesty's Government in the United Kingdom;

(3) It would be in the interests of our national defense to transfer the defense articles set forth in the annexed schedule.

I therefore authorize you to transfer those articles to His Majesty's Government in the United Kingdom.

I would appreciate it if you would arrange with the Chairman of the British Supply Council in North America for the time, method, and other details of the disposition.

Very sincerely yours,

Franklin D. Roosevelt

The Honorable

The Secretary of the Treasury.

Defense Articles Authorized
for Transfer to the United Kingdom
by the Secretary of the Treasury

Articles	
Quantity	Description
5,000 barrels	Texas Crude Oil

COPY

JOHN F. CAMP
1103 National Bank of Commerce Bldg.
San Antonio, Texas

Washington, D. C.
May 8, 1941.

My dear Mr. President:

In this emergency I desire to make a gift of some of my oil to those who are fighting to save democracy. In the last few days we have had news which should rouse us to action, and I have been concerned by the casual attitude which so many of my fellow citizens seem to have in this crisis. Radio and newspapers are telling us that the oil supply of Britain is threatened, and daily all of us are becoming more conscious of the fact that oil is the symbol and the key to this current mechanistic war. Without oil, the machines of war and of defense would be stalled.

Accordingly, Mr. President, I am impelled to ask you to accept this gift as a token of democracy-in-action. To be specific, I offer five thousand barrels of crude oil from my wells to be delivered at the port of Curpus Christi, Texas, subject to your instructions.

Small as my offer is, it is my hope that it may in some way help to attract attention to the vast resources which we have available to defend democracy.

I have told my friends about this plan to give some of my oil, and their encouragement leads me to believe that my offer will not be misunderstood. If it is consistent with the policy of the Government, it would be particularly gratifying to me if some way could be found to make my oil available to the fighting forces of Great Britain. However, this is not a condition of my gift. To provide for the national defense the people of America have invoked your leadership in a vast program. It seems appropriate, therefore, that I make this offer directly to my President, since my primary interest is to aid in the defense of my country.

Respectfully,

JOHN F. CAMP

June 5, 1941
11:58 a.m.

HMJr:	Yes, Steve.
Steve Early:	As far as I can find out, that's all set for Wednesday night.
HMJr:	Well, then I'm going to call up Mrs. Roosevelt and try to change it.
E:	Yeah. All right.
HMJr:	Thank you so much.
E:	Right.

Treasury Department

TELEGRAPH OFFICE

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WY141 24 DL GOVT

POUGHKEEPSIE NY JUNE 5/41 224P 1941 JUN 5 PM 2 54

SECRETARY OF TREASURY

MRS ROOSEVELT CAN JOIN YOU AT LUNCH WEDNESDAY JUNE ELEVENTH IF YOU CAN HAVE IT AT TWELVE NOON AS SHE HAS TWO OCLOCK ENGAGEMENT

MALVINA THOMPSON

251P

June 5, 1941
2:00 a.m.

RE AID TO BRITAIN

Present: Mr. Hopkins
Mr. Stewart
Mr. Bernstein
Mr. Foley
Mr. Bell
Mr. Cox
Mr. Cochran
Mrs. Klotz
Mr. Viner

H.M.Jr: Well Dan, if you will state some of our troubles that we would like Mr. Hopkins' help on.

Bell: You know, Harry, the last time we met we discussed the commitment to the British amounting to three hundred fifty million dollars which we would try to relieve them of their burden in this country. Since then, we have been working on it some, and we have found that there has been forty-eight million already taken out by the RFC of investment facilities and there is about eighty-five million investment left, of which Jesse and Phillips estimate that the value of it could only be between fifty and sixty because there are low amounts here and there that Jesse can't take. That would make a total of a hundred million of plant investment facilities. There have been supply contracts already taken over by the War Department amounting to fifty million. The last time I think we talked to you we thought that we might get around to this whole thing by taking over all of the British contracts entered into after January 1.

Well, after going over the testimony we found that that might be a little difficult, but we don't find any difficulty in taking over the contracts that have been signed since March 11. That amounts to about seventy-eight million. That makes a total of two hundred twenty-eight million that there didn't seem to be much difficulty about.

Hopkins: We to take over the contracts?

Bell: That is right, the War Department.

Then in a discussion there evolved the proposition of allowing the War Department to enter into the contracts with the same contractors that are now under contract with the British and for the identical material and then postponing or deferring the British cash liability, leaving the British contracts in full force and effect, but no further deliveries on them. The deliveries would be made under our contract. The British cash liability wouldn't come until sometime, maybe two years, hence, and by that time we may work out some other scheme to relieve them. We have put down for that category two hundred million dollars, making a total of four hundred twenty-eight million dollars, which is a little more than we promised them, but maybe the method of giving them the relief justifies a little sweetness there.

That is the first matter that we discussed.

Hopkins: Dan, could I ask you this? We are going to buy ninety million dollars worth of oil for which they have been paying dollars. Now, I am under the impression that that is something that they do not expect us to do, and what I would like to find out is whether that ninety million could be included in this item because I never heard of it. They made no requests for oil until they sent a special man over here last week--

White: I don't think they expected to pay--

Hopkins: I fancy Phillips is going to say, "Of course, we were planning on that all the time."

White: He might say that, but I don't think they expected they would have to pay all dollars for it. I think they thought they might make some deal in which they might pay half in dollars and possibly half in sterling, so he might make that statement.

Hopkins: We are not buying all the oil. We are buying a ratio of about five to twelve. They are paying the seven in sterling. They buy it through the Shell.

White: Oh, they are paying for the remainder all in sterling?

Hopkins: They are paying for all the oil they buy from British companies in sterling.

Bell: Does that involve the ninety?

Hopkins: No, the ninety is oil that they have got to buy from dollar sources. For instance, they buy oil from Standard Oil of New Jersey down in Aruba or somewhere down there, and they have to pay dollars to Standard Oil. They buy from Shell in the same place and they pay sterling.

White: You are sure they pay all dollars to Standard, because I think there was some discussion which you will remember, Mr. Secretary, some-time back?

H.M.Jr: I remember it very well, and we had it in here. Jay Crane came in here. You (Cochran) check me. They told me at the time that it amounted to roughly fifty million dollars a year, didn't it?

Cochran: Yes, sir.

H.M.Jr: And that it was a great obligation, and I said to the English, "Now look, when you feel that you can't pay the Standard Oil dollars any more, let's do the whole thing as one and not just single out one particular company."

Hopkins: Well, we are not.

H.M.Jr: But the point was that Standard Oil of New Jersey alone was receiving at the rate of fifty million dollars a year in dollars. Just that one company alone.

Hopkins: That is something because--

H.M.Jr: Is that right, Merle?

Cochran: Yes, sir.

H.M.Jr: Just that one company alone.

Hopkins: They have been getting three million tons from around the - Africa, the Persian Gulf, and they have lost so many tankers that they just can't keep that moving that distance any more, so if that oil could be bought in America, the United States.

Bell: That wouldn't give them dollars, Harry, or relieve them in dollars, would it?

Cox: Sure.

Hopkins: It would relieve them in dollars if they didn't think we were going to do it. After all, they have got certain things they pay dollars for. If they had been planning on paying that, this may be--

Bell: But I can't believe that oil was in their normal imports from the United States for which they would have to provide the dollars.

White: From Central and South America.

Hopkins: It is the dollar area.

White: I am inclined to think that they were busy since that time in making arrangements to pay part sterling, but I don't know the facts, and Phillips will doubtless know, but certainly you are relieving them of some dollars. Whether it is the full ninety or not.

Hopkins: That wouldn't make any difference with this memorandum.

Bell: Not in this particular one.

Hopkins: Oscar, do you want to talk now?

Cox: I see no legal objection or no policy objection on this particular thing. The only two practical problems are whether we are within the limits of funds in the allocation, and I think offhand that the funds are available. The second one is the practical problem of picking up one or two big contracts and working out a three-sided arrangement between the War Department, the British and the Lend-Lease, and I would guess that you could probably do that. It has the advantage--

Hopkins: That would be a standard item, wouldn't it?

Cox: Yes, and it has the advantage of backing up the orders so that you can keep your production going. For example, if we picked up a thousand plane order and you have a new order placed under Lend-Lease money for a thousand planes plus the British order, you would be committed to that extent on a postponed payment. It is not technically bailing out.

Hopkins: It will have to be the Army, won't it?

Cox: Yes. The biggest item is for the Army.

Hopkins: Unless we might pick up those sixty merchant ships. We might get sixty million there by simply increasing the order for sixty more ships.

Cox: That is possible.

Bell: How would that go?

Cox: They have got dollar commitments to pay for the sixty ships. That would be one of the best ways to do it.

Bell: That is in the billion four, I take it?

Cox: Yes.

Bell: Made after January 1?

Cox: Yes.

Hopkins: You are--

H.M.Jr: Just one second on that. I would like to check that. There is a peculiar circumstance on that. Let me just check my memory. That ship order, they said they had money earmarked especially for that.

Cochran: Phillips says, "I will put it in this pocket over here."

H.M.Jr: Just refresh my memory on that.

Cox: That was the thing at the time he didn't understand what the word "earmarked" meant, and Phil tried to explain it five or six times and he still didn't understand it, and Phil says what it means, you take five bucks and put it in your pocket and say you won't touch it for anything else.

H.M.Jr: I just wanted to bring out the fact that this money is the only money that is earmarked.

Cox: It is all fundable. All we want to make sure is we can't back up the commitments.

H.M.Jr: You think it was a very mental earmark?

Cox: Oh, sure.

Hopkins: You are convinced about that statement from the - from Jones and the Army that that is all there is in that part, a hundred million over-all.

Bell: Well, Phillips agrees with that. He says that there must be twenty-five or thirty million dollarsthere of small stuff that he didn't think you would want.

H.M.Jr: Since you have been in, we have had a formal letter from Stimson and one from Jones on it. Have you (Cox) seen it?

Cox: No.

H.M.Jr: Bell, would you furnish Cox with a copy of those two letters?

Bell: Yes, I will.

H.M.Jr: And one other thing. I don't think I ever gave it to you. This is, so to speak, my sailing orders. You might use it in your files. I promised you that. (Memorandum from the President dated March 10, 1941.)

Hopkins: Who could see Phillips about this ninety million dollars worth of oil, but not say to Phillips, "I assume you were planning on this anyway," but say to Phillips, "Well, I have found ninety million of the three fifty"?

White: We have got some information as to what he intended already on the record, as to what he intended to spend in his estimate of what dollars he would need during the coming year which he gave the Secretary along in December. They made certain statements about their needs, and oil was one of them. How specific the amount is, how specific the information is, I don't know, but we can look that up. It may answer your question.

Cox: Can I put in two words on the general policy thing?

H.M.Jr: If you didn't I would be very much surprised.

Cox: When they made the statement on the basis of which you testified, they had things like oil and steel and other purchases at that end. At this end they have got a lot of fellows in the Purchasing Commission who haven't got a damn thing to do, and whether it is right or wrong, their attitude is the fact that their own men should have free play. I don't think it is essentially a detailed question of whether they are technically justified on this thing. I think it is a question of how much relief we want to give them because there are a lot of those things that they planned in paying in their own dollars which they are not now paying for.

Hopkins: This four twenty-eight - if we could get them four hundred twenty-eight million, theoretically that would give Purvis seventy-five million dollars cash to do some purchasing on his own, assuming the three hundred fifty washed up your obligation.

Bell: You are assuming that they get their advance payments back from the contractors?

Hopkins: Assuming we get four hundred twenty-eight million altogether or whatever figure you have got there.

White: The cash would come from the purchase of the plants, Dan, wouldn't it, from that portion of it?

Bell: They would get a hundred million cash from Jesse Jones. They have already gotten forty-eight million from him.

Hopkins: Well--

Bell: Then they might get something from the contracts.

Hopkins: You are pretty sure this doesn't violate Smith's testimony?

Cox: No.

Hopkins: You have no doubt about that?

Cox: No.

Hopkins: You haven't been over here ganging up with these Treasury people? (Laughter)

Cox: No.

H.M.Jr: Who pays you now? Are you paid over here in Treasury?

Cox: I only serve one master, and that is my conscience.

Hopkins: Well, if we are going to do this, I am for getting it done.

Now, can we get the cooperation of the War Department on this? I think we could. It would take us until tomorrow to pick out five or six big items which are standard.

Bell: Have you got this list here?

Cox: Yes.

Hopkins: I don't know. Are you sure the British will agree to this? After all, this is a fancy deal here, Oscar. As far as I can see, Phillips is coming back at you and say, "Well, my God, you aren't relieving me of anything. All you are doing is postponing the evil day when I have got to pay dollars."

Foley: If he is smart, he won't say that.

Hopkins: If he is smart, he would.

Foley: He won't say that.

Cox: I am not so sure.

White: He probably will - well, you are not so sure he is so smart or-- (Laughter)

Foley: That is the way it begins to look.

White: They will be left on rather weak grounds if they protest that because their argument now is that they - they are shy of cash for the next two years. Now, unless they feel that these contracts can't be deferred for more than a year, and there is no grounds for believing that, they would seem to be left with no basis for objecting. You have solved their problem for two years, giving them a hundred million dollars in cash, two hundred fifty in reduced obligations - or a hundred and fifty in reduced obligations and the two hundred in deferred obligations and deferred until, I presume, the end of the war or even after that if necessary, and at that point I think Oscar thought that they could make a settlement with the manufacturers here at which their two hundred million dollar obligation might be liquidated for twenty-five or fifty million dollars.

Cox: Well, if they win the war, I don't suppose they need to worry about fifty or a hundred million dollars cash. If they don't win the war, the manufacturer will probably have to worry.

White: Another reason they might accept it is, the Secretary has sweetened this by virtue of this fact. Wasn't that your thought?

H.M.Jr: I won't sweeten it. Mr. Hopkins will sweeten it.

White: I mean you are suggesting four fifty instead of three fifty by reason of this development.

H.M.Jr: That is right.

Cochran: But still you are cutting down on this six fifty.

H.M.Jr: That is another problem.

Cochran: But they add it altogether.

H.M.Jr: No, this is different.

Hopkins: I don't know if I am right about that.

H.M.Jr: This is something where I gave my word with the belief that the President understood me and was back of me so it is a question of my word with the understanding that the President fully understood.

Now, this other thing is an entirely new thing. Is that right, Harry?

Hopkins: As far as I understand it.

H.M.Jr: Yes, that is something entirely new.

Hopkins: Well, I think the next thing to do is to find out whether we can pick up the few contracts that this could be done with immediately.

H.M.Jr: Now, how do you want to proceed?

Hopkins: I think we ought to have somebody here, Dan, or somebody here at Treasury--

H.M.Jr: Dan has been handling this.

Hopkins: Well, I think Oscar can handle this for me, and we will let General Burns find out whether we can pick up the contracts, and I think the less we say to the British about this for a day or two the better. Let's find out where those contracts are and we have got to see Stimson and Bob Patterson and get them to agree to it.

H.M.Jr: If it is agreeable to you at the right time, I would rather have you talk to them.

Hopkins: To the British?

H.M.Jr: Well, this part of it, yes.

Hopkins: This part of it?

H.M.Jr: Yes.

Hopkins: Because they will have to put in some kind of an application, I think, under the Lend-Lease. Purvis will. But I think we will scout around discussing with Purvis until we know we can do it.

H.M.Jr: No one here will talk to the British.

Hopkins: It is sort of discouraging to do these things unless you can really deliver the goods.

H.M.Jr: Don't you think, Dan, in view of Hopkins' position we had better not open up what I call the "Keynes memorandum" and try to get this thing cleaned up first?

Cox: I think that is sound.

Bell: You mean not open it up here or not open it up to the British?

H.M.Jr: Well, I wasn't even going to bother now unless Hopkins wanted to.

Bell: I don't think there is any real hurry about the six fifty except Keynes wants to get home, he says.

H.M.Jr: Well, do you want to go into the six fifty now or not?

Hopkins: Not particularly, no. I tell you, I am not - I certainly would not want to pick up any back contracts to pay that six fifty.

Bell: The six fifty is really Mr. Hopkins' problem anyhow. The three fifty was your (Secretary's) commitment, but the six fifty is a new thing that has been injected and the only way it can be worked out is through Lend-Lease.

Hopkins: What has happened on this six fifty is that all of a sudden out of a clear sky this was dropped in our laps. Purvis had previously talked to us about the fact that he needed cash. When Keynes arrived, the amount of cash was four or five times as much as Purvis ever talked about needing, and Keynes submitted the memorandum and put the amounts in without ever saying a word to Purvis, who is chief of the British Purchasing Commission. Keynes decided that the British Purchasing Commission needed a lot of cash here for a variety of things, some of which were purely our problem, namely, things that politically we couldn't buy or that Keynes thought we could not politically buy under the Lend-Lease even though we had the legal power to buy it, and there are a lot of odds and ends that Purvis needs, which he undoubtedly does. When I talked with Purvis the other day, he told me if he had twenty-five million dollars cash in the next three or four months in his pocket to buy what he pleased with, he would be the happiest man in Washington.

H.M.Jr: How much?

Hopkins: Twenty-five million.

Cox: Keynes' figures don't add up.

H.M.Jr: Well, Harry, it is all the more reason that if we could get this thing cleaned up, then when it is signed, sealed, and delivered, then we can send for - you can send for Purvis and Keynes.

Hopkins: I would like to see that Keynes memorandum.

Cox: I have got a copy.

H.M.Jr: But don't you think so? Then you can say, "Well let's take a look at this thing after this is cleaned up," because this thing we are talking about here today would help out Purvis a lot.

Hopkins: May I ask you this about the Keynes' thing? From the Treasury point of view, have you fellows any major interest in that?

H.M.Jr: The only major interest that we have is this. Mr. Keynes' walks in here with a cable of introduction from - well, I have got to go back a little bit, you see. Some where along in the middle of March, in fact, we got a cable from Winant as a result of the fact that the British Treasury and Churchill and Brendan Bracken and the Chancellor of the Exchequer talked to him about some reports that Phillips had sent over, and they sent us this cable on the nineteenth which was marked "Urgent" for the President, Hull, and me, which was delivered to me on the twenty-seventh of March by the State Department. It was sent on the eighteenth or nineteenth.

Cochran: Eighteenth.

H.M.Jr: Eighteenth from London and I got it on the twenty-seventh.

Well, the nineteenth we met here with Phillips to go into his troubles, and I went over his situation and that was the time I told him, "Don't worry, I am going to take care of you. Some way, I don't know how, I am going to take care of you." Then he sent a message back that we would work it out some how, and then from that day on, the British Treasury, according to Ben Cohen, felt much better.

Bell: But your commitment was only on the three hundred fifty. I don't know whether they got the idea that you were talking about the billion or not, did they?

H.M.Jr: Who?

Bell: The British Treasury.

H.M.Jr: Oh, no, I don't think so. Then the next thing I know, I get a cable from Winant, would I receive Keynes, and I said "Yes," and they were sending him over here because they felt maybe Phillips wasn't getting everything that he should. Keynes walks in here and dumps this thing on my desk.

White: Mr. Secretary, don't you think that it might be appropriate to say that we have an interest in the Keynes proposal to the extent that their financial position, if indicated as being inadequate, might justify some attempts at giving them a larger cash balance because right along Phillips has been claiming and hoping that - he has been claiming that they need a larger balance, and he has been hoping that some way would be found to increase their cash balance and their gold balance which was down very low, so there is that interest which antedates the present discussion.

H.M.Jr: Well I just--

Hopkins: You wouldn't expect that to be accomplished out of the Lend-Lease Bill, would you?

White: Well, it is a point which interests the Treasury--

Hopkins: I can see that.

White: To the extent that--

H.M.Jr: Just let me answer that, Harry. If I don't answer it right, you supplement it. If it is correct, and I have every confidence in Ben Cohen, that Mr. Churchill and those people are worried, to the extent that we, here in the Treasury ease those worries a little bit, we are interested. That is our - on my front, which is the financial one, if I can ease Mr. Churchill's worries a little bit, then whatever time I can put in is time well spent. But that is my interest in it. Is that right?

White: That is right.

Hopkins: I think the financial stakes of the British are so grave over here, particularly in the last year - there is one appropriation of seven billion that is nearing its end. A new move has got to be made of some kind in very large proportions. I hate to get it complicated on the Hill or anywhere else by a minor move at this time which doesn't answer the total picture. Either we are going to finance the British over here or we are not, and that is all there is to it. We are going to pay for everything they buy out of the United States from here on or we are not, but Keynes throws something into this thing at this very difficult time on the Hill and there are a lot of differences of opinion about what is the next move that should be made regarding the Lease-Lend Bill. Many people believe the Lease-Lend thing might better be washed up entirely. Do the whole thing through the regular departments via appropriations. I don't like to get it complicated. I am willing to talk to Keynes, and I would like to get some cash into Purvis' hands in order to help him to do this obligation of yours plus getting some immediate cash for the next few months until the new Lease-Lend Bill is past Congress, and I would be glad to have Keynes or any other Britishers tell us what their headaches are in the present bill and how they would like to see the bill worked out, but to try to find six hundred fifty million cash or anything even approaching that sum of money, which would mean our buying something with dollars out of Lease-Lend and putting it in the British Treasury - after all, we have only got two and a half billion left.

H.M.Jr: Well, Harry--

Hopkins: And that is going to be all obligated in the next few weeks. The whole business is going to be tied up in bow knots.

H.M.Jr: If we can work this out, and I see now that we can with your help, and I imagine fairly fast, then I think we could have another look-see at the British Treasury procedure.

Hopkins: All right.

H.M.Jr: In view of this, my guess is that once this is accomplished, they ought to be able to see daylight for a good many months.

Hopkins: Now, could I come back to the ninety million?

Bell: Harry, I would like for Keynes, sometime along here, to see Mr. Cox and you and General Burns on this memorandum, because I think that they can show them where a lot of this six fifty can be taken care of under the Lend-Lease and allay their fears.

Hopkins: We will be glad to do that.

What I fear there, is it proper for us to have - there is no reason why Purvis shouldn't know anything that Keynes is saying to us, is there?

H.M.Jr: Purvis should?

Hopkins: Purvis should know what Keynes is saying.

H.M.Jr: Now, do you want us to handle the ninety million.

Hopkins: I would like to have somebody in the Treasury.

H.M.Jr: Bell?

Hopkins: Find out from Phillips--

H.M.Jr: Will you do it? Bell will do it.

Hopkins: I could write a book on what the answer is going to be.

Cochran: Phillips called this noon, Mr. Secretary, and wanted to know when they could see some of us on this. They wondered what the schedule was so one of us could call and get him over, say, if we want some more information.

H.M.Jr: Bell can do it at his convenience, but with the exception of the ninety million we are not going to tell them anything other than that we are working with Mr. Hopkins on it.

Is that right, Harry?

Hopkins: Yes.

H.M.Jr: And that we hope to have an answer early next week.

Hopkins: Yes.

H.M.Jr: We hope to have an answer early next week.

Hopkins: Yes.

H.M.Jr: Now, do you want to take five minutes of this thing and hear the Treasury's side of this quid pro quo, what is going on with the State Department? Would you like to hear about it?

Hopkins: Yes, I would like to very much because we are going to be in it pretty soon.

H.M.Jr: Dan, tell them what happened in your office yesterday.

Bell: Well, we got last Saturday a copy of the State Department draft and it has tied up with the rules of the game to be played after the war. In other words, it is an economic agreement. We didn't like that very well; some of them said they didn't think we could write those rules now. So we asked Dean Acheson if he would come over and give us the background of that agreement and what they were trying to do with that type of agreement. Dean gave a very full explanation of the difficulties he had had in getting the type of agreement drawn like that. Apparently there had been a lot of differences of opinion on that in the State Department. The upshot of the thing was after we discussed it for a long time and asked him whether or not the door was closed, whether we couldn't discuss policy matters with the President and after we got those settled, the two Departments get together and draft an agreement, he said, "Yes, that could be done." He said that he would write a memorandum of the differences involved and the policy matters for the Secretary of State and the Secretary of the Treasury to take to the President and discuss. He has now done that and I have just received a copy of it. I haven't been over it yet. He sent it over here for our criticisms, to change in any way we want to. He is hoping that that will be finished tomorrow morning and the two Secretaries can go see the President tomorrow and after that is done, then the two staffs can get together and draft an agreement. This now envisages two agreements, one on the quid pro quo and the other one on the economic side. It not only involves the British nation on the economic side, but all the other nations that may want to join.

Hopkins: On the quid pro quo end of it, have you any reservations about their proposals there?

Bell: Well, I would rather Ed would speak on that. It is a little different from the one we had.

Hopkins: I know about that one item in it.

Foley: Well, the major difference, as you know, Harry, is whether or not the stuff that is made available to them that is used up for the purpose for which it is made available under their draft is washed up and no accounting ever has to be made for that. Under the draft that we prepared--

Hopkins: We give it to them. We give them a shell that is fired.

Foley: Yes, or a tank that is lost or destroyed or a ship that is sunk. It doesn't have to have any accounting for those items which are used up for the purpose for which they were turned over. In our draft, which was a little more commercial and which followed what we thought was the way it was to be prepared, the President could take that into account and readjust the whole account that had been made available to the British. In other words, if we wanted a return in kind or the equivalent, he could ask for that, and if he wanted to fix a valuation on stuff that had been used up that would be a nominal valuation, he could also do that. But it left the thing open to a later date for determination. Whereas their draft cuts it off right now and says, "Whatever you use up doesn't have to ever be accounted for."

White: Isn't that the distinction rather than calling it commercial? That is, your draft, the early draft, gave the President complete flexibility of decision, complete. He could give it away, make any request at any time along the line. The other draft--

Foley: The State Department draft wipes off from any further accounting the largest item which is the stuff that is used up.

Bell: That is a major matter of policy.

H.M.Jr: I just thought you would like to hear that.

O.K.?

Hopkins: Yes.

(Mr. Hopkins left the conference.)

H.M.Jr: Hopkins said outside that he thought he would be able to let me know not later than Saturday, and you can see that I didn't want to muddy the water by bringing up this six fifty. I thought it was a mistake. I also thought that if we get this thing through - I have given my word which I take very seriously. I think I can do this, bringing in the President. I want to get off this hot spot. And if we give them this extra money, I really think the British Treasury will be in much better shape than I had any reason to hope for.

Now, the thing that I wanted to say while I have got these people here, particularly Viner and Stewart, this has nothing to do with this, but looking forward I think it was Stewart who brought up the question - I mean, I am looking six months ahead - of the pros and cons of our possibly buying sterling, taking sterling for some of it, you see. In other words, the point as to - do you want to express your own opinion?

Stewart: Go ahead, I will remember it after you outline it, probably. I remember we had a talk. I don't know just what you have in mind.

H.M.Jr: Well, the point is this. Supposing that six months from now or a year from now they are really up against it. Are we better or worse off if we begin to take some of their sterling?

Bell: You are thinking now, Mr. Secretary, of liquidating their contracts or for a cash balance?

H.M.Jr: Anything?

White: For providing them with cash, there is no way that you would have of providing them with that cash, assuming that all their Lend-Lease stuff is taken care of, except either by some Government loan or through a stabilization operation.

Now, the question is, why would they need cash if the Lend Lease can extend its operations to areas which they are now talking about, namely, purchasing goods in a third country and sending it to England. It is a little difficult to see why they would ever need cash.

Viner: Well, this is assuming that you will get a new Lend-Lease.

White: Yes, of course.

Oh, if they don't - if you don't get a new Lend-Lease, there are so many other things that will happen that I don't - but if you are going to lend the money, and I think possibly this is the point, it might be a very much better thing to have some sterling than to have just an I.O.U.

H.M.Jr: That was the point that Stewart brought up.

White: It is better security and it gives you better bargaining power and may also give you some control over other matters which you otherwise would not have control of.

H.M.Jr: And I also raised the question at this time because if somebody is going to work on an economic plan for the post war period, I think we would be in a better position if we had a billion or two billion of paper sterling than if we just had an I.O.U.

White: Then that would be very definitely a violation of the spirit of the use of the Stabilization Fund to use it for that purpose.

H.M.Jr: I wouldn't do it without a mandate from Congress, and I am not saying - but I just wanted to throw it on the table.

Did I refresh your memory.

Stewart: Yes, I remember it. I had it in mind chiefly in the event a pinch arose in some way where you were not able to negotiate this with all the other departments and still wanted to make good on your commitment, and you remember my illustration was that it was at least as good a risk as China was.

Bell: Or if they found they couldn't dispose of their dollar assets in this country as quickly as they need to meet these dollar contracts, you might temporarily buy sterling until those assets were liquidated.

White: Or they could use this new bill. They should no longer be in a position during the next twelve months where they are stuck for immediate cash in view of the bill and assuming that Jones wants to cooperate with them.

Bell: I am assuming that we still want them to sell them.

H.M.Jr: Well, as I say, I think this thing went along beautifully. I think you presented it very well, Bell, but I mean as long as I have got these consultants here - then the other thing which was a little out of the ordinary that I wanted to put before you was the thing that Viner said, and Viner says that we have got to watch our step if these Defense Savings Bonds continue to do so well, because I may find myself with four or five billion dollars demand obligations out.

Bell: You have got that now.

Viner: More than four or five. Ten or twelve.

Bell: You have got four billion three hundred million out now.

White: That, Mr. Secretary, I think should go on - I think the conservative position that has been usually held here with respect to the amount of demand obligations that can be held outstanding needs to be carefully reexamined, but I think the whole question should be raised and reconsidered, and I don't think we should assume that merely because there is an increase in demand obligations that per se that is bad, because I think there is some room for doubt that our whole attitude with respect to the proportion of demand obligations needs some reevaluation, but I think it is very important it should be reconsidered.

H.M.Jr: I think it is a good point to bring up, especially on the idea of my going out and saying how wonderful we are on the sales of Defense Bonds tonight.

Bell: Well, it doesn't worry me so much as it did a year ago. I think in the first Savings Bonds we put out, provisions require reasonable notice. What is reasonable notice is in your hands. With the new bonds we are putting out, it is thirty days notice required, I think, and even after the thirty days notice, any volume of them you could delay another two weeks or thirty days before you refund them. You have got to borrow the money and people have just got to wait until you borrow the money.

White: That may be just the reason for--

Bell: We could borrow money on Treasury bills pretty fast to meet the demands on this.

White: If there is any fear, that is an additional reason for holding on to these additional monetary powers. Probably there has been talk around here about giving up. If there is any doubt in your minds as to the possibility any time in the future of being unable to raise quick cash except at very exhorbitant rates, I think that is an additional very strong argument for maintaining those exceptional monetary powers--

H.M.Jr: Who is talking about giving it up in the Treasury?

White: Well, it isn't in the Treasury, it is outside and there has been some talk inside. However it is only talk so far. (Laughter)

Bell: I hope you are not talking about Thomas currency.

White: That is one of them.

H.M.Jr: Well, we got through with this thing, and I was just bringing up a few of these things that had been brought to my attention and which aren't immediate problems, but which should be studied. Now, the only thing you are going to do, you (Bell) are going to talk to Phillips and sound him out on the order, is that right?

Bell: I have got to get the story first from Oscar Cox.

H.M.Jr: And then we sit tight and hear from Hopkins, and I thought it was good ball to say that he should tell them, don't you think so?

Stewart: Yes.

White: That is what I would want.

H.M.Jr: I did it because I knew that was what Ed wanted. I always do what Ed wants on Thursday afternoon.

Foley: That is something new. (Laughter)

H.M.Jr: On Thursday afternoons.

Stewart: I would like to say that I am in complete agreement with what Hopkins said about the six hundred million. I think that is just the right line to take with Keynes.

H.M.Jr: Oh, do you?

Stewart: I think that Keynes would make his own appraisal of our American situation and he will relieve us of a number of embarrassments, and I think his method is a very tactical thing.

If we can deal with the three of four hundred million, say this is a general thing, the Lease-Lend money is going to expire, we are going to have to deal with this in a larger way, I wouldn't myself deal with it in a minor way. I would deal with it in a larger way myself. I thought his general line was a very effective answer to a visiting economist. I don't think it solves the question of whether or not the British Treasury ought to have cash, and I think there is a question which the Treasury here could easily say, there may be some way of dealing with it, but I wouldn't mix it up with the Lease-Lend which is difficult to administer and therefore that we ought to work out actively some arrangement for it.

Bell: I wonder if one of the things that is worrying the British isn't that they are afraid that when this war ends, and it might end some day suddenly, that they will be absolutely broke and won't have any cash in the till at all.

H.M.Jr: Well, it would be amazing if it didn't worry them.

Bell: And I am wondering if something couldn't be done to make a commitment that as soon as the war is over we will loan them a half billion dollars, two hundred and fifty million dollars gold and the other two hundred fifty million dollars in dollars.

White: They will be just as broke today as they will be a year from today if it is a question of today.

Bell: I mean making the commitment to make them feel easy that when this thing does end, they have got a nest egg of five hundred million dollars that they can draw and then can show their people that they have got two hundred fifty million dollars in gold.

White: I don't see what effect it would have since they already are, in their terms, practically broke so far as foreign exchange is concerned, so that the fact that they will have something after the end of the war won't make them feel any differently toward the war now, would it?

Bell: Except that when the war is over, everybody begins to forget about their problems.

White: They won't let you forget.

Bell: Yes, but we will have a different situation. We will have a political situation which would make it rather difficult.

H.M.Jr: Well, Dan, I think this. If we can get over this three or four hundred million dollars and give them four hundred million plus, I personally will be very, very happy, and then after that, if I can direct Keynes, so that he will be going after Hopkins instead of after us and I can also get the British so they won't ask me every time they want to sell a company, get that off my chest, I think that we have accomplished a lot and gotten rid of a lot of difficult and irritating things. The fact that we have handled it this way a little differently - all the rehearsals in your room, made it very easy for me this week, and I appreciate it very much. It has worked better than it has ever worked before. Most of the week the Treasury has spent on this stuff.

We - take our tax certificates. You and I haven't been able to sit down and do it be-because we have been doing the English stuff. If we hadn't had that we would have gotten to it.

So we have just got to get this out, get them so they don't check with us every time they have got a company and then let it all flow into the Lend-Lease thing, and then we are pretty well rid of the whole business, don't you think so, Walter?

Viner: Oh, I would like to see most of that out of the Treasury and let the Treasury concentrate on its Treasury problems.

H.M.Jr: But we have had to go through this--

Viner: I would hold it if you think other parts of the Government wouldn't make - wouldn't handle it properly, but if you feel that their spirit is right and their competence is all right, then I would say, "Get it out of the Treasury."

H.M.Jr: Wouldn't you say Hopkins' attitude was splendid?

Viner: Oh, I have no reason to suppose that he wouldn't handle it with expedition as well as with competence.

Cochran: Could we be trying on a draft of that acknowledgment of the Sir Edward Peacock letter to get it out of your hands?

H.M.Jr: Please.

Bell: We are waiting on word from Jones.

Cochran: Yes. I got Peacock last night, and Jones was talking with him directly.

Viner: All I meant was, it shouldn't be merely passing the buck.

Bell: No, it will be handled. They will come here first, you see.

H.M.Jr: All right. I want to talk with Stewart and Viner.

Foley: While we are all here together, maybe it would be a good time to raise what we are going to do before the Senate Banking Committee on Stabilization.

H.M.Jr: Not today. I just can't.

Foley: Are you going to use the old statement, or do you want a new statement? We could start working on it.

H.M.Jr: We will use the old statement.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

Mr. Ey.

DATE June 5, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 12 o'clock today Sir Frederick Phillips telephoned me to inquire whether the Secretary was likely to see him and Mr. Keynes today. I told Sir Frederick that Mr. Hopkins was lunching with the Secretary at 1 o'clock, and that there would be a joint meeting of the Secretary's and Mr. Hopkins' assistants in the Treasury at 2 o'clock to discuss the Keynes memorandum. I promised to let Sir Frederick know our schedule after this meeting.

In accordance with the decisions reached at the meeting, I telephoned Sir Frederick at 3:50 p.m. I told him that as a result of our meeting Mr. Hopkins had desired to look into several phases of the matter, and would begin this yet this evening or early tomorrow morning. He promised to let us hear from him the first of next week. There is a possibility that he may get directly in touch with the British. When Phillips mentioned that Keynes desired to start back to England at the end of next week, I told him that Mr. Bell had mentioned in our meeting the urgency of an early clearing up of pending matters on account of Mr. Keynes' plans.

During our conversation I told Phillips of the steps which we had taken yesterday with respect to the proposal submitted to us by Sir Edward Peacock in regard to a loan of $16,000,000 to British thread companies in the United States. Phillips said that Sir Edward would be in Washington the beginning of next week and that he would like to have an appointment for Sir Edward and himself with the Secretary on Monday afternoon or Tuesday morning, if at all possible. He did not think that Sir Edward was seeking this meeting because of the thread transaction. I told him I would let him hear as soon as I had spoken with the Secretary about an hour.

HMC

June 5, 1941
3:39 p.m.

H.M.Jr: Hello.

Operator: Congressman Thom's secretary would like to speak to you.

Mr. Hatch: Mr. Morgenthau.

H.M.Jr: Talking.

H: This is Mr. Hatch in Congressman Thom's office and there is a man by the name of H. M. Doyle, D-o-y-l-e, who was a teacher in Wooster, Ohio, he says he was in Cornell at the same time you were and he is bringing a bunch of these Future Farmers of America boys here and wants to know if he can shake hands with you.

H.M.Jr: When.

H: Tuesday or Wednesday.

H.M.Jr: Well, as far as I know it's all right. I think I've heard about it once before, I'm not sure. Somebody, I think, was - mentioned it.

H: Uh-huh.

H.M.Jr: But if I can switch you over to Lieutenant Stephens, who handles my appointments, between the two of you you can work it out.

H: All right.

H.M.Jr: How's that?

H: That'll be swell.

H.M.Jr: All right.

Operator: Operator..................

June 2, 1941

2.30 P.M.

DRAFT OF
SECRETARY MORGENTHAU'S RADIO TALK
ON DEFENSE SAVINGS

file 6/5/41 -
date of speech -

Good evening:

Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American -- "an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President's call.

I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people voluntarily bought

in defense savings bonds and

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in defense savings stamps. This is more than half again as much as any of us in the Treasury had dared to expect. It is, to my mind, a great demonstration of faith in America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them, ~~(enough to have a decisive effect on the outcome of the war.)~~

The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were

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more than twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales in the third week were more than in the second, and that the sales in the fourth week were not only more than in the third but more than in any week in the entire month. This makes me feel that there is a steadily growing interest which will show itself in continuing success as the year rolls on.

I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should not be measured by the amount sold but rather by the number of people who invest their savings in American freedom. We have found that more than a million individual bonds were sold in the first month and almost ten million savings stamps. Even allowing for duplication, these figures show more than twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales in the third week were more than in the second, and that the sales in the fourth week were not only more than in the third but more than in any week in the entire month. This makes me feel that there is a steadily growing interest which will show itself in continuing success as the year rolls on.

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D-A

that many million men and women and children became partners of their Government during the month of May. To those people I say tonight, "You have given direct help in the defense of your country. You have done something worth-while to safeguard your democracy. You have found a way for yourselves and for millions of others to be of real service in the future."

If this record can be maintained and even improved in the coming months, I for one will regard our Defense Savings program as a shining success.

But there is something else, quite irrespective of any figures, which gives me the greatest pride as I look back over the first month's efforts. This is the spontaneous cooperation of Americans in all walks of life, through their voluntary organizations, in all parts of the country.

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Labor, for example, has proved again what I always knew to be true -- namely, that the patriotism of the American worker is as sound today as when the Minute Men left their farms and their workshops to fight for freedom at Lexington and Bunker Hill. You may remember that several weeks ago the heads of all the great labor organizations in this country came to see me to pledge their unqualified support and help in the Defense Savings program. Mr. William Green of the A. F. of L., Mr. Philip Murray of the C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhoods could not possibly have been more cooperative or more understanding of the objects of our program.

These offers of cooperation have now begun to take tangible form. I read with great pleasure the other day that David Dubinsky, president of the great International

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Ladies' Garment Workers' Union had telegraphed President Roosevelt that the union members are investing $500,000 of union funds in United States defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans -- in every case -- at the request of their employees. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat are furnishing the materials that will make this country safe and strong.

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The spirit of American labor and industry has been matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, North and South, in getting behind the Treasury's program. Ten thousand banks now act as our selling agents, without any commission or any inducement except patriotism, together with 16,000 post offices; but they do much more than sell for us. They have helped to educate us all by spreading information about the new bonds and stamps. Every one of the great bankers' associations that has met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation in the Defense Savings program. I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's

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results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are, and what they do. The Boy Scouts have distributed a million posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, the overwhelming majority of them are Americans, united behind their government in defense of human freedom.

All sections, all creeds, all economic groups, all American parties have done their share and will continue to do their share. We have had during this first month a

D-A

preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have had parades and brass bands, and all the devices of high pressure selling. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that in any case we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. The object of this program is to give the American people the habit of systematic saving

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for their country's sake and for their own. I believe that with our present methods we are on the right track.

It may interest you to know that the Government has not had to spend one penny on paid advertising in newspapers, radio, movies or in any other field. Everything that we have had in the way of radio time and talent, or newspaper space, or motion picture time and skill, has been contributed freely and generously by the industries concerned, or by other advertisers. At this time I should like to pay my tribute to those agencies which have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers, great and small, and to all who have been able to bring our message to the American people. They have enabled us to carry on our program more economically than any similar effort in the history of our country.

We have now made a good start. I shall make no predictions as to what the future will bring, but I truly believe that succeeding months will show records just as good and even better. We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized with non-partisan committees composed of outstanding citizens. This process of organizing the states and cities will continue throughout the Summer, and I am sure that it will prove its value.

We must, of course, continue month after month, and do even better than in the first month of May. The amounts of money needed for our defense program are so vast that

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the mind can hardly conceive them. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency. Now, as never before, I believe that all of us are ready to show our partnership with the Government -- a partnership, in the President's words, "entered into to safeguard and perpetuate all those precious freedoms which the Government guarantees." I know of no better way for every American to strengthen those freedoms than by joining the millions who have already bought Defense Savings stamps and Bonds.

Thank you all, and good night.

DRAFT OF
SECRETARY MORGENTHAU'S RADIO TALK
ON DEFENSE SAVINGS

June 2, 1941
(a.m.)

Good evening:

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that total sales in the third week were more than in the second, and that the sales in the fourth week were not only more than in the third but more than in any week in the entire month. This makes me feel that there is a steadily growing interest which will show itself in continuing success as the year rolls on.

I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should not be measured by the amount sold but rather by the number of people who invested their savings in American freedom. We have found that almost a million individual bonds were sold in the first month and almost ten million savings stamps. Even allowing for duplication, these figures show that several million men and women and children became partners of their Government during the month of May. To those people I say tonight, "You have given direct help in the defense of your country. You have done something worth-while to safeguard your democracy. You have found a way for yourselves and for millions of others to be of real service in the future, even though you do not wear a uniform."

If this record can be maintained and even improved in the coming months, I for one will regard our Defense Savings program as a shining success.

But there is something else, quite irrespective of any figures, which gives me the greatest pride as I look back over the first month's efforts. This is the spontaneous cooperation of Americans in all walks of life, through their voluntary organizations, in all parts of the country.

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Now these offers of cooperation have begun to take tangible form. I read with great pleasure the other day that the great International Ladies' Garment Worker's Union had telegraphed President Roosevelt that it had invested

$500,000 of union funds in defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat will furnish the materials that will make this country safe and strong.

The spirit of American labor has been matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, North and South, in getting behind the Treasury's program. Ten thousand banks now act as our selling agents, without any commission or any inducement except patriotism, together with 16,000 Post offices; but they do much more than sell for us. They have also helped to educate us all by spreading information about the new bonds and stamps. Every one of the great bankers' associations that has met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation. I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are and what they are for. The Boy Scouts have distributed a million posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, the overwhelming majority of them are Americans, united behind their government in defense of human freedom.

All sections, all creeds, all economic groups, all American parties have done their part and will continue to do their part. We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have engaged in high-pressure tactics. We could have had parades and brass bands, and all the devices of mass hysteria; we could have compiled slacker

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lists, and we could have coerced or frightened people into buying whether they could afford to or not. But democratic unity and morale are not built in this way. The results prove that in any case we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. The object of this program is to give the American people the habit of systematic saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

It may interest you to know that the Government has not had to spend one penny on direct advertising in newspapers, radio, movies or in any other field. Everything that we have had in the way of radio time, or newspaper space, or motion picture time and skill has been contributed freely and generously by the industries concerned, or by other advertisers. At this time I should like to pay my tribute to those citizens who have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers, great and small, and to all who have been able to bring our message to the American people. They have enabled us to carry on our program more economically than any similar program in the history of our country.

We have now made a good start. I shall make no predictions as to what the future will bring, but I truly believe that succeeding months will show records just as good, if not better. We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized with non-partisan committees composed of outstanding citizens. This process of organizing the states and cities will continue throughout the Summer, and I am sure that it will prove invaluable.

We must, of course, continue month after month and do even better than in the first month of May. The amounts of money needed for our defense program are so vast that the mind can hardly conceive them. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency. Now, as never before, I believe that all of us are ready to show our partnership with the Government--a partnership, in the President's words, "entered into to safeguard and perpetuate all those precious freedoms which the Government guarantees." I know of no better way for every American to strengthen these freedoms than by joining the millions who have already enlisted in the defense savings army.

Thank you all, and good night.

Draft #2 147

June 2, 1941
(p.m.)

DRAFT OF
SECRETARY MORGENTHAU'S RADIO TALK
ON DEFENSE SAVINGS

Good evening:

Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American -- "an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President's call.

I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people voluntarily bought

in defense savings bonds and   in defense savings stamps. This is more than half again as much as any of us in the Treasury had dared to expect. It is, to my mind, a great demonstration of faith in America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them.

The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were more than twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales in the third week were more than in the second, and that the sales in the fourth week were not only more than in the third but more than in any week in the entire month. This makes me feel that there is a steadily growing interest which will show itself in continuing success as the year rolls on.

I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should not be measured by the amount sold but rather by the number of people who invest their savings in American freedom. We have found that more than a million individual bonds were sold in the first month. Almost ten million savings stamps were sold in the same period. Even allowing for duplication, these figures show that millions of men and women and children became partners of their Government during the month of May. To those people I say tonight: You have given direct help in the defense of your country. You have done something distinctly worth while to safeguard your democracy.

If this record can be maintained in the coming months,

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I ~~for one~~ will regard our Defense Savings program as a real success.

But there is something else, quite irrespective of any figures, which gives me the greatest satisfaction as I look back over the first month's efforts. This is the spontaneous cooperation of Americans in all walks of life, through their voluntary organizations, in all parts of the country.

It has made me very happy that labor, for example, has proved again what I always knew to be true -- namely, that the patriotism of the American worker is as sound today as when the Minute Men left their farms and their workshops to fight for freedom at Lexington and Bunker Hill. You may remember that several weeks ago the heads of all the great labor organizations in this country came to see me to pledge their unqualified support and help in the Defense Savings program. Mr. William Green of the A. F. of L., Mr. Philip Murray of the

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C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhoods could not possibly have been more cooperative or more understanding of the objects of our program.

These offers of cooperation have now begun to take tangible form. I read with great pleasure the other day that Mr. David Dubinsky, president of the great International Ladies' Garment Workers' Union, had telegraphed President Roosevelt that the union members are investing $500,000 of union funds in United States defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans -- in every case at the request of their employees. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat are furnishing the materials that will make this country safe and strong.

The spirit of American labor and industry has been matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, North and South, in getting behind the Treasury's program. Ten thousand banks now act as our selling agents, without any commission or any inducement except patriotism, ? (together with 16,000 post offices;) but they do much more than sell for us. They have helped to educate us all by spreading information about the new bonds and stamps. Every one of the ~~great~~ leading bankers' associations that has met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation in the Defense Savings program. I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are, and what they do. The Boy Scouts have distributed a million posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, the overwhelming majority of them are Americans, united behind their government in defense of human freedom.

All sections, all creeds, all economic groups, all American parties have done their share and will continue to do their share. We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have had parades and brass bands, and all the devices of high-pressure selling. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that we do not need to employ such methods.

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This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. The object of this program is to give the American people the habit of systematic saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

It may interest you to know that the Government has not had to spend one penny on paid advertising in newspapers, radio, movies or in any other field. Everything that we have had in the way of radio time and talent, or newspaper space, or motion picture time and skill, has been contributed freely and generously by the industries concerned, or by other advertisers. At this time I should like to pay my tribute to those agencies which have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers, great and small, and to all who have helped to bring our message to the American people. They have enabled us to carry on our program more economically than any similar effort in the history of our country.

We have just made a good start. I shall make no predictions as to what the future will bring, but I am hopeful that

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succeeding months will show records just as good and even better. We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized with nonpartisan committees composed of outstanding citizens. This process of organizing the states and cities will continue until we have reached every community in the country.

We must, of course, continue month after month, and do even better than in the first month of May. The amounts of money needed for our defense program are so vast that the mind can hardly conceive them. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency. Now, as never before, I believe that all of us are ready to demonstrate, in a concrete form, our partnership with the Government -- a partnership, in the President's words, "entered into to safeguard and perpetuate all those precious freedoms which the Government guarantees."

I know of no better way for every American to strengthen those freedoms than by joining the millions who have already bought Defense Savings stamps and Bonds.

Thank you all and good night

6/3/41

DRAFT OF
SECRETARY MORGENTHAU'S RADIO TALK
ON DEFENSE SAVINGS
June 5, 1941

Good evening:

Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and Stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American -- "an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President's call.

I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people ~~voluntarily~~ bought ($428,000,000 ?) in defense savings bonds and ($3,428,000 ?) in defense savings stamps. This is a wonderful start. It is more than any of us in the Treasury had dared to expect. It is, ~~to my mind,~~ a great demonstration of the desire to serve America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them.

The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were more than twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales have held up consistently around $100,000,000 a week. This makes me feel that there is a steady ~~growing~~ interest which will show itself in continuing ~~increasing~~ sales, day by day, week by week, month by month, as the year rolls on.

I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should not be measured by the amount sold but rather by the number of people who invest their savings in American freedom. We have found that more than a million individual bonds were bought in the first month. Almost ten million savings stamps were bought in the same period. Even allowing for repeated purchases by the same individuals, these figures show that millions of men and women and children became partners of their Government during the month of May. To those people I say tonight: You have given direct help in the defense of your country. You have done something distinctly worth while to safeguard your democracy.

But there is something else, quite irrespective of any figures, which makes me very happy as I look back over the first month's efforts. This is the spontaneous cooperation of Americans in all walks of life, through their voluntary organizations, in all parts of the country.

Labor, for example, has proved again what I always knew to be true -- namely, that the patriotism of the American worker is as sound today as when the Minute Men left their farms and dropped their tools to fight for freedom at Lexington. You may remember that several weeks ago the heads of all the great labor organizations in this country came to see me to pledge their unqualified support and help in the Defense Savings program. Mr. William Green of the A. F. of L., Mr. Philip Murray of the C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhoods could not possibly have been more cooperative or more understanding of the objects of our program.

These offers of cooperation have now begun to take tangible form. I read with great pleasure the other day that

Mr. David Dubinsky, president of the great International Ladies' Garment Workers' Union, had telegraphed President Roosevelt that the union members are investing $500,000 of union funds in United States defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans -- in every case at the request of their employees. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat are furnishing the materials that will make this country safe and strong.

The spirit of American labor and industry has been

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matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, in getting behind the Treasury's program. Ten thousand banks now act as our selling agents, without any commission or any inducement except patriotism; but they do much more than sell for us. They have helped to educate us all by spreading information about the new bonds and stamps. Every one of the leading bankers' associations that has met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation in the Defense Savings program. I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.

The same is true of the Post Office Department, which has worked cheerfully and efficiently to make the defense savings program a success. The Post Office has been of truly indispensable help, from Postmaster General Frank Walker down to the clerk behind the window in every one of the 16,000 post offices that sell defense stamps and bonds.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are, and what they do. The American Legion has called upon all its posts to give us every possible help. The Boy Scouts have distributed 1,200,000 posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, the overwhelming majority of them are Americans, united behind their government in defense of American freedom.

All sections, all creeds, all economic groups, all American parties have done their share and will continue to do their share. We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. The object of this program is to give the American

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people the habit of systematic saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

Everything that we have had in the way of radio time and talent, or newspaper space, or motion picture time and skill, has been contributed freely and generously by the industries concerned, or by other advertisers. No paid advertising of any kind has been used. At this time I should like to pay my tribute to those agencies which have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers and magazines, great and small, and to all who have helped to bring our message to the American people. They have enabled us to carry on our program more economically than any similar effort in the history of our country.

We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized with nonpartisan committees composed of outstanding citizens. This process of organizing the states and cities will continue until we have reached every community in the country.

What has been done in the first month is a fine beginning, but it is only a beginning. We must do even better, much better, from now on.

Events across the seas cry out to us every day to speed up our effort in every direction. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency.

So far our defense production program has only begun to rouse the giant industrial strength of this continent. In the same way our defense savings program has barely begun to reach the immense growing ~~earning~~ capacity of the American people.

Now, as never before, I believe that all of us are ready to demonstrate, in a concrete form, our partnership with the Government -- a partnership, in the President's words, "entered into to safe guard and perpetuate all those precious freedoms which the Government guarantees."

Thank you all and good night.

For Release June 5,
9:45 P.M., E.S.T.

6/3/41
(P.M.)

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RADIO ADDRESS
BY
HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

Good evening:

Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and Stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American -- "an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President's call.

I now have complete figures showing that in the month of May, the first month of what is to be a long

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and continuing effort, the American people bought $438,230,000 in defense savings bonds and $3,552,000 in defense savings stamps. This is a wonderful start. It is more than any of us in the Treasury had dared to expect. It is~~, to my mind,~~ a great demonstration of the desire to serve America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them.

Corrected page 2 of Draft B-1 6/5/41 - (am)

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I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people bought $438,~~250~~000,000 in defense savings bonds and over three and one half million dollars ~~$3,552,000~~ in defense savings stamps. This is a wonderful start. It is more than any of us in the Treasury had ~~dared~~ ~~to~~ expected. It is a great demonstration of the desire to serve America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes.

The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were almost twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales have held up consistently around $100,000,000 a week. This makes me feel that there is a steady interest which will show itself in continuing sales, day by day, week by week, month by month, as the year rolls on.

I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should be measured not only by the amount sold but also by the number of people who invest their savings in American freedom. We have found that more than a million individual bonds were bought in the first month. Almost ten million savings stamps were bought in the same period. Even allowing for repeated purchases by the same individuals, these figures show that great numbers of men and women and children became partners of their Government during the month of May. To those people I say tonight: You have given direct help in the defense of your country. You have done something distinctly worthwhile to safeguard your democracy.

But there is something else, quite irrespective of any figures, which makes me very happy as I look back over the first month's efforts. This is the spontaneous cooperation of Americans in all walks of life, through their ~~voluntary~~ organizations, in all parts of the country.

Labor, for example, has proved again what I always knew to be true -- namely, that the patriotism of the American worker is as sound today as when the Minute Men left their farms and dropped their tools to fight for freedom at Lexington. You may remember that the heads of the three great labor organizations in this country came to see me several weeks ago. Mr. William Green of the A. F. of L., Mr. Philip Murray of the C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhoods all promised me their unqualified support and help in the Defense Savings effort. They could not possibly have been more cooperative or more understanding of the objects of our program.

These offers of cooperation have now begun to take tangible form. I read with great pleasure the other day that Mr. David Dubinsky, president of the great International Ladies' Garment Workers' Union, had telegraphed President Roosevelt that the union members are investing the union's funds in United States defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans -- in every case in cooperation with their employees. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat are furnishing the materials that will make this country safe and strong.

The spirit of American labor and industry has been matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, in getting behind the Treasury's program. Ten thousand banking institutions, including commercial banks, mutual savings banks, and savings and loan associations, now act as our selling agents, without any commission or any inducement except patriotism; but they do much more than sell for us. They have ~~helped to educate us all by~~ been of real service in spreading information about the new bonds and stamps. Every one of the leading bankers' associations that has met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation in the Defense Savings program. I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.

The same is true of the Post Office Department, which has worked cheerfully and efficiently to make the defense savings program a success. The Post Office has given truly indispensable help, from Postmaster General Frank Walker down to the clerk behind the window in every one of the 16,000 post offices that sell defense stamps and bonds.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are, and what they do. The American Legion has called upon all its posts to give us every possible help. The Boy Scouts have distributed 1,200,000 posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, the overwhelming majority of them are true Americans, united behind their government in defense of American freedom.

All sections, all creeds, all economic groups, all American parties have done their share and will continue to do their share. We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. A major object of this program is to give the American people the habit of systematic saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

Everything that we have had in the way of radio time and talent, or newspaper space, or motion picture time and skill, has been contributed freely and generously by the industries concerned, or by other advertisers. No paid advertising of any kind has been used. At this time I should like to pay my tribute to those agencies which have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers and magazines, great and small, to the motion picture industry and to all who have helped to bring our message to the American people. They have enabled us to carry on our program more economically than any similar effort in the history of our country.

We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized or beginning to organize with nonpartisan committees composed of outstanding citizens. This process of organizing the states and cities will continue until we have reached every community in the country.

What has been done in the first month is a fine beginning, but it is only a beginning. We must keep up the good work from now on.

Events across the seas cry out to us every day to speed up our effort in every direction. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency.

So far our defense production program has only begun to rouse the giant industrial strength of this continent. In the same way our defense savings program has barely begun to reach the immense earning capacity of the American people.

Now, as never before, I believe that all of us are ready to demonstrate, in a concrete form, our partnership with the Government -- a partnership, as the President said, entered into to safeguard and perpetuate all those precious freedoms which the founders of our Republic gave us as our heritage.

Thank you all and good night.

precious freedoms which the founders of our Republic gave us as our heritage.

Thank you all and good night.

HM,JR's READING COPY

OF RADIO TALK AT 9:45 P.M., JUNE 5,1941,

FROM HIS OFFICE IN THE TREASURY

RADIO ADDRESS
BY
HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

Good evening:

Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and Stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American -- "an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President's call.

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I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people bought $438,000,000 in defense savings bonds and over three and one-half million dollars in defense savings stamps. This is a wonderful start. It is more than any of us in the Treasury had expected. It is a great demonstration of the desire to serve America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes.

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If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them.

The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were almost twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales have held up consistently around $100,000,000 a week. This makes me feel that there is a steady interest which will show itself in continuing sales, day by day, week by week, month by month, as the year rolls on.

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I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should be measured not only by the amount sold but also by the number of people who invest their savings in American freedom. We have found that more than ~~a~~ one million individual bonds were bought in the first month. Almost ten million savings stamps were bought in the same period. Even allowing for repeated purchases by the same individuals, these figures show that great numbers of men and women and children became partners of their Government during the month of May. To those people I say tonight: You have given direct help in the defense of your country. You have done something distinctly worthwhile to safeguard your democracy.

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But there is something else, quite irrespective of any figures, which makes me very happy as I look back over the first month's efforts. This is the spontaneous cooperation of Americans in all walks of life, through their organizations, in all parts of the country.

Labor, for example, has proved again what I always knew to be true -- namely, that the patriotism of the American worker is as sound today as when the Minute Men left their farms and dropped their tools to fight for freedom at Lexington. You may remember that the heads of the three great labor organizations in this country came to see me several weeks ago.

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Mr. William Green of the A. F. of L., Mr. Philip Murray of the C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhoods all promised me their unqualified support and help in the Defense Savings effort. They could not possibly have been more cooperative or more understanding of the objects of our program.

These offers of cooperation have now begun to take tangible form. I read with great pleasure the other day that Mr. David Dubinsky, president of the great International Ladies' Garment Workers' Union, had telegraphed President Roosevelt that the union members are investing the union's funds in United States defense bonds.

1074
106
968

Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans -- in every case in cooperation with their employees. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat are furnishing the materials that will make this country safe and strong.

968
112
856

The spirit of American labor and industry has been matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, in getting behind the Treasury's program. Ten thousand banking institutions, including commercial banks, mutual savings banks, and savings and loan associations, now act as our selling agents, without any commission or any inducement except patriotism; but they do much more than sell for us. They have been of real service in spreading information about the new bonds and stamps. Every one of the leading bankers' associations that ~~has~~ met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation in the Defense Savings program.

856
123
733

I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.

The same is true of the Post Office Department, which has worked cheerfully and efficiently to make the defense savings program a success. The Post Office has given truly indispensable help, from Postmaster General Frank Walker down to the clerk behind the window in every one of the 16,000 post offices that sell defense stamps and bonds.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are, and what they do.

733
125
608

The American Legion has called upon all its posts to give us every possible help. The Boy Scouts have distributed 1,200,000 posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, 9/3 the overwhelming majority of them are true Americans, chr united behind their government in defense of American freedom.

All sections, all creeds, all economic groups, all American parties have done their share and will continue to do their share.

608
100
568

We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit.

508
121
387

A major object of this program is to give the American people the habit of systematic saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

Everything that we have had in the way of radio time and talent, or newspaper space, or motion picture time and skill, has been contributed freely and generously by the industries concerned, or by other advertisers. No paid advertising of any kind has been used. At this time I should like to pay my tribute to those agencies which have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers and magazines, great and small, to the motion picture industry and to all who have helped to bring our message to the American people.

387
139
248

They have enabled us to carry on our program more economically than any similar effort in the history of our country.

We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized or beginning to organize with nonpartisan committees composed of outstanding citizens. This process of organizing the states and cities will continue until we have reached every community in the country.

could

[illegible]

What has been done in the first month is a fine beginning, but it is only a beginning. We must keep up the good work from now on.

248
112
136

Events across the seas cry out to us every day to speed up our effort in every direction. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency.

So far our defense production program has only begun to rouse the giant industrial strength of this continent. In the same way our defense savings program has barely begun to reach the immense earning capacity of the American people.

136
80
56

Now, as never before, I believe that all of us are ready to demonstrate, in a concrete form, our partnership with the Government -- a partnership, as the President said, entered into to safeguard and perpetuate all those precious freedoms which the founders of our Republic gave us as our heritage.

Thank you all and good night.

56/0

SPECIAL NOTICE

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

THURSDAY, JUNE 5

Time: 9:45 - 10:00 P.M.

Stations: WJSV - WMAL - WOL

Program: Secretary Morgenthau speaks on Defense Savings Bonds and Stamps.

The Secretary will review the first month's activities of the Defense Savings Bonds and Stamps Campaign. Secretary Morgenthau will be heard coast to coast over the three major networks, National Broadcasting Company Blue Network, Columbia Broadcasting System, and Mutual Broadcasting System.

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

THURSDAY, JUNE 5

Time: 4:45 - 5:00 P.M.

Station: WJSV, Washington, D.C., and Columbia Broadcasting System Network.

Program: Scattergood Baines.

THIS PROGRAM PROMOTES SALE OF DEFENSE BONDS AND STAMPS

June 5, 1941

11 P.M. WINX

ANNOUNCER: .....The American people in May bought 438 million dollars in Defense Savings Bonds and three million dollars in Defense Savings Stamps, enough to pay for four giant battleships, Secretary of the Treasury Henry Morgenthau said tonight. This is a wonderful start, he said, in a nationwide radio address. It is more than any of us in the Treasury had dared to expect. It is, to my mind, a great demonstration of the desire to serve America. Sales of Defense Bonds and Stamps in May were sufficient to build twenty cruisers or one hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than four thousand of them, and if it could be translated into long-range bombers, it would buy one thousand of them. More than one million individual Bonds and almost ten million Savings Stamps were bought in May, and allowing for repeated purchases by the same individuals, the figures show that great numbers of men and women and children became partners of their Government during the month of May. Certain labor organizations are cooperating by investing in the Bonds. Employers have indicated they are ready to establish systematic savings plans and there has been enthusiastic cooperation by the American Legion and the Boy Scouts, bankers, and others. We have had during this first month a preview of the national unity which this country must have if it is to surmount the crisis that now faces it.

June 6, 1941

7:45 A.M. WMAL

ANNOUNCER: .....The Treasury has sold 438 million dollars worth of defense bonds, and that would build several battleships.

JUN 5 1941

Dear Colonel Donovan:

The President has suggested that we should draft you to serve as Administrator for the State of New York for the Defense Savings program. This would be a full-time job, but one which would present an unusual opportunity for public service in these critical times.

I agree enthusiastically with the President.

I should like to talk with you about this as soon as possible, or, if it would better suit your convenience, I will be glad to have one of my assistants call on you at your office in New York to explain what we have in mind.

With kind regards, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Colonel William J. Donovan,
No. 2 Wall Street,
New York, N. Y.

HNG/mff

File to Mr. Thompson

June 5, 1941

Letter of transmittal signed by the Secretary enclosing the first two issues of "Field Organization News Letter" sent to the following: (Mailed from Graves' office)

The Secretary of Commerce

The Secretary of Agriculture

The Secretary of Labor

The Secretary of War

The Secretary of Navy

The Secretary of the Interior

The Secretary of State

The Attorney General

The Postmaster General

June 6, 1941
(By hand from office of the Secretary)

The President

The Vice President

Dr. Archibald MacLeish

"Field Organization News Letter" to go to the following:
(With Secy's card, mailed 6/5/41 from Graves' office)

Hon. C. Rogers Arundell,
Chairman, U.S. Board of Tax Appeals,
Bureau of Internal Revenue Bldg.,
Washington, D. C.

Hon. Harry B. Mitchell,
President, Civil Service Commission,
Washington, D. C.

Mrs. Jewell W. Swofford,
Chairman, Employees' Compensation Commission,
Old Land Office Building,
Washington, D. C.

Hon. James Lawrence Fly,
Chairman, Federal Communications Commission,
Post Office Department Building,
Washington, D. C.

Hon. Leo T. Crowley,
Chairman, Federal Deposit Insurance Corporation,
National Press Building,
Washington, D. C.

Hon. Emil Schram,
Chairman, Reconstruction Finance Corporation,
Federal Loan Agency Building,
Washington, D. C.

Hon. George B. Williams,
President, The R. F. C. Mortgage Co.,
Federal Loan Agency Bldg.,
Washington, D.C.

Hon. Charles B. Henderson,
Managing Director, Disaster Loan Corp.,
Federal Loan Agency Building,
Washington, D. C.

Hon. Sam H. Husbands,
President, Federal National Mortgage Ass'n,
Federal LoanAAgency Building,
Washington, D. C.

Hon. Abner H. Ferguson,
Administrator, Federal Housing Administration,
Washington, D.C.

Hon. John H. Fahey,
Chairman, Federal Home Loan Bank Board,
Washington, D. C.

Hon. Warren Lee Pierson,
President, Export-Import Bank of Washington,
Washington, D. C.

Hon. Leland Olds,
Chairman, Federal Power Commission,
1800 Pennsylvania Avenue,
Washington, D. C.

~~Hon. Marriner S. Eccles,~~
~~Chairman, Federal Reserve System~~

Hon. Marriner S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System,
Federal Reserve Building,
Washington, D. C.

Hon. Paul V. McNutt,
Administrator, Federal Security Agency,
Washington, D. C.

Hon. Charles H. March,
Chairman, Federal Trade Commission,
Washington, D. C.

Hon. John M. Carmody,
Administrator, Federal Works Agency,
Washington, D. C.

Hon. Lindsay C. Warren,
Comptroller General of the United States,
Washington, D. C.

Hon. Joseph B. Eastman,
Chairman, Interstate Commerce Commission,
Washington, D. C.

Rear Admiral Emory S. Land, ~~Chairman~~
Chairman, U. S. Maritime Commission,
Washington, D. C.

Hon. R. D. W. Connor,
Archivist of the United States,
The National Archives Building,
Washington, D. C.

Hon. Frederic A. Delano,
Chairman, National Capital Park
and Planning Commission,
New Interior Building,
Washington, D. C.

Hon. H. A. Millis,
Chairman, National Labor Relations Board,
Shoreham Building,
Washington, D. C.

Hon. George A. Cook,
Chairman, National Mediation Board,
Interior Building,
Washington, D. C.

Hon. B. F. Burdick,
Chief of Office,
The Panama Canal,
Washington, D. C.

Hon. Murray W. Latimer,
Chairman, Railroad Retirement Board,
Washington, D. C.

Hon. Edward C. Eicher,
Chairman, Securities and Exchange Commission,
Washington, D. C.

Dr. C. G. Abbot,
Secretary, Smithsonian Institution,
Washington, D. C.

Hon. Raymond B. Stevens,
Chairman, U. S. Tariff Commission,
Washington, D. C.

Brig. Gen. Frank T. Hines,
Administrator of Veterans' Affairs,
Veterans' Administration,
Washington, D. C.

CONFIDENTIAL

E S T I M A T E

INCOME TAX DEPOSITS

JUNE 1941

Date June 1941	Estimate	Actual Deposits June 1941	Actual Deposits Corresponding Day June 1940
1 Sunday	$	*$	$
2	2,000,000	1,539,591.10	1,698,047.19
3	a/ 73,000,000	72,901,852.95	1,079,060.93
4	4,000,000	3,640,662.93	2,495,993.05
5	5,500,000	6,189,493.26	2,948,776.68
6	9,500,000		5,936,826.71
7	13,000,000		9,057,028.84
8 Sunday			
9	15,000,000		9,415,478.77
10	17,000,000		10,031,323.33
11	18,000,000		8,581,825.52
12	23,000,000		13,778,467.78
13	45,000,000		22,407,130.35
14	70,000,000		23,760,813.03
1 to 14	295,000,000		111,190,772.18
15 Sunday			
16	120,000,000		55,677,797.61
17	170,000,000		92,845,057.81
18	120,000,000		72,548,160.85
19	80,000,000		45,272,975.96
20	45,000,000		33,220,068.46
21	25,000,000		21,024,114.42
1 to 21	855,000,000		431,778,947.29
22 Sunday			
23	20,000,000		12,134,182.11
24	10,000,000		6,801,051.10
25	5,000,000		2,659,245.23
26	4,000,000		3,019,419.73
27	2,000,000		1,265,110.85
28	1,500,000		1,702,893.82
29 Sunday			
30	1,500,000		1,345,938.76
	$899,000,000		$460,706,788.29
Total 1 to 5	**84,500,000**	**84,271,600.24**	**8,221,877.85**

a/$70,000,000 from General Motors Corp., Detroit, Michigan in payment of nearly all of balance due in 1941.

*Adjusted daily to include mail reports from General Depositaries.

DWB

Finnish Debt

THE HOUSE PASSED AND SENT TO PRESIDENT ROOSEVELT A SENATE RESOLUTION AUTHORIZING POSTPONEMENT OF FINLAND'S PAYMENTS FOR 1941 AND 1942 ON ITS DEBT TO THE UNITED STATES. THE PAYMENTS DUE IN THOSE YEARS APPROXIMATE $843,000.

IF FINLAND CHOOSES TO POSTPONE ITS PAYMENTS, THE SECRETARY OF TREASURY, THE RESOLUTION PROVIDES, IS AUTHORIZED TO MAKE AN AGREEMENT FOR RETIREMENT OF THAT PART OF THE DEBT IN 40 SEMI-ANNUAL PAYMENTS.

6/5--RS422P

6-5-41

FROM: MR. GASTON'S OFFICE

TO: The Secretary

In connection with Presidential protection it may interest you to know:

(1) Packages addressed to the White House are now being examined at the White House garage where X-ray equipment has been installed.

(2) Merchants no longer make deliveries to the White House but a truck, manned by Secret Service personnel, collects the orders.

(3) The flow of letters for investigation by Secret Service has multiplied. Average daily examinations 32 during April as compared to 7.3 during April of last year.

HG

FOR THURSDAY NEWSPAPERS
June 5, 1941

The Secretary of the Treasury and Mrs. Morgenthau will be at home this afternoon to officials of the Treasury Department and allied Bureaus. Two teas will be given - one from 5 to 6 o'clock and the other from 6 to 7 o'clock.

Receiving with the Secretary and Mrs. Morgenthau will be Under Secretary of the Treasury Daniel W. Bell and Mrs. Bell, Assistant Secretary of the Treasury Herbert E. Gaston and Mrs. Gaston, and Assistant Secretary of the Treasury John L. Sullivan and Mrs. Sullivan.

Assisting at the tea table will be Mrs. H. J. Anslinger, Mrs. Blair Banister, Mrs. E. F. Bartelt, Mrs. Charles S. Bell, Mrs. Roy Blough, Mrs. H. Merle Cochran, Mrs. Preston Delano, Miss Katherine S. Foley, Mrs. George C. Haas, Mrs. A. W. Hall, Mrs. Guy T. Helvering, Mrs. James L. Houghteling, Mrs. Elmer L. Irey, Mrs. W. R. Johnson, Mrs. Ferdinand Kuhn, Jr., Mrs. Clifton E. Mack, Mrs. John W. Pehle, Mrs. Nellie Tayloe Ross, Mrs. Charles Schwarz, Mrs. Thomas Tarleau, Mrs. W. N. Thompson, Mrs. R. R. Waesche, Mrs. Harry D. White and Mrs. Frank J. Wilson.

Generally assisting will be Mrs. Herman Klotz, Miss Nell M. Chauncey, Miss Isabella S. Diamond, Mrs. Arthur R. Forbush and Mrs. Robert McHugh.

-oOo-

5053

MEMORANDUM

June 5, 1941

To: PRICE ADMINISTRATION COMMITTEE

From: R. K. Thompson, Secretary

Attached hereto are the following:

1. Minutes of the meeting of June 3.

2. Price schedule No. 7.

3. Price schedule No. 8.

4. Amendments to price schedule No. 2.

5. General Preference Order and Civilian Allocation Program for Copper.

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CONFIDENTIAL

SUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF
PRICE ADMINISTRATION COMMITTEE
June 3, 1941
11:00 a.m.

Chairman: Mr. Henderson

Present: Secretary Wickard, Messrs. Stevens, Clayton, Nelson Lubin, Ezekiel, Whitcomb, O'Connell, Barnes, Weiner, Galbraith, Ginsburg, Hamm, Hoover, Plummer, Cassels, Thompson

1. Stock pile of lead

Mr. Weiner reported that the Canadian Base Metals Controller has urged that the United States pick up approximately 80,000 tons of lead which we have there, before transportation facilities are exhausted. Mr. Clayton reported that the sources in Mexico, Peru and Bolivia have been explored, that a purchase agreement is about to be worked out with Mexico and that lead is one of the items included. He added that several mines have shut down because of their inability to ship to the United States at a profit on account of the tariff. He added that 100,000 tons of lead may be stock piled during the balance of the current year. A brief discussion followed as to the possibility of reducing the tariff on lead and Mr. Ginsburg pointed out that a bill is being considered to authorize bringing in strategic materials duty free.

2. Oil

Mr. Henderson referred to the appointment of Secretary of Interior Ickes as Petroleum Coordinator and the effect of such appointment on the work of OPACS and reported that a meeting is scheduled for June 7 with California oil producers at San Francisco to discuss recent price increases on crude oil and gasoline. He indicated that if the recent price increases are found unwarranted and if those who posted the new price do not withdraw it, OPACS will move via selling orders.

3. Railway rates on lumber from the West Coast

Mr. Henderson announced that OPACS had been handed a decision by ICC sustaining its request that an increase of one dollar not be granted on intercoastal lumber rates. He added that OPACS representatives are today meeting in Chicago with the Central Freight Association in an effort to have the rates reduced to 72 cents a hundred.

4. Industry committees

Mr. Henderson reported that Mr. O'Brien of OPM and Mr. Ginsburg of OPACS have been designated to work out a basis for the selection of industry committees and their functioning within the limits set by the Attorney General's letter (copy attached). He emphasized the necessity of having committees set up which could cooperate with defense agencies in securing and disseminating information and assisting generally in expediting various phases of the defense program, and cited Mr. Nelson's successful use of the industry committee technique in distributing government orders so that production facilities have not been unduly burdened.

5. Automobile prices

Mr. Henderson referred to the recent increase in prices announced by the Ford Motor Company and to information from Detroit that other companies are contemplating increases and stated that he would like to write a letter to each company asking that prices not be raised without prior consultation with the Office of Price Administration and Civilian Supply. He inquired whether, in writing such a letter, it should be indicated that the matter had been discussed with the Price Administration Committee and that it was the feeling of the Committee that no increases should be made. Mr. Henderson pointed out the difficulty of handling the problem since changes in the quality of material or the number of appliances used would materially affect the product even though prices remained the same. Messrs. Lubin and Ezekiel pointed out that through the use of substitute materials or merely changing the name of a model from de luxe to super de luxe price changes could be affected and therefore the manufacturers should be put on notice that such changes would be considered changes in price.

It appeared from the discussion to be the general feeling of the Committee that every effort should be made to prevent price increases in automobiles but that a conference with the manufacturers should be held before the proposed letter is transmitted.

6. Coffee

Mr. Galbraith reported that representatives of OPACS and of Mr. Nelson's office have been working in conjunction on the coffee situation and that a meeting will be held within ten days with those who have a large amount of the coffee stock to see if the price can be stabilized. Mr. Nelson reported that his division had negotiated for 15 million pounds which they got at 10 3/8 cents per pound, and that the present situation is rather good.

7. Hides

Mr. Galbraith also reported that, working in collaboration with Mr. Nelson's office, which on May 27 had rejected all bids for 1¼ million Army and CCC shoes, OPACS simultaneously announced the intention of placing a ceiling of 15 cents a pound on hides of light native cows and that unless the tanners and others holding inventories release them further steps will be taken.

8. Bill authorizing the President to requisition needed material

Mr. Henderson reported that OPACS had participated in drafting the bill just submitted to Congress which would authorize the President to requisition any material needed for defense or security and that, if called upon, his office would strongly support it as a necessary adjunct to price enforcement powers.

9. Appearance of Mr. Henderson before the Senate Committee on Agriculture and Forestry.

Mr. Henderson reported that he had appeared before the Senate Agricultural Committee on May 29 and that the discussion resolved itself to the basis used by the Office of Price Administration and Civilian Supply in the fixing of a ceiling on prices of cotton yarn and its authority to establish such a price ceiling. He referred to the discussions on labor, pipe lines, priority prices and agricultural prices had with the various members of the Committee and suggested that the members of the Price Administration Committee may wish to read the proceedings when they are published.

10. Price control of commodities affected by shipping shortages

Mr. Clayton raised a question concerning what would be done to control the prices of commodities, such as coffee, cocoa and the like, which are affected by shipping shortages. Mr. Henderson replied that a ceiling would be fixed in such cases. Secretary Wickard raised the problem of regulating shipping rates and Messrs. Henderson and Hamm reported that OPACS is participating in rate discussions and in the discussion concerning the creation of an Office of Defense Trasnportation within the OEM which would coordinate all forms of transportation where price, priority and supply are concerned.

11. Coordination of defense priorities.

Mr. Ezekiel raised the problem of a small manufacturer of brass who was unable to secure copper from the big copper companies except by paying a higher price than these same companies have fixed for their own processors and subsidaries for both defense and other needs. He questioned the possibility of tying price control to priorities so that the incentive to bootlegging would be avoided and monopoly control would not be increased. Mr. Weiner pointed out that the civilian allocation order on copper, issued May 31, was worked out on a basis which would give the integrated company and the independent company pro rata shares according to the amount of defense and civilian production each has, but that proportionately the integrated company usually has a greater amount of defense business.

12. Presidential power to suspend tariffs

Mr. Stevens reported that he had looked into the President's authority to suspend tariffs and found that in case of an emergency or war he may suspend any duty on food, clothing, medical supplies or medicine necessary for relief. He pointed out that under the present unlimited emergency there are many cases in which the President could act under that authority.

13. Aluminum scrap

Mr. Lubin rasied the question of the possibility of issuing a statement continuing indefinitely beyond June 30 prices on aluminum scrap, previously discussed at the meeting of May 21. Mr. Galbraith reported that as soon as an arrangement has been worked out with OPM concerning the withdrawal of aluminum from civilian use action would be taken concerning the aluminum price schedule.

Mr. Henderson announced that a report on Canadian War Finance would be made available to committee members by request to Mr. Thompson. He also introduced Dr. Calvin Hoover who today joined the staff as General Economist.

The committee adjourned at 12:10 p.m. to meet Wednesday, June 11 at 11:00 a.m.

Office of the Attorney General
Washington, D.C.

April 29, 1941

Honorable Leon Henderson
Administrator
Office of Price Administration and Civilian Supply
Washington, D. C.

Dear Leon:

The marshaling of the nation's industrial assets for a maximum productive effort in the national defense will doubtless require the allocation of orders, the curtailment of some kinds of production so as to increase production in defense fields, and the establishment of priorities and price ceilings. Furthermore, many of these steps must necessarily affect the production of goods used to satisfy our normal needs, as well as the production of materials and implements used directly in our defense effort.

Some of these acts if accomplished by private contract or arrangement within an industry and carried on for private advantage would probably constitute violations of the antitrust laws. On the other hand, it is obvious that in the present emergency acts performed by industry under the direction of public authority, and designed to promote public interest and not to achieve private ends, do not constitute violations of the antitrust laws. In these circumstances, the Department of Justice recognizes that business interests which are asked to comply with public plans for increasing production and preventing inflation are entitled to the cooperation of agencies of the Government in eliminating any uncertainties which may exist as to the application of the antitrust laws to their activities.

Accordingly, this Department has formulated a policy which it proposes to follow in its relations with the Office of Production Management and the Office of Price Administration and Civilian Supply and with all industries or contractors acting in compliance with the orders or requests of either of these organizations. The important points of this policy are:

Meetings of the industry with the Office of Production Management and the Office of Price Administration and Civilian Supply or their representatives are not illegal. Industrial committees may be formed at the request of the Office of Production Management or the Office of Price Administration and Civilian Supply, to work with representatives of such offices on problems involving defense. There will be nothing unlawful in the industry cooperating in the selection of its representatives or in selecting members for committees, or in the activities of such committees provided they are kept within the scope of this letter.

Questions as to whether there is need for such a committee, and if so, how it shall be chosen, and by whom constituted, shall be the sole responsibility of the Office of Production Management or the Office of Price Administration and Civilian Supply. This Department will not participate in these decisions beyond the suggestion now made that any such committee should be generally representative of the entire industry and satisfactory to the Office of Production Management or the Office of Price Administration and Civilian Supply.

Each industry committee shall confine itself to collecting and analyzing information and making recommendations to the Office of Production Management or the Office of Price Administration and Civilian Supply, and shall not undertake to determine policies for the industry, nor shall it attempt to compel or to coerce any one to comply with any request or order made by a public authority.

All requests for action on the part of any unit of an industry shall be made to such unit by the Office of Production Management or the Office of Price Administration and Civilian Supply and not by the industry committee. That is to say, the function of determining what steps should be taken in the public interest should in each case be exercised by the public authority which may seek the individual or collective advice of the industry. But the determination shall not be made by the industry itself or by its representatives.

Requests for action within a given field, such as the field of allocation of orders, shall be made only after the general character of the action has been cleared with the Department of Justice. If the general plan is approved, thereafter each request for specific action in carrying out such plan shall be made in writing and shall be approved by the office of the General Counsel of the Office of Production Management or the office of the General Counsel of the Office of Price Administration and Civilian Supply, but need not be submitted to the Department of Justice. In the case of any change in the personnel of such offices or if serious practical difficulties arise, this latter arrangement may be revoked upon notice from me.

Acts done in compliance with the specific requests made by the Office of Production Management or the Office of Price Administration and Civilian Supply and approved by their General Counsel in accordance with the procedure described in this letter will not be viewed by the Department of Justice as constituting a violation of the anti-trust laws and no prosecutions will be instituted for acts performed in good faith and within the fair intendment of instructions given by the Office of Production Management or the Office of Price Administration and Civilian Supply pursuant to this procedure.

In the case of all plans or procedure, however, the Department reserves complete freedom to institute civil actions to enjoin the continuing of acts or practices found not to be in the public interest and persisted in after notice to desist.

With kind personal regards,

Sincerely,

Robert H. Jackson

Attorney General