

NATIONAL INDUSTRIAL RECOVERY

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

FIRST SESSION

ON

S. 1712 and H. R. 5755

BILLS TO ENCOURAGE NATIONAL INDUSTRIAL RECOVERY, TO
FOSTER FAIR COMPETITION, AND TO PROVIDE FOR THE
CONSTRUCTION OF CERTAIN USEFUL PUBLIC WORKS,
AND FOR OTHER PURPOSES

MAY 22, 26, 29, 31, AND JUNE 1, 1933

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NATURAL INDUSTRIAL RECOVERY

MONDAY, MAY 22, 1933

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to call, at 10:15 o'clock, a.m., in room 312, Senate Office Building, Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), King, Barkley, Connally, Gore, Bailey, Clark, McAdoo, Byrd, Lonergan, Couzens, Keyes, La Follette, Metcalf.

The committee had under consideration S. 1712 and H.R. 5755, bills to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes.

The CHAIRMAN. The committee will come to order. It was thought we might expedite matters by having this hearing before the bill came over from the House, but that we would do nothing until it passed the House, if it should, and we have asked Senator Wagner to come this morning, and Mr. Richberg. So, Senator Wagner, if you will proceed to explain the bill.

STATEMENT OF THE HONORABLE ROBERT F. WAGNER, UNITED STATES SENATOR FROM NEW YORK

Senator WAGNER. Mr. Chairman, I have prepared what I think is, in a logical form, a statement explanatory of the bill, with the philosophy behind it, and I am quite willing, whichever suits the committee best, either to be interrupted for questions at any time, or when I conclude my statement, to answer any questions I may be able to answer in relation to the bill.

The national industrial recovery bill has as its single objective the wide-spread and permanent reemployment of workers at wages sufficient to secure comfort and decent living. This desired end is to be reached by a twofold program, involving, first, cooperative action within industry, encouraged by law and supervised by the President for the protection of the public, and secondly, direct Government expenditures for public works.

The bill marks a far-reaching departure from the philosophy that the Government should remain a silent spectator while the people of the United States, without plan and without organization, vainly attempt to achieve their social and economic ideals. It recognizes that planlessness and disjunctive efforts lead to waste, destruction, exploitation, and disaster and that purposive planning awaits the substitution of regulated cooperation in place of the unlimited and frequently pernicious competition which we have heretofore regarded

as the sole guardian of the public welfare. This trend in thought and action is accompanied by a widening concept of business—that all business is affected with a public interest. That is the necessary consequence of the growing complexity of our economic machinery and of the increasing interdependence between one State and all States, between one industry and all industries, between employment anywhere and employment everywhere. At the same time, the bill preserves as the central motivating theme of American industry and voluntary action and individual initiative which have contributed so markedly to our industrial progress. Competition is not abolished; it is only made rational. In this bill we say that business may not compete by reducing wages below the American standard of living, by sweating labor, or by resorting to unfair practices. Competition is limited to legitimate and honorable bids for the market and real gains in technical efficiency.

The first title of the bill, which is devoted to promoting coordination within industry, illustrates the new blend of public and private action which is necessary today. In order that government may play its proper role, the bill centralizes authority in the President, with power on his part to set up the agencies and appoint the officers and employees necessary to carry out the new policy. He is authorized also to establish an industrial and planning research agency, to enlist the aid of the Federal Trade Commission for necessary investigation to modify or cancel any action taken under the bill, and to terminate the bill prior to its stated 2-year life by a declaration whenever the national economic emergency will have ended.

Despite this centralized power, the emphasis is upon voluntary action. To make competition sane rather than blind and destructive, the bill allows any trade or industrial association or group to prepare and submit to the President for approval a voluntary code of fair competition. Such a code of fair competition will set forth the best judgment of those engaged in the particular trade or industry as to the competitive conditions within the industry, specifically (1) the standards of fair competition; (2) the trade practices which should be banned as unfair, oppressive and designed to give advantage to the employer with the lowest standards; (3) the methods which should be employed to rehabilitate the industry, increase its capacity to give employment, and raise the living standards of those who labor in it. These methods may include devices such as exchange of information, cooperative marketing, simplification of style, standardization of products, and many other features.

When such a voluntary code is approved by the President, it becomes effective and binding upon the entire trade or industry and any action complying with it is exempted from the provisions of the antitrust laws. In this manner we lift the plane of competition to the level of the highest ideals prevailing in the particular industry, and at the same time we avoid the regimentation of all industry under a single inflexible set of rules.

It must be strenuously emphasized that the evils which the antitrust laws sought to prevent are not overlooked. On the contrary, this bill is designed to supplement the antitrust laws and further the very purpose for which they were enacted. In the first place, the dangers of monopoly are averted. The bill provides that no code shall be approved unless the association or group which initiates it is truly

representative of the trade or industry for which it speaks and admits equitably to membership all who are engaged in the same trade or industry. Nor will any code be sanctioned until it is proved that approval will neither promote monopoly nor discriminate against small enterprise. Thus the small business man and the consumer are protected.

Secondly, the interests of labor are securely guarded and advanced under the voluntary codes. No code will be approved unless it embodies the following: (1) Recognition of the right of the employees to organize and bargain collectively through representatives of their own choosing; (2) prohibition of the antiunion, or "yellow dog" contract as a condition of employment; (3) acceptance of the maximum hours of labor and minimum rates of pay and other standards of working conditions approved by the President. In this manner, labor is protected, not only from the dangers of the greater collective strength employers might gain through their cooperative codes, but also from the wage depressing tendencies which curtail consumer demand and precipitate business decline and unemployment.

Thus far I have discussed codes which are voluntary both as to their competitive practice sections and as to their labor sections, and it is primarily upon such spontaneous action that the bill relies. I am confident that industry, if given the opportunity to restore national well-being, will respond with alacrity, patriotism, and vision. But if any trade or industry cannot or will not cooperate in the formation of voluntary codes, the President is authorized, after proper investigations and hearings, to prescribe, for any trade or industry, codes including all salutary and protective features embodied in the voluntary codes, or if any trade or industry voluntarily arrives at some of the requirements of a code and neglects others, the President may in proper manner prescribe these others and combine all in a general code. Another provision of the bill is that the President may in the absence of need for a general code, or if such a code is impractical, prescribe a limited code dealing only with maximum hours of labor, minimum rates of pay, and working conditions. These various compulsory provisions necessarily flow from what I have said at the very opening of my remarks—that disorganization in one industry tends to jeopardize the prosperity of all industries and that inhuman conditions imposed upon one group of employees tend to spread and tear down the working standards of all employees. No industry has a right to remain in a state of chaos.

In addition to the code provisions, the President is authorized to enter into and approve voluntary agreements for the purpose of effecting the policies of the bill. These agreements need not apply to an entire trade or industry, and do not bind those who are not parties, but every voluntary agreement must contain all of the protective and labor feature of the codes, except those provisions in the codes which have reference to membership in trade associations or groups.

Senator COUZENS. You said it did not necessarily apply to all of these. Did I understand you right?

Senator WAGNER. These particular voluntary agreements that may be entered into. That is something different. That is not a code. In addition to the voluntary code, and the compulsory code, there is also provision that a portion of an industry may enter into

some agreement that is different from the codes, because the Government takes it out of the code for some specific purpose. For instance, in some locality conditions exist that do not exist within the trade generally, and that may require, rather than an exception in the code, a definite agreement between the Government and the individual industry.

Senator COUZENS. But all industry must come in under some one of these three?

Senator WAGNER. Oh, yes.

Senator COUZENS. Agriculture?

Senator WAGNER. No.

Senator GORE. The three categories, what are they?

Senator WAGNER. The voluntary code, the compulsory code, the licensing feature, which I will come to, and then there is the agreement provision.

Finally, the bill has enforcement sections. Violation of any of the provisions of the code by anyone engaged in interstate commerce or business affecting interstate commerce constitutes unfair competition, and is a misdemeanor punishable by a fine of \$500. A code may be enforced by injunction proceedings in the Federal courts. In addition, the President after public notice and hearing may license business enterprise whenever he deems such a course necessary to make effective a code of fair competition or an agreement or otherwise to further the policy of the bill.

Senator COUZENS. At that point, there seems to me a misunderstanding somewhere in my mind, that it is not necessary to license that institution that comes within any one of these groups.

Senator WAGNER. No; that is a discretionary act on the part of the President.

Senator COUZENS. If a group gets together on a specific code, they don't have to have a license?

Senator WAGNER. No; if approved by the President, that is the end of it. If an industry will not provide a code, or even if the providing of a code by the President might not be as effective as he might like to make it, he can still provide a third method, namely, license the industry. Or, he may also do it with a code in existence. I take it that it will only be in extreme cases that he will resort to that.

Senator COUZENS. In other words, if there is a recalcitrant manufacturer who refuses to join in one of these codes, he can be enjoined from doing business, or getting a license?

Senator WAGNER. No, if he doesn't comply with the code, he is guilty of unfair competition, and then he can be prosecuted under the sanctions provided here.

Senator COUZENS. Will you give us a description of what kind of a case would require a license?

Senator WAGNER. It would be applied to an entire industry. The President may decide that a certain industry, because of certain conditions, requires the imposition of licenses before business may be done. It is entirely discretionary.

Senator COUZENS. Will you give me a circumstance that would require an individual license? What kind of a case, in your view of it, would require an individual license?

Senator WAGNER. As I said, I do not think except in very rare instances, that the license provision will be resorted to, but the license

would apply to an entire industry, or if there were such abuses, and perhaps violations of the code, that the President might think it wiser, in order to have complete control of that industry, to provide that no one in that industry might do business without first receiving a license from the Federal Government, then all members of that particular industry will have to secure a license from the Federal Government before they can do business.

Senator GORE. Could the President revoke that license at his pleasure?

Senator WAGNER. Yes, for a violation of the code imposed by the Federal Government.

Senator GORE. On what sort of hearing?

Senator WAGNER. After a hearing. It is provided that a hearing may be had, before a license can be revoked.

Senator GORE. That is something that really affects the life and death of a particular industry or enterprise; if he has the power to revoke the license.

Senator WAGNER. Yes, it is a sanction.

Senator GORE. What I wanted to ask you, Senator, is this: Do you think you could place that power in the hands of an executive officer?

Senator WAGNER. I do, in the case of an emergency.

Senator GORE. To exterminate an industry?

Senator WAGNER. All of these powers, of course, are lodged in one individual, and we have just got to rely upon him to administer it fairly and justly. We had the same sort of power during the war.

Senator GORE. I know that, and Mr. Hoover, if I may use these words, put free-born American citizens out of business without trial by jury.

Senator WAGNER. The philosophy of this bill is to encourage voluntary action and initiative on the part of industry, and I doubt whether or not these compulsory methods will be used at all except on very rare occasions; but if you are going to lift the standard, you have got to have some sanctions in order to enforce the code that may be adopted.

Senator GORE. I understand, but if you are going to carry out this system you have to have power to carry it out. My point is why in a free country a free man ought to be required to take out a license to engage in legitimate industry, and why somebody under our constitutional system should be given the power to destroy the value of his property, which you do when you bring about a situation where he cannot operate. That seems to me approaching the point of taking property without due process of law.

Senator CLARK. Senator, do you think that the mere declaration of emergency would make an act constitutional that otherwise would be unconstitutional? You said it could be done in an emergency?

Senator WAGNER. No; but I think the powers exercised under the Constitution may have a wider use for governmental activity than in normal times. I mean, if I may say again, we may now regard that all business is affected with the public interest in an emergency, where perhaps if the emergency did not exist the courts might not justify our going as far as that. But where the entire economic structure is torn down and is in a depressed state, the only way we can lift it up and have our economic structure survive, is by enabling business, as a whole, to lift it up, and that is needed in order to bring about

economic recovery. Then, I say, let all business be regarded as affected by the public interest, which justifies governmental intervention. It has been justified in other cases. We have made the insurance business affected with the public interest, and it is upon that ground that we regulate it now.

Senator CLARK. The Federal Government?

Senator WAGNER. The powers are the same, but the area within which the power may be exercised is broadened. That is always so.

Senator CLARK. Senator, I don't understand you to say that the Federal Government is regulating insurance companies under the Constitution?

Senator WAGNER. No; I was talking about when business is affected with the public interest, because unless business is affected to the public interest, it might be difficult to reach all of the trade activities that we can reach—or at least, those that we want to be able to reach. If you will let me finish my statement, I will be glad to answer questions.

Senator KING. Do you not wish to here postulate the view that our competitive system, which we have reached a high position in the world, is a failure, and we must destroy the competitive system?

Senator WAGNER. Not at all.

Senator CLARK. Other question: Is it all drawn largely from the cartel system?

Senator WAGNER. I am not at all in favor of a nationally planned economy, but I think that we can recover, because of unfair competition, and other things that struck us down. We are not seeking a change; we are seeking a rationalization of competition, instead of permitting the spread, by exploitation of labor, to break us down by unfair competition. Instead of that, we want to have competition in a high plane, where there is a just reward for labor.

Senator CLARK. Governmental authority is exercising the authority of the State?

Senator WAGNER. Not at all. We have no regulating, and we do regulate. We regulate in a State. We regulate all sorts of things that are necessary. The same argument was used when we passed the workmen's compensation law within the States. Today that philosophy is accepted. No one today would think of changing it, except the man who wants to go back to the days of a hundred years ago.

After a trade or industry has been subjected to license no one may carry on such trade or industry in interstate commerce or in any transactions affecting interstate commerce without first obtaining a license, on penalty of \$500 fine or six months imprisonment or both.

The constitutionality of title I seems clear. The declaration of policy which embraces recognition of the present emergency, relates to the welfare clause and the interstate commerce clause of the Federal Constitution, both of which authorize Federal action. Obviously the conditions produced by the emergency affect the general welfare. And it is equally true that many commercial and industrial practices which in normal times would have only intrastate significance are magnified to national importance during a period of severe strain, and burden interstate commerce. Again, the delegation of

quasi-legislative functions to the President is vindicated by the careful standards for action which the declaration enunciates—the elimination of unfair competitive practices, the reduction and relief of unemployment, the improvement of standards of living, the rehabilitation of industry and the conservation of natural resources.

To some it may appear that we are venturing far from the original purposes which guided the fathers of our Constitution. In sober truth, we are acting under the compulsion of the economic situation. The Constitution is not an inflexible document. It is broad enough to encompass the measures necessary to rescue this Nation from its present crisis.

The bill is drawn to expire at the end of 2 years. It is frankly an experiment. But it is an experiment worth making, for our objectives are to preserve the merits of competition and to avoid its abuses, to multiply the opportunities for employment and to lift our standards of living. The bill establishes that exploitation shall no longer be an advantage in the race for success and that the highest ideals of those engaged in industry shall determine its standards of action.

I just want to say a word on title 2, the public works program.

Senator BARKLEY. Would you rather finish your statement on title 2 before being interrupted by questions?

Senator WAGNER. Yes.

I come now to title 2 of the bill which relates to the public works program. The purpose of this title is to create direct and indirect employment for several million men and women through the launching of \$3,300,000,000 worth of construction on Federal, State, and municipal projects and on certain private projects devoted to public use.

This large undertaking is directed toward the vital spot of the depression—the crucially imperative need of opening jobs for the men and women who have been searching vainly for work for the past 3 years.

I suppose that no proposal has been more widely discussed throughout the period of depression than the one to enlarge the volume of public construction as a means of relieving the distress of unemployment and as a measure of business stimulation. Some writers on the subject, however, have confused the volume of debate with the quantity of construction prosecuted and have come to the wholly erroneous conclusion that public works as a remedy has been tried and found wanting. The easily demonstrable fact is that the remedy has never been tried.

On the contrary, the volume of public construction, including Federal, State, and local, has steadily declined during the emergency. In 1932 public construction was not greater in volume than in 1930 but actually one and a half billion dollars less. Two and a half million workers are normally directly employed in construction activities; two-thirds of them are today out of work.

The degree of unemployment is even more intense in the industries which supply materials for construction purposes. As an illustration may be taken from the report of the Bureau of Labor Statistics for the manufacture of brick, tile and terra cotta, where the number of employees on the pay roll on January 15 last average less than 20 per cent and the amount of the pay roll less than 8 percent of the average for 1926.

Senator BAILEY. But that was in January.

Senator HASTINGS. What was that?

Senator BAILEY. That was in mid-winter, against the average for the whole year.

Senator WAGNER. The season does not affect building construction nearly as much.

Senator BAILEY. It affects the manufacture of brick very greatly

These figures disclose the fact that public construction was allowed to fall off during the period of emergency to an insignificant amount at the very time that, for obvious reasons, the amount of private construction was rapidly approaching the vanishing point.

That policy, illogical as it was, corresponded precisely as to the equally illogical policy pursued during the preceding boom period when public construction very substantially increased above normal and competed with private industry for labor and materials.

That kind of haphazard activity, lack of correlation and planlessness are distinctly among the causes of the current economic catastrophe.

In 1931 when Congress passed the Federal Employment Stabilization Act and again last July when it enacted the Emergency Relief and Construction Act, both of which measures I had the honor to introduce, we declared in favor of a new policy—a policy of planning, of adjusting public activity to private activity so as to promote equilibrium rather than to emphasize confusion.

The requirement of the Emergency Relief and Construction Act that no project shall be eligible for a loan unless it be self-supporting and self-liquidating from revenues other than taxation and the very severe and legalistic administrative policy of the Reconstruction Finance Corporation with respect to construction have rendered the purposes of the 1932 act unfulfilled and, indeed, untried.

The conditions which confront us today are serious. The emergency is still very grave. The only new and helpful factor is that the country is imbued with a spirit of confidence in reliance upon the program of the vigorous action unyieldingly insisted upon by the Administration. This bill forms a very important part of that policy of action and the American people are looking forward to its passage with hope and anticipation.

The underlying principles of the public works proposal are, in my judgment, too clear for dispute:

(1) A vast number of men are without work. They must be and are being maintained at public expense. I submit that it is sounder business, better government, and a more humane policy to pay these men for useful work than to keep them in idleness.

(2) We cannot emerge from the depression until there is a sustained resumption of enterprise. That cannot occur through private initiative alone until business men see a prospect of profit. Government construction, however, is not undertaken for profit and can, therefore, be initiated without waiting for an upturn of business.

(3) Public construction distributes purchasing power without at the same time adding to the supply of competitive goods in search of a customer. It is, therefore, ideally suited to serve as a means of priming the pump of business.

I have said on another occasion that a pump cannot be primed with an eyedropper. It is, therefore, important to know whether enough

construction can be promptly released to have a substantial effect on business and employment. In answering that question we have a ready guide in the record of previous construction. The amount of public construction activity undertaken in 1931 and 1932 was so far below normal as to result in the accumulation of an aggregate deficit of about \$2,000,000,000 worth of projects. These would have been prosecuted but for the difficulty of finding funds for the purpose. To that figure should be added the volume of construction that would normally be launched in 1933. Obviously, there is a large reservoir of useful projects that should be undertaken to meet the normal requirements of various communities of the United States. They include such enterprises as sanitary works and water works essential for the protection of public health, traffic facilities, schoolhouses, and an almost infinite variety of other projects needed in the public service and for the normal development of our States and municipalities.

Title 2 of the bill authorizes the creation of a Federal Emergency Administration of Public Works, which is directed to formulate a program of public construction. That program may include the construction, repair, and improvement of public highways and parkways, public buildings, and any publicly owned instrumentalities and facilities; the conservation and development of natural resources, including water works, flood control and river and harbor improvements. With the approval of the Interstate Commerce Commission railroad maintenance and equipment may be included.

The bill further authorizes the inclusion within the program of any project which is now eligible for a loan from the Reconstruction Finance Corporation under section 201-a of the Emergency Relief and Construction Act. That is important since the authority of the Reconstruction Finance Corporation to make loans for construction purposes is terminated by the bill. Sections 202 and 203 transfer that authority to the President.

An important provision is that which authorizes the construction under public regulation or control of low cost housing and slum clearance projects. I know of no more useful area in which to invest public funds than the provision of adequate housing for families of low income.

Authority to disburse the funds made available by this title is centralized in the President. He may act through such agencies as he shall create or designate. He may engage in the construction directly. He may finance the construction by loans to States, municipalities, or other public bodies and to certain private corporations engaged in the construction of projects devoted to the public use. He may aid in financing such construction by purchasing securities, guaranteeing securities or in any way he deems advisable to carry out the purposes of the bill. In addition, where necessary to make the construction move forward, the President is authorized to make outright grants to States, municipalities, or other public bodies in an amount not exceeding 30 percent of the cost of the labor and materials employed upon a project.

Section 204 is devoted specifically to road construction. It authorizes the President to allocate for that purpose an amount not exceeding \$400,000,000 to be spent on the Federal-aid highway system and upon secondary or feeder roads.

Senator COUZENS. Is that to be matched by the States?

Senator WAGNER. No. The fund allocated for this purpose is to be apportioned to the several States; three fourths upon the basis provided in the Federal Highway Act and one fourth on the basis of population.

The CHAIRMAN. Why was that policy changed from the present law?

Senator WAGNER. The allocation is as the present law, except as to one fourth, one fourth by population and three fourths upon the old basis.

The CHAIRMAN. Why was the present law with reference to the allocation of funds for public highway construction not adhered to?

Senator WAGNER. You mean in requiring the States to match?

Senator GORE. No; the allotment among the States.

Senator WAGNER. The allotment among the States, three quarters of it is according to the present method, and one quarter according to population, because I think it is fair in an emergency of this character, that some of the States which are highly industrialized, where there is a great deal of unemployment, under the system now employed will not get very much aid out of this, because of the restriction. So it was thought that this would be a fair distribution all around.

Senator BARKLEY. The present law takes into consideration population to some extent.

Senator WAGNER. To some extent, but not to a major extent.

Senator BARKLEY. Population and road mileage.

Senator COUZENS. But that doesn't require matching in any sense?

Senator WAGNER. No; the Federal Government incurs the entire expense.

Senator COUZENS. And there is no repayment at all.

Senator WAGNER. No.

Senator GORE. And it is not limited to post roads?

Senator WAGNER. No.

Senator BARKLEY. Don't you think you had better say, in that language on page 17, "the funds apportioned under this act shall not be matched," because it might be construed to apply to the present law, the way it is.

Senator WAGNER. Yes; I think that may be well.

Attention should be called to the fact that section 204, dealing with road construction, greatly liberalizes the purposes for which road money may be spent. The emphasis is laid upon the elimination of hazards to highway traffic, such as the separation and removal of grade crossings, the widening of narrow bridges, the construction of routes to avoid congested areas. The possibility of using these funds for such purposes is particularly important in centers of population. The bill provides, however, that in connection with the elimination of railway grade crossings the fund shall not be used for the acquisition of any land, right of way, or easement.

Adequate provision is made in the bill to give assurance that the moneys made available shall be employed in giving the maximum amount of employment at an adequate level of wages. Section 205 is addressed to that subject. It provides that every contract and every loan or grant made pursuant to this title of the bill shall contain the necessary provisions to insure (1) that no convict labor shall be directly employed on any such project; (2) that the 30

hour week shall prevail; (3) that all employees shall be paid wages sufficient to provide a standard of living in decency and comfort; and (4) that preference in employment shall be given to ex-service men with dependents.

The \$3,300,000,000 required to carry out the purposes of the bill are to be raised by Government borrowing and provision is to be made for the imposition of a tax sufficient to pay the interest and retire the Government obligations issued to finance the construction program.

I have long maintained that it is entirely proper to borrow for public construction. The improvements to be erected are relatively permanent and it is sound practice to spread their cost over a number of years not exceeding the estimated life of the structure. That, as a matter of fact, is the usual practice of private business.

The authority conferred by the public-works title of the bill will expire at the end of 2 years or sooner, should the President declare the emergency ended. The only exception to that is that the President may continue to issue funds until January 1939, under agreements made with borrowers prior to the expiration of his power to make loans.

In considering the public-works program there is an important factor which must not be overlooked, and that is that the expenditure of large amounts of public moneys upon public works will inevitably induce the investment of substantial amounts of private funds. The construction of a waterworks may make a whole area suitable for residential development. The improvement of a traffic facility may invite the erection of a business enterprise. The fundamental fact to remember is that the distribution of purchasing power and the resumption of investment which this bill involves will have a stimulating effect and help to revive all forms of business activity.

Both parts of the bill are designed to provide an immediate impetus to employment and that is the inescapable necessity of the present moment. The direct expansion of public activity and the definite encouragement of private activity which are the designed purposes of this measure cannot fail to provide a foundation upon which the public confidence inspired by the President will continue to grow. This bill provides the chart and compass for a program of recovery. If it be administered, as I know it will be, with the vigor and resourcefulness which the President has exhibited in all his actions, it will contribute mightily toward the rehabilitation of the economic life of the American people.

The CHAIRMAN. Any questions?

Senator CLARK. What rate of interest is provided for on these loans to public bodies for public construction?

Senator WAGNER. That is entirely within the discretion of the President.

Senator CLARK. On what terms will these loans be made?

Senator WAGNER. That is also within his discretion.

Senator COUZENS. Will you give us an example of a case where it might make a loan to a private corporation for erecting a public need?

Senator WAGNER. A tunnel or a bridge. They are enumerated in the act itself.

Senator COUZENS. And the revenues from those activities would liquidate the loan?

Senator WAGNER. Yes; so far as private loans, loans to a private corporation, for a project devoted to public use, the requirement still exists that it must be self-liquidating in character.

Senator COUZENS. You mentioned two.

Senator WAGNER. That is a loan to a public body.

Senator COUZENS. Is that expected to be repaid?

Senator WAGNER. Yes; that is a loan to a community.

Senator COUZENS. I am trying to discriminate between those which are not expected to be repaid and those which are expected to be repaid.

Senator WAGNER. They are all based on loans, except there is a discretionary provision in the act that the President, where he deems it advisable, may grant to a State 30 percent of the cost of the labor and the material upon any project.

Senator COUZENS. And that is not to be repaid?

Senator WAGNER. That is a grant, not to be repaid.

Senator COUZENS. Under that provision of the act the President may charge one State the full amount with interest and another State he may reduce it 30 per cent?

Senator WAGNER. He has the power to do it. I doubt whether that will be done. In all these matters we have to rely upon the justice and the integrity of the Administrator.

Senator COUZENS. I quite understand that.

Senator WAGNER. You cannot make an absolutely inflexible rule.

Senator COUZENS. I am just wondering how you can set up 2 standards in dealing with 48 States. It seems to me it is unfair to the President to ask him to discriminate between States.

Senator WAGNER. I think that may be helpful primarily to the small communities which may need some public projects and have not the finances with which to finance the entire project, and yet it might be desirable to keep the working people living in that section rather than compel them to go to some other community in search of work. There he may deem it a worthy thing and one in the interest of the general public welfare to grant a portion of the cost of construction. I don't think it will be generally used. If used at all, it will be used in those smaller communities. That is my conception of it.

Senator COUZENS. Can you interpret that act so that the Government would put up the money to build a grade separation? I understood you mentioned that.

Senator WAGNER. That is under the highway provision; yes.

Senator COUZENS. In that case it would be a grant to the State without repayment?

Senator WAGNER. Yes. All highway construction is. That is under the 400 million for public highways. That is a grant to the States. We used to grant them one half and during this emergency we are granting the entire sum.

Senator COUZENS. And none of it is to be repaid?

Senator WAGNER. None of it; and under the old system, that which we gave was never repaid.

Senator COUZENS. I understand that. But now instead of giving them 50 percent, you are giving them all.

Senator WAGNER. Yes; because of this emergency.



Senator COUZENS. So that under this act the public works constructor could authorize an expensive grade separation as a road improvement?

Senator WAGNER. I think so, yes.

Senator COSTIGAN. Why did you decide on \$400,000,000 for highways?

Senator WAGNER. I didn't decide on it. But those who are conversant with the situation, including some Senators who are particularly interested in the highway feature of the bill as a means of reemploying people advise that that is the sum that is necessary.

Senator COSTIGAN. A much larger sum could be expended for grade crossing alone.

Senator WAGNER. All within the discretion of the committee. I don't propose to be any kind of an authority on that subject, and I am quite willing to rely on those who know more about it than I do, as to what the limitation ought to be.

Senator CLARK. What provision is made for flood control and river and harbor work in this act?

Senator WAGNER. Section 202—

The CHAIRMAN. Do you mention that specifically?

Senator WAGNER. Yes; I think we do, in sufficiently clear language.

Senator LA FOLLETTE. There is all-inclusive language.

Senator WAGNER. Yes.

Senator CLARK. I have that section before me. What I was getting at was the reason for setting it out in detail.

Senator WAGNER. "Control of water, conservation and development of natural resources, including control, utilization, and development of water." As suggested to a member of the House Committee, who was a little apprehensive, so far as I am concerned, I think is clearly covered, but if you want to use the words "flood control" instead of water "control", you may do so.

Senator CLARK. What about navigation projects?

Senator WAGNER. I am sure it is there.

Senator CLARK. Navigation projects, you say, are covered?

Senator WAGNER. That is control of water, isn't it?

Senator CLARK. What I am trying to get at is the reason for simply covering flood control and navigation projects and matters of that sort in one general phrase of that sort, and then going into detail on the matter of highway construction.

Senator WAGNER. Well, that is a little different subject. Flood control has always been covered in these general terms, the words "flood control", and I think the more inflexible you make it, the better for the administrator.

The CHAIRMAN. It was clearly the intention of those who drew this bill that flood control should be included.

Senator WAGNER. Of course. That is a very important feature, and if there is any apprehension, I have no objection to the use of any words which you think would make its object clearer.

Senator COUZENS. When you come to put in the transmission of electrical energy as one of the provisions, is that intended to carry on with the Tennessee Valley development?

Senator WAGNER. That act itself, I think, provides—you mean beyond Muscle Shoals?

Senator COUZENS. Yes.

Senator WAGNER. I don't know what it is intended for, but it would authorize it.

Senator COUZENS. Is there any other place where transmission of electrical energy could be engaged in other than the Tennessee Valley development?

Senator WAGNER. I can't think of any offhand, sir.

Senator GORE. Senator, in regard to the philosophy of this bill. I don't want to argue about the wisdom of it, for I respect your views on that subject. But as to its character, it is revolutionary, isn't it?

Senator COUZENS. I don't think so. I don't think it is revolutionary to substitute for a competition which has been destructive of industry a method of competition which will rehabilitate industry and rationalize competition.

Senator GORE. This act, if passed, will mean that the constitutional rights of a citizen and the constitutional powers of the Government will vary with the variation of economic conditions and the state of mind of those in authority, will it not?

Senator WAGNER. I think that has always been the philosophy of the law. We passed in New York State a law which permitted municipal judges to determine what rent a man ought to be required to pay for the occupancy of a house during an emergency.

Senator GORE. Yes.

Senator WAGNER. And the United States Supreme Court held that to be constitutional.

Senator GORE. But the Supreme Court held, in the Louisiana Sugar Refinery case, that an act passed by the Louisiana Legislature, undertaking to impress sugar refineries with a public interest, that the act was void, and held the question of whether or not an enterprise was charged with a public interest was a matter of fact and not a matter of mere legislative words.

Senator WAGNER. Perhaps it is a matter of fact, yes. Was that during an emergency?

Senator GORE. I don't think it was to relieve an emergency.

Senator WAGNER. Or was it permanent legislation?

Senator GORE. It was permanent legislation, although I believe it was during the war.

Senator WAGNER. I can understand, in the first place, that a business might be affected with public interest during an emergency that in normal times might not. Secondly, I can understand in taking an individual case, you would not call that affected with public interest, whereas if you take industry as a whole, our whole economic structure, you could say that is affected, in an emergency, with the public interest. Because in one situation, without Government intervention we are dragged down, and with Government intervention we are lifted up. That would justify it being regarded as being affected with the public interest.

Senator GORE. Your statement that it would vary with economic conditions, and that in a depression the Government might have power, doesn't that make the constitutional right of the citizen depend on varying circumstances?

Senator WAGNER. No. We are still exercising all those powers under the Constitution, not in defiance of it.

Senator GORE. Doesn't the power to license and revoke the license of private enterprise deprive the owner of property of his property without due process of law? If he can't use the property, it is valueless.

Senator WAGNER. Of course that all—

Senator COUZENS. Depends on the facts.

Senator WAGNER. We can't be dogmatic about that. It depends on the facts and what our situation is. Our society is organized and our Constitution is adopted to protect society, not to destroy it.

Senator GORE. Yes.

Senator WAGNER. And to say that we must prostrate ourselves to an inflexible Constitution, so that we must permit pestilence, violence, famine, and all these other things to oppress us, and say simply, "We are sorry, but we are prostrate before this inflexible instrument, which has no life in it," is absurd.

Senator GORE. But those framers of that inflexible instrument provided a perfectly rational method of amending that inflexible document, and steps have been taken recently to amend it in order to carry out or respond to the public will. Now, should it be said that Congress should enfranchise the sale of liquor, or were it better to amend the Constitution?

Senator WAGNER. That is not this thing at all. We are getting into another field which has no analogy at all to our present situation.

Senator GORE. It strikes me you are probably right, if you can prohibit a man from using his property.

Senator WAGNER. We are not violating a single right guaranteed by the Constitution. Otherwise we couldn't do it.

Senator GORE. For instance, there is a bottle factory in a small community in Oklahoma. Suppose he obtains a license and that license is revoked and he cannot use this property? That is what I am getting at. Whether or not that is not too much power to vest in anybody, whether Mussolini, Stalin, or anybody.

Senator WAGNER. If Congress has the right to deal with it, it has the right to select the agency to carry out its will. I think there has been an overstatement of dictatorial power. You don't call it dictatorial power if you give it to a commission of three, but you do call it dictatorial power if you give it to a commission of one. We in Congress can only express what we think ought to be done, but we have to delegate the execution of that to some other power.

Senator GORE. I think whether or not it would be subject to judicial review would be the controlling thing.

Senator WAGNER. Of course, we can't take anybody's property away without due process of law.

Senator CLARK. You can if you declare an emergency.

Senator WAGNER. Not if the court says the emergency does not exist.

Senator CLARK. I was just following the theory you just enunciated, if I understood it aright.

Senator WAGNER. Any citizen that feels his rights have been affected by this has the right to go into court and determine the question as to whether Congress had the right to confer these powers upon the President. There is no difference in that. If we can only do this sort of thing in an emergency, and the court finds, as a fact, that we have no right to assume that an emergency existed, that it

was an arbitrary assumption, the courts can stop the whole thing. We do provide that the basis of our action is the emergency.

Senator GORE. The Constitution says "Laws passed in pursuance of the Constitution."

Senator WAGNER. This is passed in pursuance of the Constitution. The courts have said that over and over again. The same argument was used against the rent laws. It so happens that I wrote the opinion in New York on the rent laws and I heard the arguments on it. The side that contended against the law, although they did not tell us how they could prevent this famine, pestilence and all those other things that might result from people being thrown out on the streets, or did not tell us what we could do to prevent it, simply pointed to the Constitution. We contended that the Constitution permitted it to be done, and the Supreme Court sustained that. They said we were right about it. So you have got a legal sanction for it.

Senator GORE. This undertakes to regulate hours of labor and rates of wages. Would you require labor organizations to take out a license, subject to revocation?

Senator WAGNER. No.

Senator GORE. Why not? Aren't there rackets going on today amongst so-called labor unions?

Senator WAGNER. Well, if there are, isn't there sufficient protection against them?

Senator GORE. Is there any reason why they should not be required to take out a license, so that they would be called upon to observe these regulations as well as the employers? Wouldn't that protect legitimate labor organizations?

Senator WAGNER. That thing has been talked about, and there has been that opposition to labor organizations ever since their organization, and they have weathered all the storms, and they have helped more than any one other element to bring up wages to a decent standard.

Senator GORE. Since they have been organized and insisted upon their rights they have rendered a great service, but the day may come when they have the power to invade the rights of others.

Senator COUZENS. Let us deal with that when it comes, and not anticipate it.

Senator GORE. The time has come, perhaps. I want to ask one other question. You prohibit the use of convict labor in any sort of construction. Is there any sound reason why convict labor should not be employed on public construction, or any other sort of work that will be paid by the taxpayer?

Senator WAGNER. I think there is. Do you think convict labor ought to compete with free labor when free labor is starving?

Senator GORE. If he competes on work that would impose a burden on the taxpayer, I think so. I think the taxpayers have some rights in this set-up.

Senator WAGNER. That has gotten beyond an argument, Senator.

Senator CONNALLY. You are speaking about an emergency. Of course you do not contend that Congress could do any more in an emergency than it can in other times, so far as the constitutional grant of power?

Senator WAGNER. No, no; I do not.

Senator CONNALLY. So that a mere declaration of emergency does not, after all, in anywise affect our power to do a thing.

Senator WAGNER. Of course not.

Senator CONNALLY. You are basing your whole contention—

Senator WAGNER. What I said was I think we can reach farther under the powers of the Constitution, reach a wider area in an emergency than otherwise, because of the things and activities that would be affected with the public interest that would not in normal times. But we derive the power from the Constitution.

Senator CONNALLY. You are basing your whole power to do this thing on the interstate commerce clause, are you not?

Senator WAGNER. Yes; absolutely.

Senator COUZENS. And welfare.

Senator WAGNER. And welfare, to a limited extent.

Senator CONNALLY. The welfare clause doesn't mean much so far as power is concerned.

Senator WAGNER. It refers to appropriations.

Senator CONNALLY. The welfare clause is merely a consummation, in a way, of specific grants. You wish privilege for general welfare by exercising the grants you have under the powers of the Constitution.

Senator WAGNER. Yes. And I think other appropriations that are authorized, if they are spent in the public welfare are under the welfare authority.

Senator GORE. Under the Frothingham decision practically every appropriation is.

Senator CONNALLY. There is no limit on the power of Congress to appropriate and you cannot challenge any appropriation made.

Senator WAGNER. Whether challenged or not, we want to exercise only authorities that are expressly given to us.

Senator BARKLEY. Senator, I would like to ask about section 3, where upon application to the President by one or more trade or industrial associations or groups, the President may approve codes and so forth. What sort of groups do you have in mind?

Senator WAGNER. That was to make it all embracing. But groups within an industry. There may be cases in the same industry where there may be different groups throughout the country, with different conditions, and a uniform code would be impracticable, and so those groups could get together.

Senator BARKLEY. Do you mean by groups, associations like the United States Chamber of Commerce, or the National Association of Retail Druggists, or some organization that maintains a lobby here in Washington?

Senator WAGNER. Of course not.

Senator BARKLEY. Or does it mean any group of people who get together, large or small, whether organized or not, may come to the President and demand certain things?

Senator WAGNER. Exactly, within an industry. The United States Chamber of Commerce obviously could not come in under this, because their organization covers all kinds of trades and industries.

Senator BARKLEY. Would this have to be an organized group with a name, or could it be a self-appointed group of people that got together?

Senator WAGNER. It doesn't matter at all, as long as it is representative of the industry.

Senator BARKLEY. The President is to determine whether it is representative of the industry?

Senator WAGNER. Yes; and you notice we provide that the membership in this group must be free of any—

Senator BARKLEY. I am not contemplating a group that has a membership that pays dues and has an annual meeting. That is the ordinary trade organization with which we are all familiar. I am wondering whether this is broad enough so that voluntary, self-appointed groups of men, that claim to represent an industry can come to the President and say they represent it and that they want this thing done.

Senator WAGNER. They can do it, but then the President determines whether they are representative or not.

Senator BARKLEY. If he determines they are, then all the rest of that industry, whether they have been part of that group or not, have to abide by the code that is set up?

Senator COUZENS. Oh, no; I don't think that is the interpretation.

Senator BARKLEY. Why not? That is what it means, isn't it?

Senator WAGNER. If the President finds the industry was fairly represented in the formation of this code, and that the code ought to apply to all within the industry in a certain area, he so determines. And then all the industry in that particular area will have to comply with that code.

Senator BARKLEY. And if it were a Nation-wide code, all the industries in that particular type of work throughout the country would have to abide by it?

Senator WAGNER. It is hardly likely we will have a Nation-wide code except on some very fundamental questions.

Senator BARKLEY. Let us take the steel industry, or the oil industry. The conditions there are pretty much the same in one part of the country as in another. Is it contemplated—

Senator WAGNER. As to wages and hours of labor, too?

Senator BARKLEY. Yes.

Senator WAGNER. In some sections they say the cost of living is higher than in others, and the bill provides that the locality, skill, and experience must be taken into consideration.

Senator BARKLEY. So that this bill makes it necessary for an unorganized industry—that is, those who have no trade associations or trade groups—to form such organization in order to either present things to the President or to protest against their being presented by somebody else who decides that they want to organize a little group to represent a certain industry?

Senator WAGNER. I think so.

Senator BARKLEY. It would result in the universal organization of either advocates or opponents of anything that was asked of the President, would it not?

Senator WAGNER. Yes; I think so. But I see no other way. We have got to have some form of organization.

Senator BARKLEY. You refer here to unfair trade practices and unfair competition. Would that authorize the President to put into effect a code or an order carrying out the intentions of perhaps certain groups of people who have been for 25 years trying to get

Congress to pass what they call a Fair Trade Act, that would prevent a person from reducing the price of anything he has in this store if it were below what somebody else paid for it?

Senator WAGNER. I doubt whether price fixing is going to be a part of that. That is a matter of administration. But of necessity if you are going to regulate your hours of labor and provide for a certain standard of wages, it is bound to raise the level of competition. It will rationalize competition.

Senator BARKLEY. I know, but we all know that for years an effort has been made to induce Congress, by legislation, to reverse the decisions of the Supreme Court in the matter of price fixing by the manufacturer, after goods have passed down into the hands of the retailer, regardless of location or cost of doing business in one part of the country as compared to another. That has been the policy of certain business groups. I am wondering whether, if this language is left as it is, whether they will immediately pounce upon the President in an effort to induce him to adopt such a code as would prevent the thing which they have been undertaking to get Congress to prevent, the reduction of prices on retail goods in stores, on the ground that it is an unfair practice and is unfair competition.

Senator WAGNER. I can't think of such a situation, Senator. Of course, I am not a clairvoyant. What I think we have primarily in mind is to raise the standards of industry so that in the field of competition you being with a decent living wage and decent hours, and then with that as a basis you are still in your area of competition. In other words, you are preventing the sweatshop fellow, this 10 or 15 per cent of an industry which has been dragging the whole thing down by the exploitation of labor, from doing just that. We want to prevent that. We want to raise them all up to a higher standard, and then have your competition with this as a basis.

Senator BARKLEY. With that I am in entire harmony and sympathy, but I am wondering whether the President is to be authorized to go into the retail end of it, the control of the retail business of the country, and fix prices, or issue orders that will prevent a merchant from selling a hat for \$2.75 when somebody else is selling it for \$3.

Senator WAGNER. There are the restrictions that the code must be fair to the consumer, fair to the competitor, fair to the public generally, and I think these prohibitions are sufficient, together with a just administration, to take care of that situation.

Senator CLARK. Does the act contain any definition of the term "industry"?

Senator WAGNER. No; I don't think that is needed.

Senator CLARK. We have had a definition of agricultural industry, the oil industry, things that really have to do with natural resources. You stated a moment ago this does not include the agricultural industry. It seems to me without a definition nobody knows what it includes.

Senator WAGNER. We have taken care of that right at the end haven't we?

Senator COUZENS. Section 8, I think, on page 9.

Senator WAGNER. Yes.

Senator CONNALLY. Senator Wagner, may I ask a question?

Senator WAGNER. Yes; there it is right there. We are providing against a conflict with the agricultural bill right in the act itself.

Senator CONNALLY. Senator Wagner, the effect of this measure, so far as industrial prices are concerned to the consumer will be, of course, to raise the level of those prices?

Senator WAGNER. Yes.

Senator CONNALLY. And one of the major purposes of the bill is to give industry a larger price for what it produces?

Senator WAGNER. I take it that that will be the effect of it.

Senator CONNALLY. That is what I meant.

Senator WAGNER. Because the wage earner gets more.

Senator CONNALLY. If wages are increased and the industries are allowed to make their agreements as to codes of ethics, they are going to make them, of course, in such a way as to make their business profitable. How is that going to affect the situation in regard to farm relief? We have been telling the farmers for years and years that he is paying too much for his industrial purchases, that he is not on an economic level with industry, and that industry has been jacked up above agriculture. Now, we have undertaken to help him through the Farm Relief Act, which has not yet begun to function, and now if we come along in this bill and raise industrial prices still higher than they are now, what are we going to do to improve him?

Senator WAGNER. We could put them both on an equality, and this is the objective sought by the administration. Now, with the farm bill to raise the prices of his commodities, and this bill to provide purchasing power—and I think you will agree that unless we have got a large number of people working with an adequate purchasing power, the farmer cannot sell his commodity.

Senator CONNALLY. That is true.

Senator WAGNER. Those are complementary, those two acts. But the farmers now are not on an equality.

Senator CONNALLY. He is down now, and we are trying to move him up by the Farm Relief Act, and now if we move industry up a little further—

Senator WAGNER. No, we are not going to do that. I think they are going to be on a level.

Senator CONNALLY. I am just trying to get your reaction.

Senator WAGNER. Of course, that would be an absurd thing, to bring agriculture up a little way, and lift industry up so that that same old margin existed.

Senator CONNALLY. But the purpose of this bill is to raise industrial prices above what they are now.

Senator WAGNER. Certainly. You consider that a worthy purpose, don't you?

Senator CONNALLY. Not if they are too high.

Senator WAGNER. At the present time business is bankrupt because prices are too high.

Senator CONNALLY. Not if they are too high, I repeat, as compared with agriculture.

Senator COUZENS. They can't sell at the present low prices.

Senator LA FOLLETTE. Senator Wagner, did you and your associates consider the advisability of conferring power upon the President to amend or revoke these codes of fair competition in cases where it was demonstrable that the public interest was being injured by their continuance?

Senator WAGNER. That is right in the act. He may modify, cancel, or do anything to the order.

Senator BARKLEY. This bill is to last for two years, I believe, unless the President shall sooner declare the emergency over. What happens to all the orders and the codes that have been issued during the two years after the emergency expires?

Senator WAGNER. Well, of course, there are 60 days after that for readjustment, and then they go out, unless in the meantime—and I am very confident that will happen—Congress, observing the workings of this plan and its benefits to the public generally, will make the administration of it permanent. I think that that depends upon the success of the experiment a good deal, and if it lifts us up and it is a better way, a newer and better way, of having an organized economic system, instead of chaos and planlessness, I am sure Congress will respond and make the legislation permanent.

Senator BARKLEY. But if it don't, at the end of these two years, all this this would drop back into status quo.

Senator WAGNER. Yes; but you are not only a very distinguished, but also an experienced legislator, and you know very well if this legislation does what we hope it will, Congress will make it permanent.

Senator GORE. Oh, yes; there is no doubt about it, if the voters get behind it.

Senator WAGNER. After all, that is the country, the voters.

Senator GORE. In connection with Senator Connally's question, what about the reaction on our foreign trade, of elevating these prices artificially?

Senator WAGNER. Well, I can't tell. I suppose this is no time to take it up. It may require a readjustment, I don't know. But I think, Senator, primarily our problem is a domestic problem. I think the effect of international trade has been greatly exaggerated. It has been used as an excuse for inactivity by us in bringing order out of chaos. Primarily our whole economic welfare is a domestic question. It may require some adjustments. If we are going into a race of depreciated currency, I don't know what the end will be. I suppose, eventually, zero. I cannot believe the countries of the world are going to start in on a race of depreciated currency, because that would drive us all down.

Senator GORE. I hope you are right about that.

Senator BARKLEY. You don't want to venture any suggestion as to how this money is going to be raised?

Senator WAGNER. We provide that by taxation.

Senator BARKLEY. I know, but what sort of taxes? You don't want to go into that?

Senator WAGNER. No, because you know more about that than I do.

Senator BARKLEY. I hate to be put in a position of denying a statement like that, but I would like to have your views.

The CHAIRMAN. If there are no other questions, Senator Tydings is here, and he has a matter he wishes to present.

STATEMENT OF THE HONORABLE MILLARD E. TYDINGS, UNITED STATES SENATOR FROM MARYLAND

Senator TYDINGS. I offer an amendment, which the Senate adopted, which is not present in the bill now before you. It provides that on the project for the housing of officers' families of the United States Army, Navy, and Marine Corps, they shall be a part of the public-works proposition, where those matters are self-liquidating. It doesn't cost the Government any money. It simply allows those who want to build housing for Army, Navy, and Marine officers to borrow the money where the project is sound and has been approved by the Reconstruction Finance Corporation, so that additional facilities can be had for the Army, Navy, and Marine Corps officers.

May I say that the reason for this amendment is that at Annapolis there is insufficient housing for Army, Navy, and Marine officers? A corporation has been formed down there to build the housing necessary. In the old bill the Senate put it in. I simply ask that they be allowed to share in the self-liquidating provisions of the bill.

That is, on page 12, section 202, line 20, strike out the parenthesis and insert in lieu thereof, and immediately preceding insert the following, "construction of projects for housing of families of officers of the United States Army, Navy, and Marine Corps."

Senator CONNALLY. This corporation that is organized, has it any money?

Senator TYDINGS. I understand so.

Senator CONNALLY. Or does it expect the Government to furnish all the money?

Senator TYDINGS. No, I think it is going to furnish a large part of the money.

The CHAIRMAN. Mr. Richberg, you have had considerable to do, I understand, with the drafting of this proposal?

Mr. RICHBERG. Yes.

The CHAIRMAN. We will be glad to hear from you with any explanation or analysis of the bill you desire to make.

STATEMENT OF DONALD RICHBERG

Mr. RICHBERG. Mr. Chairman and members of the committee, it seems to me that I might be most serviceable to the committee in meeting questions that arise in the minds of the committee as to which I may be of any help, rather than in attempting to make a speech to the committee on the subject.

Senator Wagner has outlined the general purposes of the bill. I would like only to emphasize the interrelation of the two titles; that as a matter of industrial regulation, the two titles go along together. Merely to enable industry at the present time to operate on a better general plan, to operate more effectively, would probably not be sufficient to induce any rapid economic recovery, but if at the same time there is provision made, as in title 2, for large and immediate expenditures for the construction of public works program, the result will be to put a very large increase in purchasing power in the market, which in itself will provide a basis for the stimulation of normal industrial operation.

If then at the same time this other program is adopted, so that we do not have merely an increase of the cutthroat competition by this

additional business, but at the same time we promote a spread of the benefits of this industrial activity throughout the community, and a further spread of purchasing power, it is then the thought that the two titles will work together as a comprehensive program that must produce a certain amount of business revival.

Senator CLARK. Mr. Richberg, just what is the logical connection between this public-works program and the emasculation of the antitrust laws? Frankly I am unable to see any connection.

Mr. RICHBERG. May I say, Senator, that I am not in favor of what you describe as the emasculation of the antitrust laws.

Senator CLARK. Somebody slipped it in this bill, then.

Mr. RICHBERG. It is not the thought which I have in mind that the purposes of the antitrust laws are evaded by the provisions of title 1. In a very broad way, one of the main purposes of the antitrust laws has been to protect the fair competition, to prevent the abuses of monopoly power.

Senator CONNALLY. What is fair competition? This fair competition is a fine, mouth-filling phrase that tickles our ears, but what is fair? Who is going to say? Is it fair from the standpoint of the corporation? Fair from the standpoint of the corporation might be all that the traffic will bear, catch the consumer; gouge his eye out and bite off his ear. But what is fair, now? That is too broad a term for me to understand in all its ramifications. Maybe you, having drawn the bill, know what it means?

Mr. RICHBERG. I only participated in it, Senator. As to what fair competition is, of course it is very difficult to define any word of excellence. It is difficult to say what is good or bad, except as custom and common acceptation make a thing good or bad. There are certain fundamentals, grown up by business customs which are recognized as fair or unfair methods. For instance, I was just speaking about the effect of monopoly. One of the most unfair effects of such monopoly, as it developed, and one that was responsible in large part for the antitrust laws, was the use of monopoly power to move in with tremendous financial and selling power into a community, to undersell the small business interest, to drive them out of business and then to boost the price back to make up for the loss. That practice was one of the motivating features of the antitrust laws.

Now, that practice is abused either by the temporary abuse of large power in the manner in which I have suggested, or else it is abused and another factor just as harmful to the community comes in, which is underlying this entire law, and that is the fundamental cost of all industrial production or labor costs, and as soon as you exploit labor in an industry, with long hours of work and low wages, you have unfair competition developed. You have unfair competition advantage, and I don't believe anyone will dispute that, over the man who wants to pay decent wages and wants to work human beings as human beings and not as dumb animals.

Senator COUZENS. The reason for the relation of the two sections seems to me paramount; take for example, the cement business; if we didn't have section 1 in there, one cement factory might bid for this cement work on a wage of \$4 a day, another \$2, and another \$1 a day.

Mr. RICHBERG. Precisely. If you are going to spend this large amount of money on a public-works program there should be some

protection even in these expenditures. Senator, most unfair bidding, is by low wages.

Senator CLARK. Doesn't title 2 contain protective provisions to that effect?

Mr. RICHBERG. It contains protective provisions along that line.

Senator CLARK. Therefore that doesn't show any necessity for title 1, if title 2 does contain it.

Senator COUZENS. Oh, yes, because they can go further back than the contract made with the Government. In other words, the contract may go back to the mines or some other subdivision of the industry which would not be affected by the contract itself, and therefore there would be no control.

Mr. RICHBERG. That is precisely one of the questions which arose in the drafting of the public-works program. My primary interest in this matter grows from an interest in the public-works program and in the work upon that program, with many others at different times, I have participated in efforts to try to protect the labor conditions and wages and hours beyond the expenditure of a vast amount of money in public enterprise. It is possible, as in this bill, to protect against the direct expenditures, where they are directly under control, and to require hours and wages of reasonable character, but as Senator Couzens has pointed out, you go immediately back into the secondary group where materials are purchased by contractors, where you are reaching the secondary labor group, and it was found, as a matter of practical operation, impossible to go back beyond your direct appropriations and control the labor conditions in those secondary enterprises.

Senator GORE. Before you leave the wage program, one or two of the Western States had minimum wage laws for women.

Mr. RICHBERG. Yes, sir.

Senator GORE. And the point was reached in the depression where the employers were not willing or able to pay those minimum wages, and they laid the women off and employed men. I assume that is taken care of to some extent in this by making a minimum wage law apply to both sexes, and all labor?

Mr. RICHBERG. There is no discrimination in this law.

Senator GORE. Might there not come a point where employers could not afford to pay the minimum wage and close up the shop entirely?

Mr. RICHBERG. That is an argument, which, of course, has been advanced. I mean that states the results of present conditions with a very much over-stocked labor market. As a matter of fact, even well-intentioned employers have faced the necessity of cutting down to a starvation wage or else going out of business, and it is thought that if we establish fair standards of wages and working conditions throughout your industrial situation, you will get at least a maximum of employment which is possible upon a decent basis, and as a matter of fact, if you are increasing the purchasing power of one industrial group, you are making it possible to increase the purchasing power of another industrial group. Unless they go together, we can't accomplish anything.

Senator GORE. No employer can pay a laborer more wages than the value which the laborer contributes to the product.

Mr. RICHBERG. And that value will depend upon the purchasing power of the public for that product.

Senator COUZENS. Has labor any objections to the licensing provisions?

Mr. RICHBERG. I have heard none. You mean as to these licensing provisions?

Senator COUZENS. The Senator from Oklahoma raised the question why the laborer should not get a license and have it subject to revocation, as industry does. If you represent labor, I would like to ask if you have any objection to that provision for labor?

Mr. RICHBERG. In the first place, may I explain that I am not here representing any group, and I am not here in representative capacity and did not work on this bill in a representative capacity.

Senator COUZENS. We know your sentiments, though.

Mr. RICHBERG. Yes, and I am willing to state them, but I don't want to bind anyone else by what I say. I was simply asked to assist in the preparation of this bill, and I have asked to be here, not on the part of any labor group, or in any representative capacity. Let it also be understood that I do not represent the administration. I will not bind anybody by my statements. As to the licensing of labor organizations, I think an entirely different question is involved there. That leads into an entirely different field. I am in entire sympathy with the suggestion that was made as to controlling racketeering in labor organizations. There is nothing more harmful to the well-being of labor as well as management as racketeering activities in labor organizations. But as to them being a part of this bill, I venture to point out that the thought and purpose behind this is to enable the management of an industry to put his house in order and to preserve to the management of industry its own form of operation. That was the point I was coming to that I wanted to emphasize, because of the discussion as to the constitutional phases of this bill. It is perfectly clear this bill can be administered in a way to make it grossly unconstitutional. That doesn't mean the bill is unconstitutional. It means that the administration of the bill may or may not proceed along constitutional lines.

Senator COUZENS. Before you get into a constitutional argument, I would like to go further into this practical side. Assuming that a manufacturer adopted the code, or a group adopted the code.

Mr. RICHBERG. Yes, sir.

Senator COUZENS. And they had collective bargaining, and after they had agreed upon a code the labor organizations decided to strike, saying that the code was not fair, and they decided to strike. There would be no position the Government could take to prevent that, as I understand.

Mr. RICHBERG. I am unable to see how any such law could be passed even, under the Thirteenth Amendment.

Senator COUZENS. I am not speaking of the law to compel men to work, but I am trying to find out whether labor would be obligated to the contract it had made to carry out the provisions of the code.

Mr. RICHBERG. I see no reason why the labor organizations should not be obligated just as completely as the organizations of management to carry out the code, and I see no reason why the labor organizations should not be held to responsibility, and I think on the whole labor organizations have maintained their contracts.

Senator COUZENS. I am not disputing that, but we are getting into an unusual field here, and if a code is to be set up it seems to me that it should be as much of an obligation upon the labor side as it is upon the other side to maintain the code.

Mr. RICHBERG. I think that is quite true.

Senator COUZENS. Would you have any objection to something going in the bill to provide that?

Mr. RICHBERG. That is rather a blanket suggestion, Senator Couzens, because I would have objection, frankly, from a personal standpoint. I think it would be very unwise and unenforceable to endeavor to put a certain type of enforcement in the bill. If there is any method of protecting the labor contract in the same manner as you may protect the industrial contract, I am for it.

I do not want to leave that statement in the record that is there, because I want to make it perfectly clear that when labor is required to live up to a contract to get work, the mutuality on the other side requires that there be a contract to give work; and I want to say that when management is entering into a contract to get labor, it should give a contract to employ labor.

Senator LA FOLLETTE. May I direct your attention to section (b) on page 4? Why would not labor be included in lines 12 to 14?

Mr. RICHBERG. Because the code, as a matter of fact, Senator, would not be made as a code affecting labor participation. It would be a management's code concerning operations of management in the industry, as I understand it.

Senator LA FOLLETTE. I understood that these groups are required to be truly representative.

Mr. RICHBERG. That is true.

Senator LA FOLLETTE. Does not that contemplate that labor is to be represented?

Mr. RICHBERG. The contemplation of this particular section is, I think—although it is not so stated—that the code of an industry is ordinarily, as far as its practices are concerned with the management of operations, to be representative of management. But in that code there is a requirement that the employees shall have the right of organization and collective bargaining, which means that the employees would have in such an industry the right to bargain with the management as to the terms or conditions affecting labor.

Senator LA FOLLETTE. I am very much interested in that point, because I have given some consideration to the establishment of some kind of planning, and do I understand you to say that in requiring that these groups that are to be formulated are to be representative—that you do not contemplate that labor is to participate in or to have representation in those groups in formulating the code?

Mr. RICHBERG. I would say that insofar as the code only dealt with management problems, as to marketing or production, it would not necessarily follow that there would be labor representation in there.

Senator LA FOLLETTE. I understand if you have some particular phase of a code, but if you are drawing up a code, let us say to establish practices which shall be considered fair or unfair in the steel industry, do you not envision that labor would be represented in drawing up those codes, insofar as they relate to working practices, either fair or unfair in relation to employment?

Mr. RICHBERG. I have this vision of it, and that is that either labor will participate in the drawing up of such codes, or that labor will participate in the consideration as to whether such codes are fair, and perhaps management will regard it as desirable to have labor participate at the first stage rather than the second.

Senator LA FOLLETTE. Certainly it is within our power to require that under this bill, is it not?

Mr. RICHBERG. It is within the power of the Senate to require such representation as to make this code representative of the industry.

Senator LA FOLLETTE. And is it not possible that in formulating these codes, insofar as they relate to practices or otherwise, in employment, that labor would not be represented in drawing up those agreements?

Mr. RICHBERG. I say it would be either a choice of labor participation in the original preparation or labor participation in the consideration of the codes. Unfortunately there is such an attitude toward labor in many industries that perhaps the easiest practical method is to work out a labor correction code, which is a code of what is unfair rather than original labor participation. In some instances they do those things.

Senator CONNALLY. A sort of veto power.

Mr. RICHBERG. No; not a veto power. May I make an illustration of the so-called "railroad bill" which is now before Congress, in which labor organizations there fought for participation in the planning. It was objected to on the part of management, but an amendment has been considered by the committee concerning those plans to give representation to labor up to a part of the planning. That is not a veto power, but it is a consideration.

Senator BARKLEY. You were asked a while ago if you objected to the licensing feature of this bill being made applicable to labor organizations. As I understand it, wherever a license is required, nobody who does not obtain a license can transact business, and if it applies to labor organizations, and if the labor organization does not have a license, the men belonging to that organization could not work. The effect would be a Presidential labor strike.

Senator GORE. Would you apply the same rule to organizations of employees as employers with respect to licensing or the revocation of a license for violation of the code?

Mr. RICHBERG. I would not as long as labor has a voice in management of the industry.

Senator GORE. You said a while ago you thought industries would have to guarantee labor to labor.

Mr. RICHBERG. In other words, the contract would have to be mutual if they were going to be successful.

Senator GORE. Then the giving of work would have tied in some sort of requirement of management to give employment to labor at a minimum wage.

Mr. RICHBERG. I cannot follow that for the minimum wage. The minimum wage is a limited correction on certain concerns. It simply sets a bottom wage below which it is parasitic to employ labor.

Senator GORE. Suppose the industry cannot pay the wage and sell in competition with others.

Mr. RICHBERG. The answer is the man who employs has got to take cost into account and food for his stomach and a home to live in.

Senator CONNALLY. You do not refer to reforestation, do you?

Senator GORE. I accept as well as you do the doctrine of high wages, but take for instance in this town where the carpenters are demanding \$11 a day, during this depression, and a few weeks ago the Secretary of Labor O.K'd. that as the prevailing wage. When you assert that wages can be too low do you not necessarily mean that they can be too high?

Mr. RICHBERG. I admit that they can be too high, just as railroad rates can be too high. You can put them so high you cannot get the traffic.

Senator GORE. Ought there to be equal power vested somewhere so that if labor should, by chance, demand wages higher than they are entitled to, that their license should be revoked?

Mr. RICHBERG. I think you are getting into a very difficult field, at least.

Senator GORE. Ought not this thing to be reciprocal?

Mr. RICHBERG. When it becomes reciprocal I think you will have no difficulty in working it out. It is not reciprocal now, and as long as management insists on arbitrary power of management, labor must insist on bargaining.

Senator GORE. All right.

Senator CONNALLY. They entered into a bargain here and you revoke the license of the employer if it does not stand hitched. What do you do with the employees if they do not stand hitched?

Mr. RICHBERG. I do not know of many cases of violation of a contract by labor organizations.

Senator COUZENS. Let us illustrate—

Mr. RICHBERG. I know it is common for industry to cancel their contracts.

Senator GORE. Are not there as many strikes as lockouts?

Mr. RICHBERG. That is something I cannot answer.

Senator BARKLEY. That would lead into a controversy as to whether the strike was brought about by the conduct of the management of the industry.

Senator GORE. It looks to me like it is headed toward regimentation.

Mr. RICHBERG. May I say that it is very important to get this idea clearly, whatever it is heading toward. It is perfectly clear under this bill the powers could not be and would not be exercised to carry out a vast program of regimentation of industry. In the first place it would be a physical impossibility, a mechanical impossibility to organize even within two years the industry of this country, under our forms of government and our limitations and rights of property and so forth—in any such way that industry as a whole would be regimented.

Senator GORE. This bill virtually destroys the right of private property, does it not?

Mr. RICHBERG. I would say that this bill is an act to preserve the rights of private property and to preserve it from its present destruction.

Senator GORE. When we do this, does it destroy the right of private property? Now, as to the railroads, that is a different circumstance, for they have certain rights of eminent domain. It is quite different from making ax handles.

Mr. RICHBERG. Well, the right of private property is simply a collection of rights protected by the Government. Primarily you have

a right of control without having the thing taken over, and secondarily you have a right of control of use. But to say you take my property because you have the right to control its use, is a conclusion but is not a fact.

Senator GORE. Unless you continue to take the rights away one by one until you have nothing left. However, we are coming to this. I think this is as revolutionary as anything that happened in this country in 1776, or in France in 1889, or in Italy under Mussolini or in Russia under Stalin.

Mr. RICHBERG. You have not destroyed the right of private property under this.

Senator CONNALLY. A moment ago you were saying that this bill could be administered in a way so as to make it unconstitutional, were you not?

Mr. RICHBERG. Yes, sir.

Senator CONNALLY. You meant by that that this bill apparently grants powers which, if exercised, would be beyond the Constitution?

Mr. RICHBERG. No; I mean the powers here could be exercised arbitrarily and be constitutionally valid or invalid depending on the reasonableness or unreasonableness of the exercise of the powers.

Senator CONNALLY. Let us see if this bill specifically grants the powers which when exercised—I do not care how they are exercised, but if they are exercised under the grant of this bill and being so exercised would be unconstitutional, why is not the bill unconstitutional?

Mr. RICHBERG. Because the bill does not have to be interpreted so as to authorize such powers.

Senator CONNALLY. It does not? You say this bill gives powers which if exercised in a certain way would be unconstitutional.

Mr. RICHBERG. There is no power that I know of that is given which could not be exercised in an unconstitutional manner.

Senator CONNALLY. If one does that he goes beyond the powers that are given him.

Mr. RICHBERG. That is it.

Senator CONNALLY. That is not this bill at all. Any officer who is given power to make an arrest, if he arrests a man the way the law authorizes it, is not guilty of violating the Constitution, but if he goes out and arrests a man when he has no right to arrest him—does it illegally, he is not acting under authority of law. He is acting under his own arbitrary will.

Mr. RICHBERG. Yes, sir.

Senator CONNALLY. What I am trying to do is to distinguish between that and your statement.

Mr. RICHBERG. I feel under this bill, with the powers conferred, one step to another, those powers can be exercised in a constitutional manner and accomplish the results sought, but at the same time I say any power can be exercised in an unconstitutional and arbitrary manner for the purpose, apparently, of accomplishing the result, but which would amount to setting it aside.

Senator CONNALLY. Well, we are just leaving this whole thing to the man who is to be the manager.

Mr. RICHBERG. The Interstate Commerce Commission and every commission you have established has faced this problem. You have

set down a broad standard and the law says it is constitutional. The words written in the Interstate Commerce Commission Act, "just and reasonable"—what does that mean?

Senator CONNALLY. That is administrative.

Senator BARKLEY. Any officer acting under this or any other act may perform an unconstitutional act under color of the authority he uses as a basis of his act, may he not?

Mr. RICHBERG. Yes; but it is primarily the character of the act. It has to carry only constitutional powers.

Senator CONNALLY. Your argument a while ago about unconstitutional powers here is nothing more than a platitude on this or any legislation.

Mr. RICHBERG. I am sorry it is taken as a platitude.

Senator CONNALLY. Do you think this is a high and good measure and will help us out?

Mr. RICHBERG. I think it will.

Senator CONNALLY. Why do you limit it to two years?

Mr. RICHBERG. For the reason I stated. I think one of the most beneficial features of this is its experimental character. Either it will work or not work, one or the other. Of course it could be repealed at the next session of Congress, or it could be extended and within the two years at least the Congress of the United States will have an opportunity to see whether this sort of machinery can work, and if it does not, what corrections should be made in it.

May I say a word about the development of this particular bill, because there were a multitude of counsellors in the preliminary stages.

Senator CONNALLY. Did each one get his ideas in?

Mr. RICHBERG. And as near as I could say, after two or three years of labor of this magnitude of counsel, there was so much confusion that it looked as though it was going to be impossible to get anything in this emergency which was gravely necessary.

Senator GORE. Do you mind taking into your confidence the Members of the Senate here? I suppose when you drafted this bill you contemplated they would ultimately approve it. Can you tell who participated in those conferences?

Mr. RICHBERG. As to the number of persons who participated in those conferences I have not that. I would say they were as the sands of the sea.

Senator GORE. How many Senators and Congressmen were in that group?

Mr. RICHBERG. I would say within the last 2 years a large part of the Members of both Houses have been brought into the conferences of which I speak.

Senator COUZENS. I would like to ask one practical business question. I am not a lawyer and I cannot enter into the discussion of the constitutionality of these problems, but as a practical question, the bill provides for collective bargaining?

Mr. RICHBERG. Yes, sir.

Senator COUZENS. And assume that the workers bargain with the cement industry and, based on the conclusion of this agreement, which the industry agrees to, the cement industry took a lot of contracts for public work, and after it has been running on for 2 or 3 months, as the case might be, those workers who entered into

collective bargaining decided they wanted more wages. What procedure would be taken under the act?

Mr. RICHBERG. It would depend possibly on the method by which they organized their collective bargaining. If they followed such procedure as we have in the railroad industry, they would apply for a change of contract and there would be conferences and consultation over it, and it might be that the Government would aid in bringing the parties to an understanding.

Senator COUZENS. Might not that be too late? If a manufacturer of cement makes a contract to sell a million barrels of cement and he bases his contract on an agreement he has made with labor, and he furnishes 200,000 or 300,000 barrels, and he has 700,000 or 800,000 more barrels to deliver, and going on, based on the collective bargaining, what happens if labor changes its mind and wants more pay?

Mr. RICHBERG. They do not get it. They have not the capacity to put their hands into the till; but on the other hand, management usually has the capacity to reduce their pay.

Senator COUZENS. Well, management could not reduce the pay under the act, because management would have its license canceled. You want to have him tied up so that he will have to do what he agreed to do. Now, what about labor? If it wants to change its contract, what can happen if it insists on changing the contract?

Mr. RICHBERG. In the first place you have gone beyond my thought of licensing, but I would like to include in the licensing the thought of protecting the wage earner and working conditions; then you could provide the reciprocity between the management guaranteeing to furnish the work and the workers agreeing to work. I suppose there is no objection to that at all.

Senator COUZENS. I want to confine this to a million barrel contract, in which the manufacturer agrees to employ 1,000 men to produce this million barrels of cement, and he goes on and produces a quarter of it, and in the midst of his contract—it is not a question whether he has got any more labor or not—but labor says they want more pay. What is his recourse?

Mr. RICHBERG. Do you mean they threaten to strike?

Senator COUZENS. Oh, no; they may go to the management and say, "We want a dollar a day more and if we do not get it we are going to strike". What then? I mean these are practical questions.

Mr. RICHBERG. They are practical in one sense and in another sense it is a question whether they are, because as a matter of fact that is not a difficulty that has arisen in labor relations. You may not expect to find broken contracts with responsible labor organizations.

Senator COUZENS. You are going back to labor organizations. I am talking about this collective bargaining agreement mentioned in the act.

Mr. RICHBERG. Which must be by labor organizations.

Senator COUZENS. Oh, no. It may be a plant organization or an organization in some plant in the country where they produce cement. They may have a get-together of 1,000 men who do not belong to any brotherhood such as the machinists, or anything of that kind. They make a collective agreement with the management of this plant to produce a thousand barrels of cement. It is true they had negotiators, but they do not belong to any union. In the midst of the execu-

tion of that contract, what happens if labor says they will not work any more?

Mr. RICHBERG. It seems to me you have stated a wholly one-sided contract and asked my opinion on it. I do not see that the manufacturer in your statement has guaranteed the workers anything. He has not guaranteed them any work and has not given them any assurance. He just says, "If you work for me I will pay you so much money."

Senator COUZENS. You get off the track again. I am still sticking to the statement that a man has a contract for a million barrels of cement and he gives them work for that.

Mr. RICHBERG. He may promise them work for a day at \$4 a day.

Senator COUZENS. He may promise them work every day at \$4 a day until he produces this million barrels. That is a substantial agreement. In the middle of that work, labor says "We want an increase." What is the recourse?

Mr. RICHBERG. I do not think you can have any recourse if you do not have dealings between responsible organizations. The minute I suggested responsible organizations you suggested you just had a plant organization.

Senator COUZENS. You cannot organize these men all over the country, cement laborers, in one group, and common labor. Today you have no national organization of common labor. You have no national organization of cement workers, and there are scores and scores of activities where there are no organized labor representatives. I am talking about the realities.

Mr. RICHBERG. What is there that will embarrass the manufacturer under the kind of circumstances you mentioned, where we have millions of men out of work and the employees come to him and say "We want higher wages"? I do not see what embarrasses the management.

Senator COUZENS. I know it is not, but what if a situation arose within the next two years where there was a limited territory and a limited amount of labor.

Mr. RICHBERG. I hope such condition will arise within the next 2 years, but I do not see how it will.

Senator COUZENS. Well, it may arise in one small community. Maybe I am rather theoretical.

Mr. RICHBERG. I think you are rather theoretical.

Senator LA FOLLETTE. Do you regard the program as outlined under the title II there as adequate?

Mr. RICHBERG. Personally, I would prefer a much larger amount. That is my personal opinion.

Senator LA FOLLETTE. How much?

Mr. RICHBERG. I would have said all the money which could be expended for projects which would be of public service, that would be really of benefit to the public service. That is a definite limitation, because it takes up so much time to determine projects, to have them blueprinted, to get men to work.

Senator CLARK. Is it your idea it ought to be without any limitation as to amount?

Mr. RICHBERG. I would have been glad to see it without limitation or twice this amount if it were thought the money could be expended beneficially. What made the limitation, as I understand, was the

question of raising the servicing charge so as to have enough money by new taxation to meet interest on bonds and sinking fund and in order to meet that, it was the recommendation of the Treasurer that there should be this tax of approximately \$200,000,000 or \$220,000,000 and on that basis this \$3,300,000,000 fitted in as the appropriate figure on the other side.

Senator LA FOLLETTE. Do you believe the program should be large enough and carried on far enough to bring about economic repercussions?

Mr. RICHBERG. I believe a maximum program with maximum speed is what we need, the largest amount of contracts we can put into effect in the shortest possible time. I do not think that would be money wasted.

Senator BARKLEY. It is obvious that lawyers sometimes pick out technical things in a bill that may not work out in practice, but I notice under this bill the President is authorized "after due notice to require any business enterprise"—that is the language of the act—engaged in interstate commerce or engaged in any business affecting interstate commerce, to be licensed. That is not limited to interstate commerce. It would include wholesale grocers, or any business.

Mr. RICHBERG. That is, anything that is distributed.

Senator BARKLEY. And it would require license on the part of the wholesale groceryman if he sold a little goods across a State line. Is it necessary to go that far? If business ever revives and men are given work, wholesale and retail businesses will be revived automatically, and I wonder if we should go far enough to say that nobody could engage in wholesale or retail business over a State line if they sold anything over the State line, unless they take out a license. That may be an extreme interpretation, but it is in the act.

Mr. RICHBERG. Certainly the licensing clause is a clause that could not be used effectively if it had to be used frequently. It would be a powerful weapon if it could be used effectively instantly, but as far as affecting all industry, it is impossible. If industry is such that you cannot get fair trade and business practices established by voluntary organization and therefore you have to coerce fair trade and business practices through a licensing power, I would say even legislation as drastic as this would not be effective.

Senator BARKLEY. There is a very fundamental difference in industrial plants engaged in producing something in this emergency situation and merely a house of distribution where there is a sale.

Mr. RICHBERG. That is true, but I think this is also true, that some of the worst abuses and exploitations of labor comes within the group of distribution. If there are any worse underpaid groups than in the retail distribution I am unaware where they are, except possibly in the worst parts of the textile industry. If you are going to have a code, the purpose of which is to improve the hours and wages of labor, it certainly would be more than unfair to leave out of the operations of that code a vast, at the present time submerged, group of labor.

I wish to emphasize that when this matter was up previously, if there is any effectiveness in this type of legislation, it is to come primarily from the voluntary action of industry itself. Unless you can get from management in the country a large percentage of those operators to come voluntarily forward and attempt to enforce these

agreements, the legislation will be a failure. Therefore, while we may talk about these drastic powers, it is only for the coercion of a recalcitrant minority that they are intended. The curious thing about the suggestion to put drastic powers in this bill is that it came right from business men themselves rather than other particular groups.

The CHAIRMAN. We thank you, Mr. Richberg. We may call you again.

The committee will stand adjourned.

(Thereupon, at 12 o'clock noon, the committee adjourned subject to the call of the chairman.)

NATIONAL INDUSTRIAL RECOVERY

FRIDAY, MAY 26, 1933

THE UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to call, at 10 a.m., in room 312 Senate Office Building, Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), George, Connally, Gore, Clark, McAdoo, Reed, LaFollette, Metcalf, and Walcott.

The Committee had under consideration S. 1712.

The CHAIRMAN. There has been a request for hearings on this bill with reference to the oil situation, and I know it is a question of some importance and this committee is going to have limited, and not extensive, hearing. It is hoped that the industry that is interested in this oil proposition can get together on someone that will represent them, and that that someone will be as brief as possible.

Senator GORE. I think Congressman Marland is here and prepared to present it, and I am sure he can do it as well as anybody else, if the people agree on him.

The CHAIRMAN. Senator Capper is here, and we will hear him first.

STATEMENT OF HON. ARTHUR CAPPER, UNITED STATES SENATOR FROM KANSAS

Senator CAPPER. I am sponsor of the bill now before the committee, in which we are seeking to have added to the general industries bill, if the committee after hearing our statement of the desperate situation that exists in the Southwest oil fields more particularly, feels disposed to do so. I cannot go too strong in emphasizing the need for action by this Congress looking to the relief of conditions that exist down there. There is a bill before your committee which covers the program pretty thoroughly. It has been carefully thought out by those who are responsible for determining the policies of the industry, and Congressman Marland has introduced that bill in the House. I introduced it here. It was drafted really in the Office of the Secretary of the Interior, who in the last few weeks has been giving the subject most serious study, and he has a grasp of the situation and can make a statement here that will be of very great interest. But first, I think if you could have a word from Congressman Marland, who is one of the leaders in the industry in the Southwest, he can tell you in just a few moments what we are seeking here to do. Then, I suggest you follow that with a statement from the Secretary of the Interior who is here prepared to tell you about this.

The CHAIRMAN. Is it satisfactory to the Secretary of the Interior that Congressman Marland present the matter first, to be followed by the Secretary?

Secretary ICKES. Quite so.

**STATEMENT OF HON. DENNIS W. MARLAND, REPRESENTATIVE
IN CONGRESS FROM THE STATE OF OKLAHOMA**

Mr. MARLAND. Mr. Chairman and gentlemen of the committee, Senator Capper will offer as a supplement to the general bill, title 4, to supplement State regulation of petroleum. I would like to read into your records, Mr. Chairman, copy of a letter addressed by the President of the United States to the Vice President and the Speaker of the House of Representatives regarding this matter.

Senator CONNALLY. Mr. Chairman, may I suggest to the Congressman that we have all read that, and that he just put it in the record.

The CHAIRMAN. Yes.

(The letter is as follows:)

THE WHITE HOUSE,
Washington, D.C., May 20, 1933.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D.C.

MY DEAR MR. SPEAKER: As Congress is doubtless aware, a serious condition confronts the oil-producing industry.

Because oil taken from the ground is a natural resource which, once used, cannot be replaced, it is of interest to the Nation that its production should be under reasonable control for the best interests of the present and future generations.

My administration for many weeks has been in conference with the governors of the oil-producing States and with the component parts of the industry but it seems difficult, if not impossible, to bring order out of chaos only by State action. In fact, this is recognized by most of the governors concerned.

There is a wide-spread demand for Federal legislation. May I request that this subject be given immediate attention by the appropriate committee or committees?

The Secretary of the Interior stands ready to present any information or data desired.

May I suggest further, that in order to save time of the special session it might be possible to incorporate action relating to the oil industry with whatever action the Congress desires to take in regard to the other industries. In other words, that consideration could be given at the same time that action is taken on the bills already introduced and pending in committee.

Very truly yours,

FRANKLIN D. ROOSEVELT.

Mr. MARLAND. The purpose of this title 4 is to aid the preservation of the petroleum resources of the United States. There are 300,000 small wells in the United States today which are being forced out of production and closed down because of the low prices for oil existing in the United States and because of the uncontrolled production of flush wells in several of our oil-producing States, notably Oklahoma, California, and Texas.

The market demand for crude petroleum in the United States today is approximately 2,500,000 barrels daily. The State of Texas alone can produce that amount and more. California might be able to produce that amount, if its wells were wide open. Oklahoma, in one field, can produce 2,500,000 barrels daily.

Senator CONNALLY. Two million five hundred thousand barrels daily?

Mr. MARLAND. Yes.

Senator CONNALLY. That is crude?

Mr. MARLAND. Either one of those three States can produce the entire market demand, 2,500,000 barrels, if they were permitted to do so. If they were, it would mean the destruction of the oil wells in the other States. If any State was permitted to flow its wells

wide open, it would mean the destruction of the small wells in the other States, because you cannot shut down the small pumping wells for any length of time without putting them permanently out of production. The ultimate yield of all the wells in the United States today now in production, about 350,000 wells, over a period of 15 or 20 years is estimated at approximately 12 billion barrels.

Senator McADOO. Twelve billion did you say, Mr. Marland?

Mr. MARLAND. Twelve billion barrels. The wells that are now flowing in the United States have an estimated future potential production, ultimate production, during their life, of 4,000,000,000 barrels. The wells that are pumping, about 300,000 pumping wells, have an estimated future production of 8,000,000,000 barrels. The flow wells, if not controlled, can and will destroy the natural resources of the oil wells, this natural resource of 8,000,000,000 barrels. Most of the oil-producing States have passed fair well-considered legislation to control their oil resources, but these State conservation laws must be supplemented by Federal enactment if they are to serve their purpose. The people of the United States are vitally interested in this subject. The continuation of uncontrolled production of oil will mean the production of practically two thirds of the known petroleum resources of the United States in a very short time, and will mean, cosequently, eventually extremely high prices for petroleum products.

The people of our producing States are vitally concerned because of the great loss of income to those States. Thousands of oil producers and hundreds of thousands of oil-field workers are concerned because the producing industry is rapidly going into bankruptcy. I have been in the oil business for nearly 40 years. I have been an independent producer of oil nearly all that time. I know personally most of the people engaged in the production branch of the industry, and I can say without fear of contradiction that 90 percent of the men engaged in the producing branch of the industry are in favor of Federal control of production.

Senator CONNALLY. Do you speak for all the States or just for Oklahoma in that connection?

Mr. MARLAND. I am taking them all.

Senator CONNALLY. Do you feel you are qualified to speak authoritatively for 90 percent of the people engaged in the oil industry?

Mr. MARLAND. Not authoritatively, no.

Senator CONNALLY. If you know that, you are authorized to say it, but how do you know it?

Mr. MARLAND. I have personal acquaintance with the producers of oil in every field in the United States.

Senator CONNALLY. Do you know 90 percent of them?

Mr. MARLAND. I know 90 percent in point of volume of production, not in numbers, of course.

Senator CONNALLY. I am not questioning the statement, but I just wanted to see what grounds you had for making it.

Mr. MARLAND. I believe I know the producers of 90 percent of the oil in the United States.

Senator CONNALLY. I don't think that general statements of that kind, even from a Member of Congress, are very helpful to us, because it is such a general statement to say that 90 percent of the people feel, on any subject, a certain way. It is so lacking in founda-

tion that I don't agree with it. I don't think anybody is qualified to speak for a large percentage of anybody unless they have personal contact and know.

Mr. MARLAND. I appreciate the correction.

Senator CONNALLY. That is not a personal criticism of you, but I do think in a statement made before a committee we ought to be rather guarded.

Mr. MARLAND. I believe I am acquainted with the heads of the corporations and individuals producing 90 percent of the oil in the United States.

Senator CONNALLY. All right. If only a few great corporations are going to control the situation, perhaps you are right; but you said the men engaged in the field, the laborers and everybody else engaged in the oil industry, as I understand you a while ago, were interested in this. If you are going to cover it by volume, you can take only 4 or 5 of the big companies, and you would have 90 percent probably of the oil industry.

Mr. MARLAND. No; I think that is not correct. All the big companies, known as the major companies, do not produce more than 30 or 40 percent of all the oil.

The CHAIRMAN. All right, Mr. Marland.

Mr. MARLAND. I feel that the petroleum industry needs Federal control.

The CHAIRMAN. May I ask you, Congressman, the power, as I understand it, in this bill is pretty broad under title I. You contend, however, that it ought to be broadened and that the committee ought to adopt an amendment to broaden those powers if you are going to get real results. Is that right?

Mr. MARLAND. I do. I feel the oil industry is not sufficiently taken care of under your general industries bill. Secretary Ickes, and some of the other gentlemen who follow me, can probably go into that better than I can.

Senator CLARK. Is there any more reason for having Federal control of the oil industry than the coal industry or the copper industry, or any other industry, involved in the output of a natural resource?

Mr. MARLAND. I don't imagine there is, sir.

Senator McADOO. Are we going to have something on copper, too?

Mr. MARLAND. I can't say.

The CHAIRMAN. We will hear from the Secretary of the Interior, Mr. Ickes.

STATEMENT OF HON. HAROLD L. ICKES, SECRETARY OF THE INTERIOR

Secretary ICKES. Mr. Chairman, and gentlemen of the committee, it is my opinion that Federal legislation giving the Executive wide powers to deal with the oil industry is essential to the preservation of that industry and to the economic recovery of the country.

Unless the railroads are classified as an industry, the oil business ranks second to that of farming among the industries of the country. Oil is necessary to us in times of peace and essential to us in times of war. So dependent have we become upon oil and its refined products that we cannot conceive of a civilization without oil. And yet this industry, so vital not only to our prosperity but to our happiness,

lacks that reasonable control which is necessary for its own welfare and the well-being of the country.

On March 27, as the result of invitations extended by me, at the instance of the President, there met in the Interior Building representatives of the governors of the principal oil-producing States. There met also, concurrently, representatives of the industry itself, both the majors and the independents. After a series of conferences a finding was submitted by a committee of 15 representing these different interests. There was also submitted a report to the Secretary of the Interior by a group known as the Independent Petroleum Association Opposed to Monopoly.

The report of the committee of fifteen made several recommendations that it did not seem then the Federal Government could wisely undertake. The important portion of this program called for action by the oil-producing States provided the States could and would act. Accordingly, the President, on April 3, transmitted to the governors of the oil-producing States the finding of the committee of fifteen with the recommendation that the States take whatever action seemed necessary and appropriate. At the same time, the President indorsed the suggestion contained in the report of the committee of fifteen, as well as in that of the Independent Petroleum Association Opposed to Monopoly, that Federal legislation be enacted prohibiting the transportation in interstate and foreign commerce of any oil or the products thereof produced or manufactured in any State in violation of the laws thereof. The President also approved in principle certain other recommendations.

Senator McADOO. May I interrupt you there?

Secretary ICKES. Yes, Senator.

Senator McADOO. Do you treat of the recommendation the President approved in the latter part of that statement about the divorcement of the pipe lines from the major companies?

Secretary ICKES. I will answer that question. I do not treat that here, because it was the conclusion of the administration that that matter cannot definitely be handled at this session of the Congress, that it was a deferred matter. The Attorney General, when consulted, and after looking up the state of the law on the subject, reported that it could not well be handled, it needed further study and investigation. Therefore it is not suggested as something that would be appropriate for consideration by Congress at this time. The administration is not prepared to make any offering on that.

Senator McADOO. Can you supply us with a copy of the Attorney General's opinion on that?

Secretary ICKES. It was an oral opinion, given to the Cabinet.

The CHAIRMAN. Mr. Secretary, are the recommendations approved by the administration embodied in the so-called "Capper bill" that is referred here to this committee?

Secretary ICKES. I didn't get that question.

The CHAIRMAN. Are the recommendations with reference to this subject-matter, as approved by the administration, embodied in this so-called "Capper bill" that is before us, which was offered as an amendment and referred to this committee. It went first to the Interstate Commerce Committee.

Secretary ICKES. This bill, the so-called "Capper bill", the final draft was prepared by the Solicitor of the Interior Department. It is not

offered here as an amendment introduced by the President. There will be offered, as I understand it, concurrently a shorter amendment which, properly speaking, probably represents today the views of the administration.

Senator CONNALLY. Who will offer that?

Secretary ICKES. I think that Senator Capper has a copy of it.

Senator CAPPER. We have it here, and at the proper time I will introduce it.

Senator CONNALLY. Mr. Secretary, let me ask you there, if it will not interrupt you: You do not contend that the President has introduced or now sponsors the so-called "Marland bill"?

Secretary ICKES. My position is that the President wants wide powers of regulation of the oil industry. It is not my purpose to discuss, and I shall not discuss, the merits of any amendment offered here.

Senator GORE. The Capper bill and the Marland bill are more or less the same, the enactment clause and the repealing clause?

Secretary ICKES. The same bill.

Senator GORE. This shorter bill, can you state in a sentence the difference between it and the other?

Secretary ICKES. I would rather leave the discussion of the amendment to the Solicitor of the Department. I would like to make this general statement, if I may——

Senator CONNALLY. Mr. Secretary, I understood you to say a while ago that you did not contend that the President had approved this Marland bill. Am I right?

Secretary ICKES. That is what I say.

Senator CONNALLY. That is all I wanted to make clear, you are not urging this as a measure which has been approved by the President?

Secretary ICKES. If the Senator has listened and will listen to my statement, I am not proposing any particular legislation. I am trying to sustain the proposition that legislation is necessary, and I am leaving it to the wisdom of the Senate and the House to draft whatever legislation, in their judgment, meets the situation.

At the time of the oil conference in March, it was the well-considered opinion of the overwhelming majority of oil producers and of the governments of the oil-producing States, that immediate measures were necessary to correct the abuses in the industry. Roughly speaking, these abuses consisted of an overproduction of oil, a lack of proper regulation of imports of oil, the running of hot oil, and widespread evasion of the State and Federal taxes on oil and its products. Complaint was also made, and vigorously supported, of an abuse of power by the pipe lines, as expressed in discrimination as between producers, and in onerous charges for running oil.

Two months have elapsed since the adjournment of the oil conference and nothing has been done to correct the abuses complained of. As a matter of fact, the industry has gone from bad to worse. I am informed that oil has sold as low as 4 cents a barrel in Texas, and while there has been a substantial recovery from these ruinous prices, the posted price is still so low as to preclude any hope of anything except a heavy loss to the producer. My latest information is that oil has been selling in Oklahoma and Kansas at 25 cents a barrel,

and it is probably fair to say that in every oil field in the country, it is selling substantially below the cost of production.

Senator McADOO. I dislike to interrupt you, but on that point would you be kind enough to tell the committee who establishes this price of oil in the different fields, who imposes the price?

Secretary ICKES. I suppose the people that buy the oil.

Senator McADOO. Who are they, the major companies who own the pipe lines?

Secretary ICKES. But that doesn't make the price any higher.

Senator McADOO. I mean those who control it, whether high or low, are the major companies which own the pipe lines. Is that not true?

Secretary ICKES. Yes, exactly, and it is proposed to control that situation.

Senator McADOO. To control the pipe lines?

Secretary ICKES. Exactly.

Senator McADOO. There is nothing in this bill with respect to pipe lines, I understand?

Secretary ICKES. I think there is some language in there. As I said, Senator, I prefer to leave the discussion of the legal points to the Solicitor.

Senator McADOO. It is not a legal point. I just wanted to get the point whether that was comprehended in the bill.

Secretary ICKES. Yes, sir.

The result is that fear of an utter collapse of this essential industry is abroad in the oil fields. The several States have frankly confessed their inability to deal with such a situation. Gentlemen's agreements have proved abortive. State commissions have clashed with courts, courts have enjoined the orders of State commissions, legislatures have adopted resolutions on both sides of the question, and Governors of States, throwing up their hands in despair, have urged the Federal Government to step in and to restore order.

I have been flooded with telegrams, letters, petitions, long-distance telephone calls, and personal representations since the date of the oil conference. The overwhelming mass of the representations made to me has been in favor of strict Federal control in the interest of the industry. A handful have demanded that the Government permit the industry to rule or ruin itself. In the name of conservation they have insisted upon an unlimited flow from every well that could be made to pierce an oil pool.

It was suggested at the March conference that the industry would be able to work itself out if production could be limited to 2,000,000 barrels a day. This was the overwhelming majority opinion. The same group of operators who want no control by the Federal Government have insisted from the start that the consumptive demands of the United States are considerably in excess of 2,000,000 barrels a day.

Whether or not 2,000,000 barrels of oil a day then or now would reasonably satisfy the consumptive demands of the country, it is notorious that the production of crude oil since the date of the conference has grown by leaps and bounds, until for the week ending May 18, according to the Oil and Gas Journal, the total production in the United States was 2,984,184 barrels, an increase over the preceding week of 81,645 barrels a day. Nor is this the whole story. This total does not include imports. Least of all does it include hot

oil, which is oil produced in excess of the amount allowed by law and which is bootlegged into the market. It is impossible to state definitely what the daily production of hot oil is; estimates of such production vary widely.

Senator McADOO. Can you tell us the crude that is imported into the country now?

Secretary ICKES. I don't know the amount, but I am excluding this from the daily total.

Senator McADOO. It is very important, isn't it?

Secretary ICKES. Yes; I think it is.

Senator McADOO. I wonder if somebody could supply that information?

Senator GORE. I think Mr. Russell Brown can.

Secretary ICKES. I am told it is around 100,000 barrels a day.

On the basis of the official production for May 18, it is fair to assume that hot oil was being produced at the rate of 500,000 barrels a day, which would make a total production, exclusive of imports, of 3,484,184 barrels.

If oil were not so essential to the very life and well-being of our country, if it were not an irreplaceable natural resource, we might with complacency sit by and watch the producers kill themselves off if they lacked the enterprise or the will to take hold of their own situation and remedy it. But the Federal Government has a paramount interest in this industry. In my opinion, we cannot permit men, even if they do invoke the sanctity of private property, to waste, yes even to permit the flow into the gutter of what may in time prove to be the very life-blood of the Nation.

It is my deliberate opinion that the Federal Government, if it has any powers at all that may be invoked, cannot permit this situation longer to continue. It is imperiling all our plans for an early and orderly economic recovery. We cannot be prosperous if the second largest industry we have, representing, as it does, a capital investment of \$14,000,000,000 is allowed to run amuck. The danger is that unless legislation is enacted by this Congress the situation may get beyond control with disastrous results not only to the oil business but to the country.

The governors of the principal oil-producing States, in recognition of the critical situation, have been petitioning the Government to take action. Both the President and the Secretary of the Interior have received several telegrams from Governor Ferguson of Texas. In her last one, dated May 25, she says:

Replying to your letter of May 22 beg to advise that bill (H.R. 5695) by Marland meets with my approval and I think its early passage is demanded to stop the illegal and overproduction of oil in Texas and perhaps elsewhere. We have a deplorable condition in Texas and from reliable information it appears that the production of oil in violation of our proration laws exceeds the amount permitted by our proration laws. In my opinion prompt action by the Federal Government is the only effective remedy for this condition which is resulting in waste of our most valuable natural resource and at the same time an inexcusable loss in taxes to the State and the royalty owners.

Assuring you of my willingness to cooperate with you to the fullest extent to bring about needed relief, I am,

Respectfully yours,

MIRIAM A. FERGUSON,
Governor of Texas.

On May 13, Governor Laffoon, of Kentucky, wired to the President as follows:

Because of excessive and uncontrolled production of crude oil from flush wells in Texas resulting in unprecedented low prices of crude oil with which the thousands of small wells in Kentucky cannot compete our local oil industry is demoralized and threatened with complete prostration. I earnestly request that you give the support of your administration to the measure recently prepared by a committee representing the Governors of Kansas, Oklahoma, and Pennsylvania, whereby the Secretary of the Interior is given dictatorial powers over the oil industry. The oil men of Kentucky believe that this particular measure is preferable to any other that has been proposed and understand it has the full support of the Secretary of the Interior.

RUBY LAFFOON,
Governor of Kentucky.

On May 12, Governor Landon, of Kansas, wired as follows to the President:

In re oil industry it appears that at least one major company (and it is expected that some others will do likewise) with large amount of empty storage is planning to largely increase its purchases. This will increase outlet and production allowable of that company's own production and also allowable of any other integrated company on the production in any pool or pools that might be affected. It will also force all independent producers to sell their increased allowable in order to protect their leases from drainage thus giving such larger companies with their own pipe lines and empty storage a supply of oil at prices much lower than cost of production. This oil will then go into storage and later when conditions are stabilized it will be withdrawn from storage and purchases of currently produced crude will be correspondingly reduced. In other words, their future requirements will be anticipated on the present ruinous price basis. Time therefore becomes the essence because if this condition is permitted to continue each day that passes will see just that much more of the below cost oil go into this empty storage. The small independent producer is helpless. He needs money even if it means a conversion of his capital at a loss and he has no storage of his own and in any event must protect his leases from drainage by producing his allowable amount. Therefore express the hope that not only for the general pressing reasons which are familiar to you but for this added special one which has just developed proper legislation be expedited and I proffer any aid or assistance I may be able to render.

ALF. M. LANDON.

Governor Landon has specifically endorsed in principle the bill introduced in the House of Representatives by Mr. Marland and in the Senate by Mr. Capper. By long-distance telephone and by personal interview, this bill has the specific endorsement of Governor Pinchot of Pennsylvania. In a letter of April 7 to the President, Governor Pinchot wrote:

I desire to raise the question whether the President might not well take such action in the oil emergency as he deems necessary in the limitation of daily production to present requirements; in the limitation of the amount drawn from storage, based on last year's withdrawals; and in the limitation of imports (possibly the fixing of prices for the different grades of oil), and in forming a board with governmental authority to carry out this plan.

Recently, in a personal interview with the Secretary of the Interior Governor Pinchot specifically endorsed the Marland-Capper bill. A recent letter received from Governor Rolph confesses inability on the part of the State government of California properly to regulate the oil industry in that State. I may say in passing that until recently the demand from California for strict Federal regulation of the oil industry has been limited. The sentiment seems to be changing in that State. Today I received a number of telegrams from California expressing the desire on the part of the signers who describe

themselves as independents, for Federal control. Governor Murray of Oklahoma, both personally and through his representatives, has endorsed in principle the suggested regulation.

Here, then, is the situation: An unregulated industry lacking self-control and not susceptible to State restraint, is in a position to do irreparable damage to our economic situation, now happily, with respect to most other industries, on its way to full recovery. If the oil industry should collapse it would mean a strain on banks, the closing of wells, the shutting up of refineries and the throwing out of employment of many thousands of men now at work. I need not say to the representatives of such States as Oklahoma, Texas, Kansas, and California, how much the prosperity and well-being of their States depend upon order in the oil industry. But a folding up of this industry would have its repercussions in every part of the United States.

Communications received from the Governors quoted are in line with hundreds of similar representations made by oil producers, lessors, lessees, refiners, bankers, and just ordinary citizens in the oil-producing States.

It has been urged by some that the benefits running to users of gasoline justify the low price paid for crude oil. If this is a valid argument it would be advantageous to the country if the farmer should get 10 cents a bushel for his wheat and the cotton grower 2 cents a pound for his cotton because then bread and textiles would be cheaper to the consumer. The Railroad Commission of Texas seems to be especially impressed with the validity of the argument that a below-cost price of crude oil is justified because that means a lower price for gasoline. This position is admirably met in an editorial in the Fort Worth Star Telegram of recent issue, which says in part:

At present the State is producing about 1,500,000 barrels of crude and getting an average of 20 cents a barrel for it—or approximately \$300,000 a day. It can be plainly seen that regulation of production to a reasonable figure and enforcement by the commission in charge of proration would force the average price to \$1 a barrel, and bring an average of \$800,000 a day into the State from this source. This would be a clear gain of \$500,000 a day, or \$15,000,000 a month, in money brought into the State, and at the same time the State would retain in the ground 700,000 barrels a day to be sold in the future for a good price.

Now, on the purchasing side, the people of Texas buy about 68,000,000 gallons of gasoline monthly—a very small proportion of the gasoline supplied by Texas crude. Now the difference in the gasoline price with crude at 1 cent a barrel and at \$1 a barrel is just 4 cents. The difference in cost at the present crude price and at \$1 a barrel is 3 cents. Three cents added to the price of gasoline consumed in Texas would amount to about \$2,000,000 additional cost per month to Texas consumers. Subtract this \$2,000,000 additional cost to Texas consumers from the \$15,000,000 gain to Texas producers, and we have a balance of \$13,000,000 per month, representing the net advantage to Texas of \$1 crude over 20-cent crude. Or, to put it another way, for every extra dollar required for gasoline purchases in Texas, an additional \$7.50 would be turned into the business channels of the State to give additional purchasing power to the great number of citizens who derive their livelihood from the oil industry and to open employment for many now without jobs.

It is my opinion that the Wagner bill, providing for industrial control, in its present form does not give the power necessary adequately to regulate the oil industry. The Solicitor of the Interior Department, Mr. Nathan R. Margold, who has devoted a great deal of time and study to this question, is in a better position than I am to discuss

the legal points involved, and if you care to call upon him he will be glad to discuss these legal points with you.

While I am on my feet, Mr. Chairman, I would like to read into the record the following opinion from Judge Biggs, Acting Attorney General, also, if I may, I would like to introduce in the record the following documents: A letter to the President from the Governor of Pennsylvania, a certified copy of a concurrent resolution memorializing Congress to provide relief for the oil industry adopted by the legislature of the State of Oklahoma, a telegram from Governor Ferguson of Texas, another telegram from the Governor of Texas, copy of a telegram from the Governor of Texas addressed to the President, another telegram from the Governor of Texas, a telegram from the Governor of Kentucky, quoted in my remarks, editorial from the Fort Worth Star Telegram—

Senator CONNALLY. Right there, would it interrupt you if I asked in connection with these governors, if you had anything from the Governor of Oklahoma?

Mr. ICKES. I have nothing in writing. I thought I had, but on search of my file yesterday, late in the afternoon—I did not know until then I was to be called here—that search failed to disclose it. I will make further search and send it down if I find it.

Senator McADOO. May I ask if these telegrams are sent in response to telegrams sent from your Department?

Mr. ICKES. No, sir.

Senator McADOO. They are just sent in to you?

Mr. ICKES. One telegram from the Governor of Texas, one of the late ones, the one quoted, was sent after she had read a copy of the bill in question, but there were several preceding telegrams from her urging Federal legislation. There is also a letter from the Governor of California to the President, copy of a letter from the Governor of Texas to the President, a communication signed jointly by the Governors of Oklahoma and Kansas, and others.

In addition to that, if I may, I would like to introduce in the record telegrams and letters received protesting against Federal control. There are in this file communications from seven States. I wish also to offer for the record—

Senator CONNALLY. Mr. Secretary, may I ask a question right there on these protests against it? Do they include resolutions by the Texas State Senate and Texas House of Representatives?

Mr. ICKES. Those resolutions ought to be in here.

Senator CONNALLY. I have them and will furnish them for the record, but I was inquiring if they were in there.

Mr. ICKES. I might say that both the houses of the Texas Legislature have adopted resolutions against Federal control, and copies of these resolutions, if they are not included here, should be included.

Senator CONNALLY. Have you copies of them?

Mr. ICKES. I have copies in my file, but if you will furnish a copy—

Senator CONNALLY. If you have a copy, I would prefer you furnish it.

Mr. ICKES. I will inquire when I get back. If they are not included, I will send them down.

Senator CLARK. I don't think it is necessary to clutter up the record by printing all these telegrams.

The CHAIRMAN. It is the opinion of the chair, unless the committee should decide otherwise, that these communications from the governors and from the legislatures ought to go into the hearing, but that these many telegrams should be filed with the committee for the consideration of the committee, but that the record should not be filled with them. The committee thanks you for leaving these communications with it.

Mr. ICKES. It was far from my intention to dictate that they go into the record. I was just offering them for whatever use you wished to make of them.

My final offer consists of telegrams and letters in favor of Federal control, representing opinion from 18 States.

(The papers offered for the record by the Secretary are as follows:)

COMMONWEALTH OF PENNSYLVANIA,
GOVERNOR'S OFFICE,
Harrisburg, April 7, 1933.

The PRESIDENT,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: Many thanks for your letter of April 1. I have given it careful consideration and now desire to express my strong approval of those parts of the report of the committee of fifteen which you approve, including in particular paragraphs A-3 and A-4 of the communication of March 29 addressed to the Secretary of the Interior by a committee representing the governors of the oil-producing States, the independent oil and gas associations, and the major oil and gas-producing and importing companies.

In addition, I desire to raise the question whether the President might not well take such action in the oil emergency as he deems necessary in the limitation of daily production to present requirements; in the limitation of the amount drawn from storage, based on last year's withdrawals; and in the limitation of imports (possibly the fixing of prices for the different grades of oil), and in forming a board with governmental authority to carry out this plan.

I am informed that there are important bodies of opinion among oil men in Pennsylvania in support of the foregoing suggestions.

As with oil, so with coal. I am vigorously of opinion that strong executive measures are absolutely necessary before either industry can hope for a return to prosperous times.

Sincerely yours,

GIFFORD PINCHOT.

DEPARTMENT OF STATE,
Oklahoma City, April 28, 1933.

His Excellency Hon. FRANKLIN D. ROOSEVELT,
President, United States of America, Washington, D.C.

SIR: In accordance with the provisions of Senate Concurrent Resolution 22, passed by the Fourteenth Legislature of the State of Oklahoma, memorializing Congress to provide relief for the oil industry, the farmers, the unemployed, business and the people generally by providing an adequate tariff or tax on oil that will place the domestic oil industry on a competitive basis with imported oil, as shown by the reports of the Tariff Commission, I have the pleasure to enclose herein a copy of said resolution for your use as provided in the same.

Yours very truly,

UNA LEE ROBERTS,
Assistant Secretary of State.

STATE OF OKLAHOMA,
Department of State.

To all to whom these presents shall come, greeting:

I, R. A. Sneed, secretary of state of the State of Oklahoma, do hereby certify that the following and hereto attached is a true copy of enrolled Senate Concurrent Resolution No. 22:

A concurrent resolution memorializing Congress to provide relief for the oil industry, the farmers, the unemployed, business, and the people generally by providing an adequate tariff on tax on oil that will place the domestic oil industry

on a competitive basis with imported oil as shown by the reports of the Tariff Commission, the original of which is now on file and a matter of record in this office.

In testimony whereof, I hereto set my hand and cause to be applied the Great Seal of State.

Done at the city of Oklahoma City, this 28th day of April, A.D. 1933.

R. A. SNEED, *Secretary of State.*

[Enrolled]

SENATE CONCURRENT RESOLUTION NO. 22, MEMORIALIZING CONGRESS TO PROVIDE RELIEF FOR THE OIL INDUSTRY, THE FARMERS, THE UNEMPLOYED, BUSINESS, AND THE PEOPLE GENERALLY BY PROVIDING AN ADEQUATE TARIFF OR TAX ON OIL THAT WILL PLACE THE DOMESTIC OIL INDUSTRY ON A COMPETITIVE BASIS WITH IMPORTED OIL AS SHOWN BY THE REPORTS OF THE TARIFF COMMISSION

Whereas business generally, not only in Oklahoma and the Southwest, but throughout all the oil-producing States affecting over 22,000,000 people, has been directly depressed by the long distressed condition of the oil industry and which depressed condition has now become very serious; and

Whereas excessive importations of foreign oils continue to flow into our country, constantly increasing in volume until the flood has reached alarming proportions; and

Whereas in the year 1932, in Oklahoma alone, the total production of crude oil was over \$215,000,000 less than for the year 1929, which tremendous loss would have been saved had there been a tax or a tariff of \$1.03 per barrel on crude oil, thereby placing domestic oil on a competitive basis with importations as shown by the latest report of the Tariff Commission; and

Whereas the rentals and annual royalty income, mostly paid to farmers, have been reduced millions of dollars yearly which increasing loss continues to add to their already unbearable burdens; and

Whereas the schools of Oklahoma have suffered severely in the loss of nearly \$6,000,000 in gross production tax in the single year of 1932 compared with the gross production tax received in 1929; and

Whereas not only have the farmers and the schools sustained severe losses, but also banking, transportation, manufacturing, industry, utility, and every type and character of business have been adversely affected by the distressed condition of the oil industry and by the great loss in purchasing power due to the taking of our domestic markets by the importations of cheap foreign oil; and

Whereas the general unemployment situation has been very greatly aggravated by the thousands of oil-field workers, geologists, land men, lease men, scouts, and office employees, forced out of employment, and by the thousands now unemployed but formerly employed by business dependent on the oil industry, the third largest industry in the Nation: Now, therefore, be it

Resolved by the Senate of the State of Oklahoma (the house of representatives concurring therein), That the Congress of the United States be, and it is hereby, memorialized to give relief to the distressed oil industry, and thereby to the Nation generally, by immediately levying an adequate tax or tariff upon imported petroleum and its refined products that will enable our domestic oil industry to meet importations of foreign oil and its refined products on a competitive basis as shown by the report of the Tariff Commission; be it further

Resolved, That copies of this resolution be sent to the presiding officers of the legislative bodies of the other oil-producing States with the request that they transmit similar memorials to Congress; and that a copy of this resolution be transmitted to the President of the United States, and to the President of the Senate, and to the Speaker of the House of Representatives of the Congress of the United States, and to each of the United States Senators and Congressmen representing the State of Oklahoma.

Passed the senate the 18th day of April 1933.

Passed the house of representatives the 22d day of April, 1933.

JOHN A. MAC DONALD,
Acting President of the Senate.
TOM ANGLIN,

Speaker of the House of Representatives.

Correctly enrolled.

CLAUDE LIGGETT,
Chairman Committee on Engrossing and Enrolling.

AUSTIN, TEX., May 25, 1933.

HON. HAROLD L. ICKES,
Secretary of the Interior:

Replying to your letter of May 22, beg to advise that bill H.R. 5695 by Marland meets with my approval, and I think its early passage is demanded to stop the illegal and overproduction of oil in Texas and perhaps elsewhere. We have a deplorable condition in Texas, and from reliable information it appears that the production of oil in violation of our proration laws exceeds the amount permitted by our proration laws. In my opinion, prompt action by the Federal Government is the only effective remedy of this condition which is resulting in waste of our most valuable natural resource and at the same time an inexcusable loss in taxes to the State and the royalty owners. Assuring you of my willingness to cooperate with you to the fullest extent to bring about needed relief I am respectfully yours,

MIRIAM A. FERGUSON, *Governor of Texas.*

FRANKFORT, KY., May 13, 1933.

HON. FRANKLIN D. ROOSEVELT,
Washington, D.C.:

Because of excessive and uncontrolled production of crude oil from flush wells in Texas resulting in unprecedented low prices of crude oil with which the thousands of small wells in Kentucky cannot compete, our local oil industry is demoralized and threatened with complete prostration. I earnestly request that you give the support of your administration to the measure recently prepared by a committee representing the Governors of Kansas, Oklahoma, and Pennsylvania whereby the Secretary of the Interior is given dictatorial powers over the oil industry. The oilmen of Kentucky believe that this particular measure is preferable to any other that has been proposed, and understand it has the full support of the Secretary of the Interior.

RUBY LAFFOON, *Governor of Kentucky.*

GOVERNOR'S CHAMBERS,
 Sacramento, Calif., April 11, 1933.

THE PRESIDENT OF THE UNITED STATES,
 Washington, D.C.

DEAR MR. PRESIDENT: I have the great honor to acknowledge receipt and to thank you for your letter of April 1, and the oil committee recommendations which accompanied it. They were promptly sent to both houses of our legislature now in session, and a copy of my letter of transmittal is attached hereto.

My delayed acknowledgement is due to the fact that before writing you, I desired to confer with the various factions of the oil industry in California, in the hope that inspired by national recommendation of the need for action, and by your desire to stabilize the industry, the differences which have heretofore existed in California might happily be compromised. I deeply regret that I cannot assure you of my success.

The dissenters are made up of a small group representing not more than 5 percent of the production in the State. They have persistently refused to subscribe to the plan of voluntary curtailment in this State, which with their cooperation would now be adequate to meet the situation here without statutory enactment. The minority report recently filed in Washington is their statement.

Two years ago our legislature passed, and I signed, a bill introduced by Senator William Sharkey, designed to control the production of crude oil. This control was lodged in a board to be elected by the oil producers. A small group of producers were dissatisfied with the bill and opposed its passage, stating that they would resist any regulatory legislation. The referendum was invoked, and a public campaign followed in which the charge was made that the ratification of this measure by the people would result in monopolistic control of the oil industry by the major companies, and in 30-cent gasoline, which would be a higher price than that paid during the war period.

I have never thought the opponents of the Sharkey bill really believed either of these statements to be correct, but those unable to acquaint themselves with the facts undoubtedly accepted the statements as true, and the bill was defeated 4 to 1.

Please be assured of my sincere desire to collaborate with you in a national plan of oil proration, and it is my earnest hope that the California Legislature will seriously consider the recommendations of the national committee now before it. With personal regards to you,

Respectfully and sincerely yours,

JAMES ROLPH, Jr.,
Governor of California.

STATE OF CALIFORNIA, GOVERNOR'S OFFICE,
Sacramento, April 7, 1933.

To the President and Members of the Senate of the State of California and the Speaker and Members of the Assembly of the State of California:

I received today a letter from the President of the United States, which I transmit to you without delay. It concerns the national policy of oil conservation and California's part in it. The President's letter is accompanied by copies, transmitted herewith, of the unanimous report of three committees which met last week in Washington, comprising: (1) Representatives of the Governors of oil-producing States, (2) independent producers, and (3) major companies, supplemented by a resolution adopted at the conference of the governors, of 16 States who were represented at the meeting, and also by a report signed by the Independent Petroleum Association Opposed to Monopoly.

The President directs particular attention to the first two recommendations of the combined committees representing State executives and the oil industry—namely, the temporary closing of all flush production and the immediate adoption of a conservation statute by States which have no law adequate to meet the existing emergency.

Two years ago our State legislature passed, and I signed, a restrictive bill which was intended to anticipate in this State the situation which is now recognized as one of national importance on account of conditions here and in other oil-producing States. The measure was defeated on referendum. This may have been due to the fact that our proposed statute gave in substantial part the enforcement of oil restriction to representatives of the industry itself. In acting upon the President's message, and the recommendations which accompanied it, you may wish to consider the advisability of giving to some such constitutional body as our Railroad Commission the power to limit and prorate production.

The present recognition by the executives of all the oil-producing States, by the industry at large, and by the President and his Secretary of the Interior, of the need for immediate action will, I think, commend itself to you and justify in no small measure the course proposed in this State two years ago.

If there were any doubt about the timeliness of the action taken then, it is now removed. Recognition will readily be given to critical conditions and to the need for exercising every effort not only to insure the success of the national plan but also to preserve one of the great industries of the State.

I leave to you the detail of the plan and the policy which you will adopt to meet our present need and the President's request, with every confidence that prompt and constructive action will be your response.

Respectfully,

JAMES ROLPH, Jr.,
Governor of California.

MEMORANDUM AS TO SENATE BILL 1712, KNOWN AS THE WAGNER BILL, AND HOUSE BILL 5720, INTRODUCED BY MR. MARLAND, KNOWN AS THE OIL BILL

OFFICE OF THE ATTORNEY GENERAL,
Washington, D.C., May 25, 1933.

The SECRETARY OF THE INTERIOR.

DEAR MR. SECRETARY: I have examined the above two bills now pending in Congress, and I am of the opinion that the provisions of the Wagner bill do not have the effect of conferring upon the President the powers which are proposed to be conferred upon him in the oil bill.

Respectfully,

J. CRAWFORD BIGGS,
Acting Attorney General.

OKLAHOMA CITY, OKLA., May 3, 1933.

The PRESIDENT,
The White House:

The undersigned Governors of the States of Oklahoma and Kansas make reference to your letter of March 28 addressed to us. We have just met in conference the subject matter of that conference being your letter and the present demoralized condition of the petroleum industry. We have reached the following conclusions and make the following suggestions.

First. We are of the opinion that aid must be forthcoming from the Federal Government, this to take the form of an appropriate act of Congress which has as its basic object the balancing of the supply and demand and the fair apportionment of such demand as may exist for crude oil among not only the various producing States but also among the various pools therein. We have before us copies of a proposed law which has been presented to the Secretary of Interior and which press dispatches state he has transmitted to you for examination without discussing either legal or a number of detail features of that proposed law. We state that we generally are in accord with its apparent objectives. We emphasize the fact that our States have particularly suffered because of the lack of control over allocations of purchases which in turn among other reasons result from a failure to properly limit imports.

We believe that fair and proper legislation should further provide in substance for a limitation of imports to an amount not exceeding the average daily imports for the last 6 months of the calendar year 1932, which was the unanimous recommendations of the committee of 15 composed of representatives of governors, major companies, and independents at the Washington conference on March 27 last. The Governor of Kansas has appointed as his representatives:

E. B. Shawver, president Producers and Land Owners Association of Kansas.

Carl Weiner, president Stripper Oil Well Association.

Ralph J. Fryor, chairman State Oil Advisory Committee.

The Governor of Oklahoma has appointed as his representatives: Cicero I. Murray, Wirt Franklin, W. N. Davis.

We have given authority and instructions for those appointed to go to Washington as our representatives to solicit from the National Administration and Congress such aid and cooperation so necessary to accomplish these specific purposes mentioned above and generally do what they can with aid of your Excellency and Congress to restore prosperity to this great basic industry.

WM. H. MURRAY, *Governor of Oklahoma.*
ALFRED M. LANDON, *Governor of Kansas.*

EXECUTIVE DEPARTMENT,
Austin, Tex., May 5, 1933.

HON. FRANKLIN D. ROOSEVELT,
President, Washington, D.C.

MY DEAR MR. ROOSEVELT: I today wired you as follows:

"The oil industry in Texas is still in a very confused and desperate condition. The illegal production of oil perhaps approximates the legal production of oil. Known violators of our proration laws appear to have the confidence of our Railroad Commission which under its powers is permitting an overproduction of oil amounting to 400,000 barrels daily. Lack of power of the State to control interstate shipments and the importation of foreign oil coupled with the failure of our Railroad Commission to control the situation makes it doubtful whether the oil situation in Texas and Oklahoma and other oil-producing States can be successfully controlled by State jurisdiction.

Our situation in Texas grows worse every day and the people, especially in east Texas, are becoming desperate, and while there has not yet been any serious outbreak there is so much intemperate expression and ill-feeling in the minds of the people that we will not be surprised if a serious situation might develop any day. In view of this perilous condition, and the ruinous and ridiculous prices now being paid the producers which are destroying the industry, I have decided to say to you that in my opinion the public service will be best conserved by the prompt passage of laws that will give to you authority to take charge of the oil industry as emergency legislation to continue for at least two years or until the present deplorable situation is relieved. I do not have in mind any particular verbiage, but I suggest the passage of legislation in the form and substance of the Capper bill or Ikes bill as mentioned in the dispatches. I had hoped that con-

ditions might have improved to where the action here suggested might be unnecessary, but the failure of the legislature to give the executive department any power to act in the premises and the apparent indisposition of our Railroad Commission to act with any dispatch makes it my duty to call the matter to your attention in the hope that your good offices might be enlisted in the rendering of an imperative service. You are at liberty to give this communication to the press and a letter of even date will follow giving further facts," which I beg now to confirm. It appears that our petroleum industry in Texas as well as in other States is in a very chaotic condition. I had hoped that the situation might be composed and that respect for our proration laws would long before now have had the effect to bring about an orderly production of oil. It appears, though, that such is not to be the case under present conditions and arrangements.

The problem confronting us in Texas is that there is a silent war going on between those who want to produce oil illegally and those who want to comply with the law. Unfortunately, the violators of our proration laws have had too much encouragement from those in authority. The violators have construed their recognition as a license, as it were, to produce and they have produced many million barrels of oil in violation of law and without paying royalty to the owners of the lease or taxes to the Government. Recently the Railroad Commission issued an order which permitted the production of nearly double the amount of oil required, and this soon resulted into an abnormal surplus which has almost destroyed the value of oil, and it is now selling legally and illegally in enormous quantity at 10 cents a barrel.

For some reason, best known to themselves, our Railroad Commission seem determined to authorize this ruinous production and if such a policy is continued it will perpetuate further destruction of a valuable natural resource, and it will so intensify the feelings of the people as to incite them to exasperation which soon will result in a disregard for all law and violent conflicts will undoubtedly result.

It is my opinion that if something is not done quickly the entire industry in the United States will be destroyed and profitable operations of oil wells will be impossible. As we have such an enormous area in Texas that is known to be underlaid with petroleum it can be readily seen how our excessive production will effect the price of the product. It is pressingly necessary for prompt enforcement of the proration laws in all parts of our State in order that we may escape the disastrous consequences of overproduction in the way of low prices.

As stated in my message, any State labors under considerable difficulty in dealing with oil shipped interstate and oil imported into the different States. These matters are peculiarly under the jurisdiction of the Federal Government, and the volume of business involved greatly overtaxes and expands the facilities of the State to cope with the situation. In addition, the magnitude of the undertaking is so great that the expense is quite burdensome to the State and it is difficult to provide the funds necessary to accomplish the necessary control of the industry.

It has been suggested that these matters might be fit subjects for compact agreement between the States. There is merit in the suggestion but I think the hopes of relief from compact agreements between the States would be remote, and certainly they would come after years of litigation in the courts. The situation is now so pressing that some agency must be upset with iron-hand authority to get results. It is in view of these facts that I have come to the conclusion, reluctantly, that the only solution is for the matter to be placed under your jurisdiction and authority until the emergency is passed. I indeed regret that request for such action on the part of our State is necessary, but it appears that there is no other course.

With best wishes for your health and success and with continued esteem, I am
Faithfully yours,

Governor of Texas.

Senator McADOO. In your statement you referred to a conference of governors in the Interior Department?

Mr. ICKES. I said representatives of the governors.

Senator McADOO. The governors did not attend, but sent representatives?

Mr. ICKES. My statement was representatives of the governors. There was one Governor, the Governor of Kansas.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Mr. ICKES. I thank you, sir.

The CHAIRMAN. Is the solicitor who prepared this amendment that you are going to suggest here?

Senator CAPPER. Mr. Chairman, the Secretary mentioned the fact that Mr. Margold, Solicitor of the Department of the Interior, had made a special study of this question from the standpoint of the legal questions involved. Would the committee like to hear from Mr. Margold? He is here and will be pleased to make a short statement.

The CHAIRMAN. Very well. The solicitor will be heard next.

STATEMENT OF NATHAN R. MARGOLD, SOLICITOR, DEPARTMENT OF THE INTERIOR

Mr. MARGOLD. Mr. Chairman, and gentlemen of the committee—

Senator McADOO. Is this just on the legal phase of the subject?

The CHAIRMAN. I understand the solicitor has prepared, at the instance of the Department, an amendment that is more brief in form than the Capper and Marland amendment, and that he is going to submit that and discuss it.

Mr. MARGOLD. What we have tried to do was to combine the Capper and the Marland bills with this, and in doing so to cut out every provision in the latter bill which was prepared specifically with reference to oil problems, which in our judgment was covered by the general industry's recovery bill. We simply strike lines through the old bill and retain the features relating to the conservation of oil. The general bill relates to unfair competition. The special problem in oil, which we do not believe was covered, and which needs to be covered, because it is a vital problem, is the problem of supplementing the efforts of the States to conserve their oil resources, and in doing so, we simply leave the provisions for enforcing or helping the enforcement of State proration laws, for allocating a fair proportion of the total consumptive demand to the States, and provide machinery to see that the individual States and the producers therein shall not exceed a fair, equitable proportion. That part of the bill we have left in. The other part, questions as to unfair competition, price fixing, and general matters, we have cut out because they are covered, in our opinion, sufficiently at least by the general bill.

Senator McADOO. You are referring to the so-called "recovery bill"?

Mr. MARGOLD. Yes; the industrial recovery bill. What we did was to try to cut out every provision which, whether by implication, if it is a proper implication, or expressly, was covered by the so-called "Wagner bill" or "industrial recovery bill."

Senator CAPPER. We planned to ask the committee to add this oil control legislation as another title, an additional title of the general industries recovery bill.

Senator McADOO. Mr. Margold has simply taken the essentials out of that bill that are not covered in the recovery bill and proposes those as an amendment to the recovery bill?

Mr. MARGOLD. Yes; as a separate title.

The CHAIRMAN. You may file that with the committee, and I would suggest that one of the Senators offer it as an amendment, so that it may be printed.

Mr. MARGOLD. I have a copy, which I have inserted in the general recovery bill—I have inserted in the general recovery bill this new title so that the entire bill can be printed with the new title in it.

Senator McADOO. Mr. Margold, you spoke of the allowables or the proration that is contemplated by these measures. Is it your view and the view of the Department that if, for instance, the State of California produces no more oil than she needs for her own purposes, and other States are producing more, that California shall be cut down so as to make a market for oil from other States?

Mr. MARGOLD. No. As we understood it, we are trying to regulate the interstate market. We do not try to regulate intrastate matters, except as they affect the interstate market, and one of the reasons that we think the special oil title is necessary is that if the Wagner bill were extended to the other it would give a great deal more power to regulate intrastate matters through the licensing system than is contemplated under the oil bill.

Senator McADOO. As a matter of fact, when you begin to regulate interstate commerce in these commodities, because they are affected with the public interest, don't you, as a matter of fact, reach out and regulate intrastate commerce in that particular commodity?

Mr. MARGOLD. You do only to the extent that the regulation is necessary to make effective and adequate your regulation of interstate shipments of those commodities.

Senator McADOO. That is a complete power over intrastate commerce. We had the same problem over railroad rates. When I became Director General of Railroads we were proceeding upon the theory, or had up to that time, that intrastate rates should be controlled by State commissions and interstate rates by the Interstate Commerce Commission, a wholly unworkable plan, because intrastate rates always affect the interstate rates, and the result was after the railroads were returned to the private owners Congress enacted a law which asserted the power to fix not only interstate rates but intrastate rates upon the theory that the intrastate rates affected the interstate rates.

Mr. MARGOLD. That is something in our national structure which cannot be helped in adhering to the decisions of the Supreme Court that the interstate power is paramount. But let me state this, and this is one of the things we try to do in this bill; we were trying to supplement, not to supplant, State regulation and State conservation laws, so that if a State and the State authorities, by its regulation of the wells and the producers in a State, impose upon them a fair allowable of the interstate market apportioned to that State, then under this bill there is no authority to intervene. The matter of apportionment in the State is left entirely to the States. It is only when they exceed and thereby infringe upon the rights of other States and their fair portion of the market that we have any right to intervene.

Senator McADOO. The point I am making is this; once you assert the power you are attempting to get here, inevitably, because it is inherent, you will be able to regulate intrastate commerce in oil?

Mr. MARGOLD. I would say under our bill we try by imposing restrictions not contained in the other, and that is one of the reasons why it is preferable to have a special oil provision as a title, rather than leave it to the general Wagner bill—we tried to limit and hedge it

around so that, as I say, as long as a State is keeping within its fair proportion of the market demand there is no authority under this bill for the Federal Government to come in.

Senator CLARK. But, after all, Mr. Margold, the question whether a State is staying within its fair allowable is a question for this dictator you are setting up?

Mr. MARGOLD. Yes; but there are provisions here as to allocation, and whether or not States are staying within it is easily ascertained. The important problem is in the allocation of the fair allowable as between States, and that I think is purely a Federal matter, because it concerns no one State. Not Texas, not California, not Oklahoma, but a group of States in their interstate relationship.

Senator McADOO. Then, the meat of the whole matter, Mr. Margold, is there. If California is producing an amount of oil only sufficient for her own consumptive power, under the power you now seek to confer upon this dictator, whoever he may be, that allowable may be fixed at a point where California's production, which is sufficient for her own needs, might be reduced 50 percent, and the oil from other States brought in to supply the deficiency.

Mr. MARGOLD. I would say that if that were done it would be neither fair nor equitable, and there is a provision here for judicial review.

Senator McADOO. I know, but the power is given to do it.

Mr. MARGOLD. The power is given subject to limits like any other, and the fact that it may be exceeded is no reason for not giving the power. There is machinery here to keep that power within equitable limits, and within equitable limits the power is necessary, because if we don't have that power California, by producing more than its fair share of the interstate—not the intrastate—there is nothing here with reference to the intrastate, but the interstate—market could thereby take away from other States their fair share of that. The matter of allocating the interstate market and assigning to each State its fair equitable proportion is, as we see it, a national matter, a matter for the Federal Government, because no State can do it. It has been attempted by sort of voluntary, purely informal agreements, through the Oil States Advisory Committee, but that has failed, and it is the very failure to do it which has produced the present situation and which led to the calling of the governors' conference about which the Secretary has testified.

Senator McADOO. Don't you think it is essential in the preparation of any plan here that the divorcement of the pipe line should be included? How can it be made effective unless you do have adequate power to control those pipe lines now owned by the major companies?

Mr. MARLAND. There is some power already in our bill.

Senator McADOO. Why not have it adequate?

Mr. MARGOLD. Because, to my mind, I personally have not, and nobody else has come forward, although I have requested it, with an adequate, effective, and workable plan for divorcement of these pipe lines.

Senator McADOO. Haven't we the right to depend on you if you are preparing this legislation to see that is put in here?

Mr. MARGOLD. We have to prepare legislation, and this legislation was prepared, within the limits of human ability, certainly my ability, and in the short time allowed for the preparation of this, and the

emergency is urgent, we did the best we could, and we did not get—and that is the reason we did not put it in—any workable plan for the effective divorcement of the pipe lines. I have invited those interested to submit an effective provision. There isn't any that we have that we can recommend at the moment. That does not mean it should not be done. If the Senator has a way to do it, all right. But we in the Department, working on this problem, working night and day, have not been able to complete it in the short time we have had.

Senator McADOO. It is not a question, I think, of the length of time here, because I think we have adequate time to find such a provision, which I regard as absolutely essential to any legislation. Why give these great monopolistic oil companies the control of this oil situation? Why not, while we are doing it, make the plan perfect as we can do it, by putting in a provision with regard to the regulation and control of these pipe lines which would deprive them of the opportunity they now possess of arbitrarily fixing the price of oil at any time? These great companies have the power of the confiscation of private property greater than the United States or any nation, and that is a power we want to curb, and if there is to be any allocation of oil in those States, or any regulation of oil—and I am not opposed to it if it is properly done—then I say these pipe lines have got to be controlled, and these major companies have to play square with the American people and the American producer.

Mr. MARGOLD. I don't know whether the Senator has read the bill, but the bill does contain a provision with reference to the pipe lines.

Senator CONNALLY. What provision?

Senator McADOO. From what I see the provisions were inadequate.

Mr. MARGOLD. And may I say the question of proration between the States, so that each, as a Federal matter, shall have its fair proportion of the market, is one wholly separate and apart from the question of pipe lines and the monopolistic practices. The two are not related. They are two separate problems. There is no reason why, if we have an adequate, effective means of dealing with one, we should not do it, merely because we have not as yet discovered any effective means of doing the other. These are the provisions we put in our bill temporarily until some workable scheme for accomplishing the divorcement itself has been presented.

Senator CONNALLY. Why didn't you put them in this bill? Why do you say are you putting it in temporarily until you can figure out some plan of divorcement?

Mr. MARGOLD. I was coming to that. Setting to one side the question of how this investment is being used, there is a tremendous investment in these pipe lines. We simply can't say to people, "Give it away," unless we have some scheme.

Senator CONNALLY. There isn't as much money invested in the pipe lines as there is in the whole industry. You are prepared to regulate the industry. Why aren't you prepared to regulate the pipe lines?

Mr. MARGOLD. We are trying to regulate it or to make it effective, but we would have no way of regulating the pipe lines so as to administer the control. Who is going to buy them?

Senator CONNALLY. You are against divorcing those pipe lines?

Mr. MARGOLD. No; I am not.

Senator CONNALLY. Why are you making an argument against it, then?

Mr. MARGOLD. I am saying I do not know how to do it at the moment. If anybody has a workable scheme, that is all right, but I have none. I am not against it. I am for it. May I read the provision of this bill? Page 8, subsection (i), line 17. These are the powers of the Oil Administrator under this bill:

(i) To investigate any monopolistic practices in the oil industry in the United States and to take steps to curb them under existing laws, to investigate the feasibility of divorcing the pipe lines and storage facilities from affiliated refinery or holding companies, and to devise a practicable means for attaining that end.

(j) To institute proceedings to divorce from any holding company any pipeline company which is controlled by such holding company in contravention of existing antitrust laws.

Senator CLARK. The other title of this proposed act proposes to repeal all the provisions against monopoly.

Mr. MARGOLD. May I read that provision (j):

(j) To institute proceedings to divorce from any holding company any pipeline company which is controlled by such holding company in contravention of existing antitrust laws.

Senator CLARK. And if you haven't any antitrust laws, that section doesn't mean anything either?

Mr. MARGOLD. Let me go on:

(k) To initiate or intervene in all cases concerning rates and regulations in reference to the transportation and storage of crude petroleum and its products by pipe lines and railroads, and upon his request, the Interstate Commerce Commission shall grant a preference to the hearing and determination of such cases.

That is the only provision for the moment which we can put in that has teeth in it, until some workable means is found for divorcing these holdings, for finding somebody who will be really independent who can take over this investment. You regulate the rates and the terms of transportation, and a preference is given in the hearing and determination of these cases so as to see to it that these abuses are curbed until the source of the abuse, namely, the affiliation and ownership, can in some practicable way be divorced. Now, if there is anybody who can devise a means for disposing of this vast property interest and do it in a way so that the same people who control the major oil companies and storage facilities will not control the pipe lines, we are in favor of it. The only thing we haven't got is the method of doing it, and pending the investigation and inquiry and the finding of some practicable method—not merely a rule of law which will not in practice effect the divorcement—for divorcement of actual control, rather than merely of ownership, we have this provision for the preference in regulation both as to rates and other things, so as to curb, so far as possible, the abuses about which the Senator from California so justly complains. If the Senate committee can help us in that we want the help, but we are not in a position to do it. We have done the best we could. We think that if emergency legislation like this will take care of the most pressing of the vital needs of the industry and the public over a crisis which otherwise may well be expected within a very short time, and enable us to work out the larger problem for the next session of Congress, then it should be adopted.

Senator McADOO. Mr. Margold, you are familiar with the fact that we divorced the railroads from the coal properties that they owned?

Mr. MARGOLD. Right.

Senator McADOO. And also from other enterprises, some years ago, and I don't see that there would be any greater difficulty in dealing with this question along the same lines. Let me just call your attention to the fact, I suppose you are familiar with it anyway, but overnight in California the major oil companies which control the pipe lines can mark oil down from \$1.25 per barrel—I take an arbitrary figure—to 50 cents a barrel. Overnight, and without any reason apparently for it at all, and they have marked it down recently to 35 cents a barrel purely arbitrarily. There was no economic justification for it whatever, just because they had the power to do it, and every independent and every farmer who has leased oil lands, and every royalty owner, all the citizens of that great section of the United States, the so-called "Los Angeles Basin", are just reduced in income by the arbitrary will of a few major companies to practically nothing. That is an abuse that has to be controlled, and if this bill is passed we ought to protect against the continuation of those aggressions on the part of big and powerful companies in my State. I suppose the same conditions prevail elsewhere.

Mr. MARGOLD. I should say in my judgment this bill, even as it is, will reach that situation. It will, however, not provide a permanent solution until the divorcement of interest occurs, and for that reason we put in a provision recognizing that this is merely a temporary expedient, and that a more permanent solution should be reached.

Senator McADOO. I would like to make another statement for the record. Speaking about this industry in California, if there is overproduction in California, it is due to the major companies which are always drilling. They are the offenders, not the little fellow. They overproduce oil and make the little fellow suffer for it.

Senator CAPPER. And there is the oil imported from Venezuela and foreign countries all the time, too.

Senator McADOO. I was just going to ask the question whether under your scheme you are going to require American States to prorate with Venezuela and Mexico.

Mr. MARGOLD. Yes; there is the specific provision to that effect. The only exception is that in order to protect American labor which is refining oil which is being imported and reexported, there is a provision for unlimited importation, under bond, subject to reexportation after manufacture and refining.

Senator McADOO. Why should that be done when we can manufacture our own oil and export it? That is one trouble we have got now. As it stands today we are in competition with the cheap oils that are produced in these South American and Central American countries. Every barrel of crude that is brought in here and refined and then exported deprives American producers and American labor of the benefit of that much trading. Why should we continue that?

Mr. MARGOLD. That is a matter of judgment.

Senator McADOO. It is a matter of justice, isn't it?

Mr. MARGOLD. It is a matter of judgment as to what is just and what is going to be for the best interests of American labor. As I understand it, there isn't a great opportunity for American-produced oil to compete with foreign-produced oil in foreign markets.

Senator McADOO. If you would make the price of Texas oil 10 cents a barrel, then they could compete with anything.

Mr. MARGOLD. You couldn't have the price of Texas oil 10 cents a barrel without destroying 300,000 stripper wells in this country forever.

Senator McADOO. I agree with you.

Mr. MARGOLD. And you can't have it for any long time in Texas without destroying the effectiveness of the Texas fields in the form of flush production, and then permanently ruining an important natural resource in the capacity of those wells.

Senator McADOO. My point is this: This bill ought to provide for an absolute embargo on foreign oil so long as the proration is going to be made between States.

Mr. MARGOLD. This bill which relates to the proration of the American market provides for an absolute limitation as of the maximum produced the last 6 months.

Senator McADOO. You mean of foreign oil?

Mr. MARGOLD. Of foreign oil and provides further that for any limitation which is deemed equitable as between the imports and the domestically produced.

Senator McADOO. The point I am getting at is this; here we have got overproduction in America, you say?

Mr. MARGOLD. Yes.

Senator McADOO. We concede that for the moment. Why so long as there is overproduction here should American production and producers, which involve labor and every form of the oil industry, be obliged to concede a part of what they are justly entitled to as producers under the flag of the United States, to some foreign country, where wells are operated by peon and cheap labor, and where the geographical and other conditions make it possible to produce oil cheaper than we can produce it here? Why should we be required to prorate with Venezuela and Mexico?

Senator REED. Will you apply that same doctrine to manufactured articles, Senator?

Senator McADOO. I think that is a different thing. We protect manufactured articles from the very thing I am contending our oil should be protected from.

Senator REED. And today they are being driven out of business by products from Japan.

Senator McADOO. I am opposed to that, Senator.

Mr. MARGOLD. I would like to read the provision which we have here, and then I would like to defer on this point to others more familiar with that part of the industry than I, that can make a more adequate statement based on personal knowledge which I do not have. That question will be taken care of by other witnesses who have expert knowledge of the subject, but the provision to which I have referred is found on page 5, line 14 and following, running over to page 6. I will read it:

(b) To establish regulations concerning the importation of crude petroleum and the products thereof; and no foreign crude petroleum or the products thereof shall be imported into the United States without a certificate from the Secretary of the Interior stating that said crude petroleum or the products thereof are imported in accordance with the regulations concerning market demand: *Provided*, That as long as the United States has the capacity to produce sufficient crude petroleum to supply the demand for consumption within the United States and

for export of petroleum from the United States, the Secretary of the Interior shall have authority, and he is hereby directed, to limit imports of crude petroleum and any of the products thereof to an amount not exceeding the average daily imports of such crude petroleum and the products thereof during the last 6 months of the calendar year 1932: *Provided further*, That the provisions of this paragraph shall not be held or applied to prohibit the importation of crude petroleum and the products thereof, under bond for purposes of exportation after processing, refining, or storage in this country.

(c) To allocate to the oil-producing States equitable proportions of the total market demand, determined as provided in this section, in order to preserve and protect the correlative rights of the oil-producing States and to assist them in the proper enforcement of their State conservation statutes.

(d) In the case of the failure of any State to accept, conform, or agree to restrict production, to the amount determined for that State by the Secretary of the Interior or in the event that there is no State authority to restrict or prorate production to the amount determined by the Secretary of the Interior, the Secretary may appoint an emergency committee to prorate equitably the production within that State to pools, areas, and common sources of supply to conform to the amount determined by the Secretary of the Interior and to prevent unreasonable discrimination in favor of any one such pool, area, or common source of supply as against another; and in the event that such a committee cannot agree upon a basis of proration, the Secretary may establish the allowable production of pools, areas, common sources of supply, and/or wells.

(e) To recommend to each oil-producing State the enactment of uniform laws for the conservation of crude petroleum, for the prevention of the premature exhaustion of the domestic supply, and for the limitation of production to the reasonable market demand.

(f) To prevent the premature abandonment of wells of settled production the Secretary of the Interior is hereby authorized and directed to establish minimum prices for crude petroleum and the Secretary of the Interior shall consider the average operating costs of such wells in estimating such minimum prices. The Secretary of the Interior in determining when such abandonment would be premature shall, at all times, take into consideration the interests of the purchasing and consuming public and the oil industry as a whole.

(g) To prevent unfair competition by the sale of petroleum or the products of petroleum at prices tending to destroy competition and to prevent the exploitation of the consuming public through excessive prices, the Secretary of the Interior is hereby authorized and directed to establish maximum and minimum prices for crude petroleum and the products thereof, and any prices for crude petroleum and the products thereof less than the minimum or more than the maximum prices so established by the Secretary of the Interior shall be unreasonable prices within the meaning of this statute, and any sale of crude petroleum or the products thereof at prices other than within the prices so established is hereby declared to be unfair competition and unlawful, and since the prices of such products in intrastate commerce directly affect the prices of those products in interstate commerce, the sale of such products in intrastate commerce at prices higher than the maximum price or lower than the minimum price so established by the said Secretary is hereby declared to be contrary to the public policy and the general welfare and in violation of the provisions of this title.

Senator McADOO. That permits it. You just deny the whole principle for which you are contending by these provisos. It would be perfectly useless to put any such provision in a bill.

Mr. MARGOLD. I don't think I have made clear the import of this. This permits it only if the Secretary of the Interior permits it. It limits the maximum, and then gives him the power to limit it below that and to make it effective.

Senator McADOO. Why should we be required to prorate American production with any foreign country?

Mr. MARGOLD. That question I would like to leave to somebody else more qualified to answer it.

Senator McADOO. The real fact is the major companies own Venezuela and the chief foreign fields and they want access to our markets all the time at the expense of our production.

Mr. MARGOLD. May I say this, and that is one thing which has nothing to do with the merits of the bill, and which was one of the reasons why we were so careful in wording this. At the time this bill was being framed, and I think it is still effective, there were announcements of the tariff truce by the President, the invitation to do it in an effort to stimulate and help the general economic conference, and any provision made with reference to that question ought to be handled purely as a question of policy, not as to the needs of the oil industry with relation to its reference to that tariff truce.

Senator McADOO. I am talking from the standpoint of the oil workmen.

Mr. MARGOLD. They are being taken care of. I believe they are being taken care of in the provision itself, but I will leave that to some one else.

Senator CONNALLY. I would like to ask Mr. Margold a question and cross-examine him on something he has already stated.

Mr. MARGOLD. Yes.

Senator CONNALLY. You stated a while ago they were going to permit these imports to come in with the understanding that they were to be reexported, is that right?

Mr. MARGOLD. No; only those that are brought in for manufacture and employment of local labor.

Senator CONNALLY. They bring it in for the purpose of giving local labor employment. If you are going to prorate these States and cut them back and make them hold their oil in the ground, why is it fair to let a single barrel of foreign oil come in here, because those same laborers would be engaged in refining American oil if the foreign oil did not come in here, and in addition to that there would be additional laborers in the field producing that oil instead of the laborers in Venezuela producing it. I don't see how you can justify the exercise of this tremendous power to tell an American citizen he cannot produce but so much oil from his wells, and you leave the back door open and let the foreigners bring their oil in here because it is to be reexported, under the pretext that you are helping American labor.

Mr. MARGOLD. So far as I know there is no scarcity of American labor. It may be, but I do not know of any reason why the American laborer should not have the benefit of refining foreign oil, and in addition refining all the oil necessary for consumption in this country and for exportation.

Senator CONNALLY. That contradicts your whole argument on the subject of cutting down.

Mr. MARGOLD. We are not cutting down labor.

Senator CONNALLY. You are cutting down production by American labor by letting foreign oil come in here.

Mr. MARGOLD. Not to be sold here.

Senator CONNALLY. It doesn't make any difference where it is sold. It takes just the same labor to produce it, and manufacture it, and that oil would otherwise be exported from the United States. But if you are bringing it in from Venezuela—who suggested the drafts of this paraticular section to you?

Mr. MARGOLD. I don't recall. There were so many suggestions.

Senator CONNALLY. You wrote the bill, didn't you?

Mr. MARGOLD. Yes; I did.

Senator CONNALLY. Why did you write it that way, and who told you to write it that way?

Mr. MARGOLD. Frankly, I am trying to answer that I don't recall. I have seen hundreds of people. We have had suggestions from everybody. I can't refer any one of these provisions to any one person.

Senator CONNALLY. Did you write the Marland bill?

Mr. MARGOLD. Yes. It was drafted by me and one of my assistants.

Senator GORE. How many Congressmen and Senators did you confer with during the preparation of that bill?

Mr. MARGOLD. I don't recall that either. There were some.

Senator GORE. Can you name any besides Mr. Marland? I assume you conferred with him and Senator Capper?

Mr. MARGOLD. Yes; we conferred with him and Senator Capper.

Senator GORE. Anybody else?

Mr. MARGOLD. I don't remember, but as I understand it, at the conference, the people who came to us from the conference were from every angle in the trade and in the industry.

Senator GORE. Mr. Marland is a practical oil man, and Senator Capper isn't, is he?

Mr. MARGOLD. I don't think so. We didn't confer with Senator Capper about any of the provisions in this bill.

Senator GORE. In his bill?

Mr. MARGOLD. No.

Senator CONNALLY. About any of the provisions in his own bill?

Mr. MARGOLD. I don't know what you mean by his own bill.

Senator GORE. The bill which he introduced in the Senate.

Mr. MARGOLD. That is the same bill as the Marland bill. We went over it after it was written, but that was all.

Senator CONNALLY. You said a while ago, "We have to prepare legislation." You refer to whom?

Mr. MARGOLD. In the Department. This is a departmental matter. May I read—

Senator GORE. No; before you pass on. The first word in the Constitution is this, isn't it, that all legislative power herein granted shall be vested in the Congress?

Mr. MARGOLD. Yes.

Senator GORE. So much for that. I want to ask one other question. Doesn't your reasoning in regard to pipe lines lead inevitably to the conclusion that the ultimate solution of that problem is to be found in Government ownership of these pipe lines?

Mr. MARGOLD. That may be. I haven't considered that sufficiently to say, so far as the ultimate conclusion.

Senator GORE. Well, it comes to this, you are going to prohibit the people who own these pipe lines, and who want them, from owning them. That means that somebody has got to buy them that is not able to buy them, and somebody has got to own them that doesn't need them; doesn't it?

Mr. MARGOLD. Well, I must say that in the state of my knowledge of it I can't answer these questions. That might be so, on the other hand.

Senator GORE. I rather think that is the inevitable implication, but you may be right about it. But I want to ask this alternately. Have

you dispaired of the power of the Government to regulate rates on these pipe lines that are owned by this big concern?

Mr. MARGOLD. On the contrary, there is a provision in the bill which gives us the opportunity to experiment with that, until at least the next session of Congress.

Senator GORE. That has not been fully or fairly tried out, has it, effective regulation of pipe-line rates?

Mr. MARGOLD. No; and this provision will give us an opportunity.

Senator GORE. That is by recourse, isn't it, to the Interstate Commerce Commission?

Mr. MARGOLD. Yes; and by giving a preference, so that where it is urgent it will not be delayed.

Senator GORE. I hope you will try that out before you resort to the other.

Mr. MARGOLD. This bill was drafted with the purpose in mind of trying that out until at least we have demonstrated it is ineffective, or we have some other method. May I at this time introduce a telegram which has just been received and reads as follows:

The oil industry of Pennsylvania is in a dangerously critical situation. Not only the industry, but the saving of permanent loss of vast quantities of oil is at stake. We look to Washington for help, because this problem cannot be solved within State lines. As representing Pennsylvania and its oil industry, I urge most strongly the passage of the administration's oil bill. We are for it as the timely, necessary, sound, and wise thing to do. We are grateful for your initiative in this matter. I am sending a copy of this telegram to all Pennsylvania Members and Senators.

GIFFORD PINCHOT.

The time of this committee is limited and there are witnesses here who know a great deal more about the oil industry and are better prepared to answer a good many of the questions which I answered inaccurately for lack of the information, so I would like, with the consent of the committee, to defer to those witnesses.

The CHAIRMAN. I thank you very much. I hope while this oil legislation is being discussed, that you can sit around, because the members of the committee may wish to ask you some questions.

Senator McADOO. I want to express my thanks to you for your testimony, and I want to suggest, having much confidence in your legal ability, that you give further thought to this question of pipe lines and submit to us any suggestions that you may have that would strengthen this legislation.

Mr. MARGOLD. I thank you.

The CHAIRMAN. Senator Capper wishes to say something.

Senator CAPPER. I want to say, with reference to the pending bill, that my interest in it is because of urgent appeals that came to me from the independent petroleum interests, which for years have been the leading interests in that section in all contests with the major producers; and also because of the interest of the Kansas Oil Well Strippers Association, which is made up of about 30,000 of the small producers of the State. These people, representing, as I say, the major producers, have been in great distress and the Governor of our State and the legislature of our State appealed to me to do everything I could here to help secure assistance in the way of legislation that would put some sort of Federal control over the industry.

The CHAIRMAN. I am sure the committee appreciates your position.

Mr. Geddes wants to appear for just a few moments.

**STATEMENT OF BOND GEDDES, EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER, RADIO MANUFACTURERS ASSO-
CIATION**

Mr. GEDDES. I am appearing out of turn. I appreciate the courtesy of a very brief statement to the committee on the general bill and the House bill.

Senator McADOO. Do you represent the Radio Corporation?

Mr. GEDDES. They are one of our members. We have about 125 members in the association. It is controlled by the so-called "independents", I might add. The Radio Corporation has only 1 vote on our board of directors.

With other industries, the Radio Manufacturers Association, which comprises every important manufacturer of all radio products, and represents within its membership probably 95 percent of the total national radio production, is vitally affected by the national industrial recovery bill. Our industry is preparing in advance to join hands with the Government and meet their responsibilities.

We favor the general plan of this legislation as it affects industry. We have great hopes for its affect on the radio industry and the employees in our ranks. Some details and phases of the legislation are not entirely satisfactory, of course, and some of the objections have been or will be pointed out by other industries. With the elimination or revisions of some of these obvious objections of organized industry and retaining the very excellent and constructive features of the legislation, the radio industry hopefully views the opportunity to regulate itself under the direction of the Federal authority proposed.

The radio industry is one of the striking industries referred to by President Roosevelt as suffering from the actions of the unruly 10 percent within its structure. The larger, reputable, national manufacturers, composing the membership of our association, seriously suffer from the gyp manufacturer, operating in attics, and cellars, under sweatshop conditions, paying sweatshop wages, and making inferior products, which are advertised to the public as real radio sets. The fact is their products are as cheap as their labor. Their products do not give satisfactory service to the public which merely sees just what it pays for. This 10 percent gyp manufacturer demoralizes conditions for the 90 percent of manufacturers who try to treat labor fairly, put out satisfactory products to the public, and at prices which are reasonable for the manufacturer, the employees, and the public. We hope that this legislation will act as a restorative to the radio and other industries.

On the question of taxation, the radio industry favors "equal taxation" and opposes the discriminatory taxes which would be continued in the House bill. We refer to the special excise tax of 5 percent on radio and phonograph products.

The radio industry is willing to bear its just proportion of any tax which is generally distributed. The House bill, however, would continue the unfair and discriminatory "selective" tax on the radio and other industries. This is an undeserved penalty on a limited few industries. The title of this bill is the National Industrial Recovery Act. Its purpose is to assist industries and thus spread employment. In fairness, industries which would secure benefits or privileges from

the legislation should equally bear their just proportion of the revenue required. Instead of a selective and discriminatory tax which would be continued on a few industries, the Radio Manufacturers Association favors a general sales tax or a small general manufacturers' tax of 1 to 2 percent, with discontinuance of the special excise tax of 5 percent which now seriously burdens our industry. This tax is levied on the apparent assumption that radio is a luxury or semiluxury. We submit that this is not the fact. Radio is an important agency of public information, quite frequently used as such by the President and other Government and State officials, and is a vitally important agency for the dissemination of information, culture, religion, education and in manifold other public and private services. Should the Congress adopt a general manufacturers' sales tax, the radio industry is willing to assume its fair proportion of such tax, but submits that the continuation of the special discriminatory 5 percent excise tax now imposed by existing law is a continuation of an unjust and unfair burden on a few selected industries.

Taxes collected from the radio industry represent at best a very small and limited source of Federal revenue, and the special excise tax already seriously burdened the industry, partially because receiving set and tube manufacturers, because of competitive and other industry conditions, have assumed the taxes and have not been able to pass them on to the purchasing public.

Since the special excise tax of 5 percent became effective June 20 last, the radio industry has paid up to April 30, 1933, in special excise taxes, the total of \$1,930,369.29.

Senator GORE. What was the Government's estimate?

Mr. GEDDES. They made different estimates. The last estimate was \$11,000,000, but up to April 30 they had received \$1,900,000.

While this is much less than the United States Treasury estimates of receipts from the radio industry and is a comparatively minor contribution to Federal revenues, it has unquestionably retarded business, reduced employment and impaired capital of radio manufacturers, during a period when virtually all leading radio manufacturing concerns have continued to survive by drawing upon their capital and suffering serious losses.

In conclusion, our industry which has had a mortality of more than 50 percent since 1920 and suffered a reduction of over 80 percent in its employed personnel, with its foreign markets largely withdrawn either by tariff restrictions or reduced quotas, submits that it is entirely willing to assume its share with other industries of taxes to meet the requirements of the Government. We contend that the most equitable and fair method, the least burdensome to the tax-paying public, the easiest administered and collected would be a general small manufacturers' sales tax, and we earnestly urge your committee not to continue the supertax which at present unfairly discriminates against our industry and which should not be continued as proposed in the House bill. We ask for fair and equal taxation and for relief from unfair discrimination.

Senator GORE. Your contention is that the radio industry is not able to continue to pay these special taxes?

Mr. GEDDES. No, sir.

Senator GORE. It is your contention, then, that they ought not to be required to pay them?

Mr. GEDDES. We ought not to be required to pay a special discriminatory tax.

Senator GORE. With the condition of the house of Morgan, that they had no net income, and therefore were unable to contribute to the Government, the inevitable result is a general sales tax that the farmers down in Pottawatomie County, Okla., must pay a general sales tax on the horse and machinery, and so forth, that is your conclusion, is it not?

Mr. GEDDES. No, sir.

Senator GORE. That the people must pay to run this government.

Mr. GEDDES. Yes, sir. Our industry is willing to pay what any other industry pays, but we do not think a special tax on our industry, particularly when we are in competition with products of other industry, is fair. We are singled out in tax legislation to a certain extent. We are willing to pay our share of taxes, but object to the discriminatory tax.

Senator CONNALLY. You think that the radio tax should be on the the same basis as food and clothing and medical bills?

Mr. GEDDES. I think as a general sales tax proposition my opinion is that it should exclude food and clothing and such things.

Senator CONNALLY. Whom do you represent here?

Mr. GEDDES. The Radio Manufacturers' Association.

Senator CONNALLY. The Radio Corporation of America?

Mr. GEDDES. That is one of our members.

Senator CONNALLY. Do you stay here in Washington—permanently here?

Mr. GEDDES. I have not been here except for the last 3 months.

Senator CONNALLY. You are lobbying and representing your industry?

Mr. GEDDES. I am representing my industry; yes, sir.

Senator CONNALLY. I am not criticising you for that. Your office is here and you are representing the industry before the Government?

Mr. GEDDES. No, sir. We have other business. We have business before the departments and other places. That is a very small part of my work up here.

Senator CONNALLY. You are talking about wanting to get rid of these gyp operators.

Mr. GEDDES. Yes, sir.

Senator CONNALLY. You mean by that that there are a lot of little fellows who do not sell as high quality goods as you do and who do not get as high prices as you, and you think by this means you will be able to put them out of business or make them good?

Mr. GEDDES. One or the other.

Senator CONNALLY. They ought to do like you do or be cut out of business.

Mr. GEDDES. That depends on how the law is administered.

Senator CONNALLY. I am talking about your viewpoint. The reason you want the bill is that you think when you get it, you will be able to make these little fellows do like you do or else you will crowd them out of business?

Mr. GEDDES. Senator, they break down prices and they break down the wages of employees. Our reputable manufacturer and the established man who has a substantial investment has to meet their competition. That is not healthy.

Senator CONNALLY. Answer my question. That is what you want to do, is it not?

Mr. GEDDES. I cannot answer that yes or no in the way you put it. We want the industry cleaned up. We want decent competitive conditions. We want decent working conditions. We want a fair profit for our invested capital. That is all.

Senator CONNALLY. In other words, the concerns you are affiliated with are decent, they do business decently and get decent prices, and the rest of them you want to put out of business.

Mr. GEDDES. No; I would not say that all of those outside the association are not decent. There are some decent organizations not represented in our association.

Senator CONNALLY. The purpose of your bill is to get a fair price for radios.

Mr. GEDDES. Yes, sir.

Senator CONNALLY. And the reason for that is you think by it the American people will have to pay more for radio instruments and service and that is the reason you are for it?

Mr. GEDDES. No, sir. There is not a large company in our organization that has made a nickel of profit in practically 2 years.

Senator CONNALLY. You know whether that is the reason that is operating on your mind or not, don't you?

Mr. GEDDES. That is part of it. I want to be perfectly frank with you.

Senator CONNALLY. You expect when they get this business dictator you will get more money for your goods and that is why you are for it.

Mr. GEDDES. To some extent, but not altogether. We hope to get a very reasonable profit, so we can pay a fair and reasonable wage.

Senator CONNALLY. And you want to put out of business people who are able to sell for less than you do?

Mr. GEDDES. We do not like a competitor who pulls down prices and forces us to meet sweatshop prices and products.

Senator CONNALLY. You do not mind sweating the people to get money for your goods, but you are against the small sweatshop competitors.

Mr. GEDDES. Do you think it is healthy business to sell radios below cost?

Senator CONNALLY. If your competitors are selling goods below cost they will not be competitors long. They will die.

Mr. GEDDES. They can sell below cost when they pay 5 and 10 cents per hour for employees and our people pay from 25 to 50 cents.

Senator CLARK. As I understand the position of your association, you have no objection to this bill, for emasculation of the general antitrust laws. All you want is a little additional protection in the way of a sales tax.

Mr. GEDDES. We think a sales tax would be a help.

Senator CLARK. You are in favor of the emasculation of the anti-trust laws, but you also want a sales tax.

Mr. GEDDES. To put it that way, we think that would be a fair way; yes, sir.

Senator CONNALLY. I would like for us to determine our program here with reference to these hearings. There are a lot of oil people here. We have only heard one side. I think we ought to hear the

other side. Should we not sort of line this thing up and hear the general witnesses now on the bill and fix a time for the oil people to have a hearing?

The CHAIRMAN. The oil provision is not in this bill, but I thought it was fair, because of the magnitude of the question, to give them a reasonable time to be heard. It was brought to my attention this morning that some of the witnesses on the oil question cannot get here until Monday. I think the time ought to be equally divided. They took up a lot of time this morning on the side of the proponents, but Mr. Geddes, whom we all know very well, was here this morning and was anxious to get away. That is why I put him on out of order.

Mayor Walmsley, of New Orleans, is here with some others. We want to go right along this afternoon. There was a group of gentlemen, about five, who were here, including Mr. Elliott from California and several others, also Mr. Blalock and I think one gentleman might represent a group.

Senator McADOO. The Californians are on their way here—the California independents—and they would like to be heard. I am going to suggest to them if they can have the argument presented by one man, it would be preferable, in order to save the time of the committee. It may be that we will have to hear two. That is only my judgment. I cannot say until they arrive.

Senator CONNALLY. There are groups on both sides of this question from my section, and I think we ought to have an opportunity to hear both sides. My suggestion is that we fix a definite time, Monday or Tuesday, when we can hear pro and con on the oil question.

The CHAIRMAN. Who all want to be heard on the oil question?

Mr. CONNALLY. Mr. Blalock from Texas and Mr. Rosser. I suggested to these groups from my State—I am not trying to speak for anybody else—that they get together and designate somebody to speak for the whole group.

The CHAIRMAN. I think that is a very wise suggestion and I think this afternoon at 2 o'clock the committee will meet in executive session to determine this, and we will start in open sessions again, and if these gentlemen will get together and be as brief as possible so as to save time we will appreciate it. There are innumerable matters to come up in this committee and we want to get this bill in shape so we can report it some time next week.

M. R. MARLAND. I would like to have Mr. Russell Brown, attorney for the Independent Producers' Association, and I would like to have Mr. Charles Rosser, who is vice president of the American Petroleum Institute, and a large producer himself from Texas, speak.

The CHAIRMAN. How long do they want?

Mr. MARLAND. Five minutes, at least.

The CHAIRMAN. We will hear them this afternoon and these groups who stood up, if you will let the clerk know this afternoon whom you have selected, we will give them an opportunity to be heard.

Senator GORE. I may ask that Mr. Chamberlain be heard.

MUNICIPAL CREDITS

STATEMENT OF HON. DANIEL W. HOAN, MAYOR OF THE CITY OF MILWAUKEE, WIS.

Mr. HOAN. It is rather a new thing for the mayors of the United States to appear before committees of Congress. I assure you that we would not be here except for a spirit of cooperation. Some 50 of the 97 mayors of the largest cities of the United States met at the Mayflower Hotel within the last 2 days and I am speaking, I believe, the consensus of opinion of all large cities—the unanimous opinion of the 50 large cities that met at the Mayflower Hotel. I want to say we are speaking in connection with the public works bill now before you. We did not consider it necessary to unite together in a league until about a year ago, to cooperate with the Federal Government in bringing to your attention the facts that need to be brought in a collective fashion to you.

We have had the task of dealing with the relief of the people, for all time in our country. It was less than a year ago we came here. We were laughed at when we said that we faced a situation of acute starvation in our large cities. Fortunately you agreed with us and made an appropriation of \$300,000,000, and that money is now used up. You have made provision for additional relief and are now working on a works bill.

We were the first organized body of public officials to recommend a large public works measure as the best form of relief. We would not be here if we felt this public works bill would work as far as cities are concerned. We are here to let you know it will not work, that there are no cities in this country that can function under it or take advantage of it, and we wish, as briefly as possible, to let you know why, and submit amendments which we think will make it work.

I think I will save time to read you four short pages of what was unanimously adopted by the conference.

We, the undersigned, being mayors of 50 of the largest cities of the United States, and representing as we do the consensus of opinion of the 93 cities with a population of 100,000 and over, and representing 45 percent of the population of the United States, in conference assembled at the Mayflower Hotel in Washington, D.C., on this the 24th day of May 1933, respectfully call your attention to the following preamble and resolution unanimously adopted:

"We call to your attention a grave crisis that threatens the very foundation of all credit in the United States. I want to say as a preliminary I think we perform more than one half of the governmental services in this country, that we deal more intimately with the lives of people, day by day, than any other units of government, and we make these statements to you. Municipal credit due to inability of the citizens to pay taxes, and because no market exists for tax certificates permits of no further borrowing. The banks in fact loan us less money to meet our needs than they did before the war. So far over 1,000 local units have defaulted on their bonds. If municipal credit is allowed to collapse, we warn you that all faith and credit in banks and industry will be undermined and collapse with it. The moment the municipal credit is allowed to collapse, as it will shortly (we are here not speaking for the bankrupt cities; they are taken care of in the Wilcox bill) we are here to speak for those cities which do not appear to be bankrupt, and there is no reason why they should be, and surely none of us has ever defaulted on our bonds. States may have, but we never have before asked for help and will not here ask for anything that is not necessary, and what is here asked for today will either be taken care of at this session before a collapse of municipal governments in the United States or will be taken care of by you afterward."

I continue.

"Practically every city has cut its budget to the bone. We have learned that overproduction of budgets simply increases expenditures for poor relief out of all proportions. We have in many cities already cut our police and fire service and crippled our schools. Within a relatively short time a large additional number of cities will be forced to default on their bonds for the first time in history.

"Municipal bonds are held by banks, insurance companies and trust funds not to speak of savings accounts of windows and orphans."

In most instances local banks have completely failed in advancing even the minimum of loans necessary.

"The Federal Reserve banks claim their funds must be liquid so as to serve member banks, and are powerless in any event to meet more than a fraction of our needs."

The Reconstruction Finance Corporation is designed to loan money to private corporations except only for partially or wholly self-liquidating projects that are so few as to be inconsequential.

"We assert that if Congress will do for municipal corporations what you have done and are now doing for private corporations we will need to ask no other consideration. The advancement of not to exceed \$1,000,000,000 a year for not to exceed 2 years will meet all our needs."

Our private banking institutions using persuasive methods come to Washington and secure financial aid—not to the extent of millions but to the tune of billions of dollars of our taxpayers' money. Railroads, insurance companies and other fiduciary institutions are saved by you because it is deemed wise public policy to do so.

"If the Congress of the United States does not at this moment protect our cities and the 65,000,000 people who live under our care and whom we must serve, then the sole responsibility for a collapse of democratic municipal government will lie on the doorsteps of your body—the people's body to whom we look for assistance.

"We did not cause the economic depression. We are not responsible for the utter inability of thousands of our citizens to pay their taxes. We are not responsible for the 15,000,000 willing people who would work could they but find it. We are not responsible for the closing of the door of legitimate credit in our faces.

"This situation is nothing more than a national calamity requiring national action. Just 1 year ago many of you believed we were extravagant in our statements when we said people were destitute; today all of the \$300,000,000 you provided in response to our demands is gone. Then we were right. We knew because we had to look into the faces of needy people out of work and in dire circumstances.

"Now for a few millions of dollars our cities can be saved, our employees can be paid, our health, welfare, educational, fire, and police services can be continued, our credit can be maintained, and we can be tided over the most serious emergency that has ever confronted the American cities.

"If this is not done, we warn you that the collapse of municipal credit will ultimately affect the entire credit structure of the country, including the credit of the United States Government.

"We therefore inform you, since you alone can afford a remedy to prevent the rapidly approaching collapse of city government that we shall not be charged with neglect in failing to apprise you of the facts or that you shall fail to share your just portion of responsibility.

"We therefore recommend that the Reconstruction Finance Corporation Act be amended at this session to authorize the purchase of or loans upon tax-anticipation or tax-delinquency certificates or notes of municipalities and public bodies issuing the same in the ratio of 75 percent of the 1933 or current taxes and 50 percent of past-due outstanding taxes or delinquencies and on such plans as State debt limitations will not be exceeded. These securities have back of them the full faith and credit of our cities.

"If your reason for refusing us this remedy be, as alleged by some, that the credit of the Federal Government will be impaired, then we insist that you amend the National Industrial Recovery Act which you are soon to consider or any other pending measure, so that the Comptroller of Currency be directed to accept our legal municipal bonds and our tax certificates as a basis of an issue of an equal amount of bank notes and their delivery to us. This is a privilege you now extend

to national and Federal Reserve Banks. What excuse may be offered for not extending this privilege to cities?

"We hereby also inform you that the present public works bill now before Congress will not serve its purpose if you do not take the above action. Practically no city is in a position to issue bonds for these proposed construction projects when it is absolutely impossible to secure funds to finance current operations. If this Congress is looking to the cities to embark upon large works programs with the incentive of a 30 percent direct grant, then your body will be disappointed. Many are already bonded up to their constitutional debt limit now, and you expect us to issue additional bonds and thus plunge us into further financial difficulties.

"Our only opportunity for fulfilling our share in a great national movement to put people back to work with which we are in hearty accord is dependent upon adoption of the above proposals, and second, to completely liberalize this bill now before you. Not only must the Federal Government increase the present 30 percent provision but repayments, payments of principal and interest on bonds issued by us should not begin until January 1, 1936. The act should specifically provide for the purchase of bonds against the balance of the cost of municipal projects.

"All failure on your part to act at this session will mean in our solemn opinion chaos in most cities.

"With this attending collapse of credit there comes all the attending evils of governmental breakdown. The failure of municipalities to provide proper police protection and adequate fire defense means disaster to every American home. The additional failure to safeguard our health and sanitation means to revert to the deprivations and hardships of our grandfathers."

The sole question is will you assist our people in their hour of greatest need.

I would say to you that municipal governments, universally, have always been able to function by virtue of loans from banks repaid when the taxes are collected, and when the banks are unable to make us the loans, absolutely the Federal Reserve is unable to make us the loans. We are faced, on the other hand, with inability to borrow money on one hand and growing delinquencies and our police departments and essential services necessary to maintain government are in jeopardy.

Mayor Walmsley, of New Orleans, has an amendment. He knows the extent of our needs. Careful surveys have been made on this problem, so, to briefly summarize and not take up your time, may I say that the American cities to-day (this means all of them) haven't the ability to borrow from banks as we had before the depression. That comes about by reason of the fact that there is no market for the tax warrants that are always purchased by banks. The banks would borrow up to 10 percent of their capital and buy them and resell them. They cannot resell them. Therefore the door is closed to us. The door is closed to the Federal Reserve System, and we have cut our budget, and those that have cut most have the greatest demand of any. Most of the employees support three or four families on one salary. Secondly, we wish to provide means to use the credit of the United States Government not to exceed the amount private industry asks for. We are not asking for charity or for gifts. If you will take our tax warrants which we contend to be the best paper issued by any governmental unit in this Nation, on a 3 or 5 percent basis, you will either own the city of Milwaukee or we will pay that money back.

Senator GORE. You do not think for a moment you will ever pay it back, do you?

Mr. HOAN. I know we will have to pay it back.

Senator GORE. Why do you say that?

Mr. HOAN. Because this amendment is drafted on the basis that the Reconstruction Finance Corporation can require us to deposit

these certificates of title to that property and that must provide that the tax payments shall go into a trust fund until all of that loan is retired.

Senator GORE. Do you think anybody would ever mandamus a city to pay that money?

Mr. HOAN. No, sir; but I think the Government can require us to put that money in the Federal Reserve when it comes in.

Senator GORE. A year ago, when we appropriated a hundred million dollars to the States, that was a loan, was it not?

Mr. HOAN. I am not certain.

Senator GORE. You do not even know whether it was a loan or a gift?

Mr. HOAN. No, sir. I asked for a gift.

Senator GORE. That was a loan. As mayor of the city of Milwaukee you do not know that. You do not even know that Milwaukee or any other city will every pay a dollar of that.

Mr. HOAN. I know that anything Milwaukee has ever borrowed she will pay back.

Senator GORE. We have just passed a bill giving \$500,000,000 to the States and municipalities. That is a gift. If the United States raises money to advance to these cities, it has got to advance the security under this bill to raise the money. It will have to pay those bonds, no matter what becomes of the money. Do you think for a moment that Milwaukee will ever pay it back?

Mr. HOAN. I know it will have to pay it back.

Senator GORE. How do you know that?

Mr. HOAN. Because under the amendment we will offer here, it will provide that the Reconstruction Finance Corporation can neither buy—

Senator GORE. Will you agree that if we pass this bill you will not come back here and ask for the obligation to be canceled?

Mr. HOAN. I will, and I do not believe the depression will last long if we are given this aid. Not only that, I believe if we close up our fire departments and police departments, you will have to have Federal troops—

Senator GORE. It is easy to talk about issuing bonds. Sooner or later pay day will come and where are we going to get the money to pay the interest and retire the bonds?

Mr. HOAN. I will answer that. If it is possible to have the United States Government print bank notes and issue them on those securities it is just as fair for the Government to do that as anything else.

Senator GORE. So you think the Government should issue notes to run municipal governments? What is a Treasury note but a promise to pay, after all?

Mr. HOAN. Yes, sir.

Senator GORE. On demand, and a bond is a promise to pay in the future. What I am getting at is what have the taxpayers of Milwaukee or any other city to guarantee that they will pay these bonds?

Mr. HOAN. If we cannot get the taxes to retire the indebtedness, the bill should never be passed.

Senator GORE. That cannot be done. The Congressmen and Senators from your State will be back here when the due date comes, asking that it be extended first, and then that it be canceled. Do

not ever lay the flattering unction to your soul for 1 minute that \$1 of this will ever be repaid.

Mr. HOAN. If you provide for the proper person to take control of our tax certificates, you can require that that money be paid directly by the taxpayer.

Senator GORE. But one half of your taxes are delinquent now, are they not?

Mr. HOAN. No; Milwaukee, when they are through paying, will be about 36 or 37 percent this year.

Senator GORE. Thirty-six percent delinquent?

Mr. HOAN. Yes, sir. Most cities have a greater delinquency.

Senator GORE. You speak of having a credit collapse. Did it ever occur to you that we might possibly ruin the credit of the United States itself?

Mr. HOAN. Yes, sir.

Senator GORE. You admit the credit of the cities is gone and the United States has some sources of credit and some power to pay debts that cities have not got. The Federal Government has got to tax the same people, in the long run.

Mr. HOAN. Well, I want to say this to you, Senator, if there was any justification for the legislation that has been passed, as long as the credit of the United States is used for private industry, there is certainly justification for this.

Senator GORE. I have never yet accepted the philosophy that one mistake justifies another deliberate mistake, following that as a precedent. I admit we have made mistakes here. That makes no difference with me. What are your politics?

Mr. HOHN. I am a Socialist.

Senator REED. Have you made an appeal to the Legislature of Wisconsin?

Mr. HOHN. Yes, sir; and the Wisconsin Legislature has done as well and better than other States. It levied an income tax and the relief problem up there has been taken care of through the State.

Senator GORE. Two years ago Wisconsin appropriated \$6,000,000 for relief of unemployment, or do you remember?

Mr. HOHN. Yes, sir; approximately that amount.

Senator GORE. What is the largest amount they ever had on the pay roll under that legislation?

Mr. HOHN. I don't know.

Senator GORE. I was told 3,000 was the largest number they ever had on the pay roll under that legislation. It was for giving work to the unemployed.

Senator LA FOLLETTE. You are mistaken about it.

STATEMENT OF HON. T. S. WALMSLEY, MAYOR OF THE CITY OF NEW ORLEANS, LA.

Mr. WALMSLEY. I am a Democrat.

Senator GORE. Do you believe in local self-government?

Mr. WALMSLEY. Absolutely I do.

Senator REED. Do you believe in State rights, too?

Mr. WALMSLEY. Yes, sir; very thoroughly.

Mayor Curley, of Boston, is our chairman and he was to be here this morning, but unfortunately was called back to Boston to take

care of some relief matters there. I have prepared some remarks which I will just file, because I realize the lateness of the hour.

The CHAIRMAN. Have you an amendment there?

Mr. WALMSLEY. I have an amendment here and in filing it I would like to state this, that at the request of the President, we called on the Assistant Secretary of the Treasury, who sent for Mr. Eugene Black, the governor of the Federal Reserve Board, who in turn told us that even though there is authority for the Federal Reserve Board now taking these very warrants which we ask, that we be permitted to borrow from the Reconstruction Finance Corporation on, that the reason they could not do it is because the amount which we need for this year, which we estimate according to the figures (and they are accurate) amount to about \$400,000,000 for this year.

We will file these figures for the record.

The CHAIRMAN. That is for cities?

Mr. WALMSLEY. Yes, sir; and for the operation of schools.

Senator CONNALLY. For all cities or just for those in your group?

Mr. WALMSLEY. No, sir; for all cities having the power to levy taxes or maintain proper police and fire protection, to take care of all municipalities having the power and authority to issue tax anticipation warrants. We do not go far afield in going to all the various branches and forms of what are generally termed "municipal bonds", because we realize it is impossible to do that. Many of them who, in the past, have issued paper, have not the power to issue tax anticipation certificates.

The CHAIRMAN. There have been some requests from States for loans to be given to them on their bonds. Have you given any consideration to that?

Mr. WALMSLEY. No, sir. We can say to you that all short-time borrowings for 1932 amounted to \$1,020,000,000. That is the full amount of all short-term paper of all types—State, county, township, and every subdivision of government.

Senator REED. Are you speaking only for cities or also for boroughs, townships, and counties?

Mr. WALMSLEY. Anyone that has the power to carry out and maintain the orderly functions of government, we ask for.

The CHAIRMAN. Have you asked there for relief for cities?

Mr. WALMSLEY. Yes, sir. That \$400,000,000 is to take care of all police and fire departments of the country. That is all we are asking for—to maintain our local governments and not break down—and also that we can prove to Mr. Hoover that grass growing in the streets of the cities of America will not come true.

The CHAIRMAN. It will come true if we do not pass this?

Mr. WALMSLEY. Yes, sir. Take Akron, Ohio. They have closed up one half their fire stations and laid off one half of their police, and we know that a great many of the large cities will have to lay off their street-cleaning forces. These dirt streets in these cities of 50,000, and in that portion not paved already, they will have to lay them off. And what will happen? As these men are laid off from municipal employment they will have to go on direct relief. In this way, we will be able to keep them on the rolls ourselves.

Senator GORE. Would you be willing for us to amend this bill so as to provide for a dictator of New Orleans and other cities so as to let us take over the affairs of the cities?

Mr. WALMSLEY. I would not hesitate to do that, because these cities can do what they have been doing in the past and this 2 years relief is all that we will need. We have come through the entire depression up to this time without asking for any money and now we are asking only for temporary relief and ask you simply to let the Reconstruction Finance Corporation have the same power that the Federal Reserve has today under regulation E of 1928, section 4, Federal Reserve Act. Here it is, gentlemen——

Senator GORE (interposing). I can appreciate the force of your observation, that you have waited until now and I know you have seen everybody come here trekking to the United States and putting their hands into the Treasury of the United States, pockets of the taxpayers of the United States, getting money and going their way. I can appreciate your willingness to want to share in that distribution.

Mr. WALMSLEY. I wish to say to the Senator that I feel this way about it, that I fought as hard as any man in the United States to put this administration, the President and the men that came from my section of the country, into office. I am directly interested as a member of the Democratic party to see that there shall be no abuse of the assistance which this Government gives. I will go further and say I want to see the Democratic Party remain in power, and the only way we can do it is to give assistance to the people that are now in this administration and help them to work out the problems. If we attempt to abuse the power, the first thing the people will do will be to kick them out.

Senator GORE. I do not question your statement at all, but if we give you relief, you will see others coming here, and they will say everybody is getting theirs, why should not we? You have not watched this tendency at all. I know you imagine it will be repaid.

Mr. WALMSLEY. I believe in paying debts. I do not believe in cancelation of foreign debts. I believe when a person makes a debt they should pay, and that is true of municipalities. Regardless of what the conditions are, they should not be permitted to cancel their obligations.

Senator GORE. In respect of your statement of one sovereign owing another sovereign and not being willing to pay, judging by our past experience, our foreign creditors have not mentioned doing anything, have they?

Mr. WALMSLEY. No, sir.

The CHAIRMAN. We thank you very much.

Mr. WALMSLEY. I desire to submit this statement.

(The statement referred to is as follows:)

The national industrial recovery bill, according to the report of the Ways and Means Committee of the House, is a bill to provide for the construction of certain useful public works and for other purposes, and is designed to meet the needs of the present national emergency in an effort to stop wide-spread unemployment and disorganization of industry which burdens interstate commerce, affects the public welfare, and undermines the standards of living of the American people.

There is nothing that more vitally affects the American home and guarantees to the American people peace and happiness and is more in the interest of the public welfare than the orderly operation of municipal governments, which take care of more than 50 percent of the governmental needs of the people.

The public works bill is designed to create employment, but unless the amendment which we, the committee representing the United States Conference of Mayors, is adopted, there will be an increased amount of unemployment and the

very opposite of what our President is seeking to accomplish will be the order of the day. The President in his message to Congress of May 17 stated:

"My first request is that the Congress provide for the machinery necessary for a great cooperative movement throughout all industry in order to obtain wide re-employment, to shorten the working week, to pay a decent wage for the shorter week, and to prevent unfair competition and disastrous overproduction."

If municipalities cannot get the relief suggested in our amendment, we will be forced to reduce wages and discharge our employees, thereby running counter to the very desire of our President and the provisions of the act. As a result, the standards of living in the American homes of municipal employees will be lowered and they be forced to work for wages which are already in a great many cases far below that which they are entitled to receive.

The amendments which we propose are as follows:

"AMENDMENT TO NATIONAL INDUSTRIAL RECOVERY BILL

"SEC. —. With the view of maintaining public order, preventing the collapse of credit, maintaining necessary employment and preventing wholesale discharge of municipal employees, maintaining the high standards of and security of American homes, sustaining proper police and fire protection, and in the interest of the public health of the Nation, such cities as are charged with the duty of protecting life, health, property, and public order and providing education may borrow from the Reconstruction Finance Corporation, and the Reconstruction Finance Corporation may lend to or purchase from any such city on either their notes, warrants, or certificates secured by current or past due taxes or tax anticipation warrants evidencing such facts up to 75 percent of the 1933 or current taxes, and up to 50 percent of the delinquent taxes on the year previous thereto. The provisions of this section shall remain in force for only 2 years from the date this act takes effect. These loans or the purchase of these tax anticipation warrants, notes, or certificates, or the warrants, notes, or certificates of the delinquent taxes herein authorized to be purchased, shall be upon such terms and conditions as shall be agreeable to the Reconstruction Finance Corporation and shall be payable in accordance with the terms and conditions set forth by the corporation.

"For the purposes of this act the term cities shall include those political subdivisions as provide education and have at present the power to issue the type of notes, certificates, or warrants herein set out."

Mr. WALMSLEY. I submit the following memoranda on serious municipal finance situation.

(The memoranda referred to are as follows:)

MAYOR OF NEW ORLEANS MEMORANDUM ON SERIOUS MUNICIPAL FINANCE SITUATION

1. Sixty of the ninety-three largest cities in the United States which are solvent, are today facing a serious crisis. Due to factors over which they have no control, they are unable to dispose of their short term tax anticipation notes.

The breakdown of our private financial institutions distributing securities, and the collapse of municipal credit facilities, has forced these cities into a financial strait-jacket.

All American cities must live on borrowed money for part of each year, pending the collection of taxes. In the past this credit has been quickly absorbed. Today, however, our banks are able to absorb only a portion of the needs.

2. If this credit cannot be promptly obtained, the following will result:

- (1) Solvent cities will be forced to default because cash will not be available.
- (2) Thousands of municipal employees will be unpaid.
- (3) Cities will be forced to resort to scrip, which will circulate at uncertain prices.
- (4) Essential governmental services may break down.
- (5) A public works program, the bulk of which is municipal construction will be absolutely impossible.

3. The credit of the United States Government might be affected since the Nation's credit depends on confidence.

Unpaid public employees do constitute a heavy drag on general recovery. Up to now the only stable purchasing power has been the public employee.

Lack of funds for services, such as relief, might result in serious social unrest.

This can be avoided by a simple program. Credit, which in the past has always been available from private channels but which today is lacking, can properly be furnished by the R.F.C.

Legislation can be enacted authorizing the R.F.C. to purchase or make loans to cities on tax anticipation notes.

This authorization can be safeguarded by limiting loans up to 75 percent of the 1933 levy and up to 50 percent of the 1932 delinquencies. A 2-year period of repayment can be made a lien on new moneys.

This emergency legislation should be limited as to time.

The R.F.C. would have the highest type of collateral behind these loans. Tax warrants are a lien on the wealth of a community, having priority over mortgages.

Every dollar advanced would be repaid. As taxes are collected, they could be placed in a separate fund to be paid only to the R.F.C.

A careful estimate of the needs of 60 major cities is \$300,000,000. Perhaps less than \$100,000,000 would actually be applied for. The farm bill's provision dealing with certain securities, changed the credit situation, so far as these securities were concerned, the minute the act was passed.

When these solvent cities are placed on their feet through the extension of legitimate credit, national recovery will be helped. Public business is the largest business in the United States. Precedents have been set by the Federal Government which not only warrant extension of credit but make it mandatory. If there is to be a conflict between private and public corporations, our public bodies obviously should have preference. No direct expenditure is involved but a revolving credit is essential.

The action of the Judiciary subcommittee in reporting favorably the Wilcox-Fletcher bill represents an important forward step in the buttressing of the financial structure of the Nation. This bill renders it possible through conference or negotiation for a city which is either insolvent or experiencing difficulty in meeting its obligations to adjust claims upon a basis which it is possible for the municipality to meet.

At the present time more than 1,000 municipalities are in need of legislation of this character in order to continue to function.

The United States conference of mayors, representing the leading municipalities of the Nation, is also urging the enactment of legislation for the relief of cities that are solvent but which can only continue solvent through the creation of a wider market for the distribution of tax-anticipation and tax-delinquent warrants.

Under existing law banking institutions are not permitted to invest more than 10 percent of their capital in tax warrants. Prior to the height of the depression, tax warrants were the most attractive and soundest character of investment and found a ready market with insurance companies, corporations, and investors generally.

During the present year every line of activity in the United States has been forced to use a portion of their reserve capital to meet the dividends or operating requirements, with the result that the market for tax warrants has become so restricted that the bankers and investors are experiencing difficulty in disposing of any portion of the amount which they are under the law permitted to hold.

Prior to this year a banking institution or an investor would turn over the 10 percent which the law permits it to purchase many times during a year, whereas, during the present year, it apparently has become impossible to do this.

An amendment to the Reconstruction Finance Corporation Act is advocated which would permit the Reconstruction Finance Corporation to purchase tax anticipation and tax delinquent warrants at a reasonable rate of interest up to 75 percent of the delinquencies for the current year and 50 percent of the delinquencies for the preceding year. Thus the necessary funds would be made available for the continuous and orderly operation of municipal functions.

Every student of economics is in agreement that the only way in which the dole system, apparently firmly established in America at the present time, can be obviated and ended is through a construction program.

The major construction program now under consideration by Congress makes provision that 70 percent of the money to be expended upon construction projects be provided by the municipalities or the States and the remaining 30 percent to be furnished by the Government.

The major construction program will fail of its purpose unless municipalities are able to develop a market for the sale of tax warrants. From the standpoint.

of security there is none more sound, since behind every warrant is not only the taxing power of a community but every dollar of real property in the community.

In view of the character of collateral which tax warrants represent and in view of the reasonable limitation upon purchase which is advocated by the United States conference of mayors, and in view further of the time limit of 1 year for settlement, it is clearly the duty of Congress to provide the required relief, since the collapse of even a limited number of the major cities of the United States might cause the entire banking and business structure of the Nation to crumble.

Hon. ROBERT WAGNER,
Washington, D.C.

Sixty major solvent cities of the United States facing certain default in the next 90 days unless able to secure usual normal loan such as they have always had previously in anticipation of collection of taxes. This paper formerly had a wide and greedy market. Unless prompt relief can be obtained, it is believed the Wagner and administration's public works program will be completely nullified.

Only \$300,000,000 available credit required to meet the situation, most of which will not be needed if made available because it will then be accepted by banks and investors. Too late for Federal Reserve rediscount privilege. Believe default by these cities may close the banking credit reservoir to the Government itself due to large-scale fear withdrawal of deposits bound to follow such default. Doubtful if life-insurance companies and savings banks can stand the shock of general public default.

Above does not include New York City whose failure is certain to follow. If these cities are saved New York City's problem can be handled by banks with little or no assistance.

It is suggested that the Reconstruction Finance Corporation make loans up to 75 percent of the 1933 tax levy and up to 50 percent of the 1932 delinquencies with the provision that if such loans are not repaid within 2 years same shall become a first lien on the revenues of the next succeeding year. It seems certain if this provision were written into the law banks and investors would absorb the entire amount.

Another plan worth considering might be to have such municipalities draw drafts on the Reconstruction Finance Corporation for 75 percent of the 1933 levy and 50 percent of the 1932 delinquencies with the provision that at the end of 2 years these drafts become a first lien on the revenues of the next succeeding year, the Reconstruction Finance Corporation to accept and the acceptances to be marketed to banks and investors and made purchasable by the Federal Reserve in its open-market policy.

Another plan might be patterned after bankers acceptances, meaning that the Reconstruction Finance Corporation might accept drafts from said cities and merchandise the same in the open market.

MORRIS TREMAINE,
State Comptroller of New York.

HOW MUCH CREDIT WOULD BE NEEDED

The total needs of 60 of the 93 major cities requiring credit assistance approximate \$325,000,000. To care for all political subdivisions the amount required would not exceed \$450,000,000. This is but a fractional part of the loans already advanced to all banking institutions, railroads, savings and loan associations, etc.

However, it is estimated that if the above amounts were made available, less than \$200,000,000 would actually be applied for, since Federal action would so bolster the municipal credit structure that private credit would again be anxious to purchase tax warrants.

The total short-term borrowings for all governments (State and local) for 1932 was only \$1,000,000,000. Statements that tremendous sums would be required do not conform to the facts gathered by the United States conference of mayors. If the same amount of credit were advanced to the cities as has been advanced to four or five banking institutions the solvency of the cities could be preserved.

Legislation of the character proposed would also overnight improve the general municipal bond structure in the same manner that certain farm securities advanced immediately upon passage of the farm bill.

NATIONAL INDUSTRIAL RECOVERY

FROM THE UNITED STATES CONFERENCE OF MAYORS, DREXEL AVENUE AND FIFTY-EIGHTH STREET, CHICAGO, ILL.

Current indebtedness ¹ of cities over 30,000 ²

As of—	Revenue bonds and notes	Warrants
1930.....	566, 213, 188	80, 739, 096
1929.....	436, 465, 067	99, 312, 131
1928.....	243, 229, 732	102, 871, 669
1927.....	233, 208, 074	78, 465, 128
1926.....	222, 837, 013	72, 177, 342
1925.....	210, 847, 474	70, 906, 040
1924.....	202, 962, 201	62, 882, 217
1923.....	165, 952, 696	57, 442, 374
1922.....	243, 055, 457	57, 746, 882

¹ *Current indebtedness.*—Under the general term "current" are included the debts of all kinds except those described above as funded floating, and special assessment. They are shown in the table under the two heads described below.

Revenue bonds and notes.—Revenue loans include all interest-bearing short-term obligations, other than so-called "serial bonds," that have a fixed date of redemption or are made payable at a date in the discretion of the city from the proceeds of a levy made, or to be made, in the year of their issue. These obligations are popularly known as revenue bonds, revenue loans, anticipation tax loans, anticipation tax warrants, temporary loans, and interest-bearing warrants. Overdrafts upon banks by the various divisions and fund of the city are classified as revenue loans.

Warrants.—Under the heading "Warrants" are tabulated all noninterest-bearing warrants, orders, and audits in the nature of warrants outstanding at the close of the year, except those specifically called tax warrants or anticipation tax warrants.

² Based upon Finance Statistics of Cities over 30,000 Population, U.S. Bureau of Census.

Funded or fixed debt ¹ of cities over 30,000 ²

1930.....	\$8, 612, 446, 089	1925.....	\$5, 827, 837, 925
1929.....	7, 755, 314, 620	1924.....	5, 324, 730, 746
1928.....	7, 331, 934, 852	1923.....	4, 861, 768, 302
1927.....	6, 895, 366, 002	1922.....	4, 629, 064, 920
1926.....	6, 376, 280, 722		

¹ *Funded or fixed indebtedness.*—Funded or fixed debt includes all debts evidence by formal instruments which have a number of years to run and for the amortization of which no assets other than those of sinking funds have as yet been specifically authorized or appropriated. The debts of this class are called corporation stock, bonds, certificates, serial notes, serial bonds, and mortgages.

² Based upon Financial Statistics of Cities of over 30,000 population, U.S. Bureau of Census.

Floating debt ¹ of cities over 30,000 ²

1930.....	\$161, 247, 002	1925.....	\$173, 572, 682
1929.....	131, 435, 159	1924.....	155, 957, 237
1928.....	156, 298, 232	1923.....	179, 302, 572
1927.....	153, 720, 638	1922.....	68, 558, 027
1926.....	199, 021, 676		

¹ *Floating indebtedness.*—Floating debt includes (1) all debts evidence by revenue bonds, warrants, and accounts payable, to be redeemed from the levies of a succeeding year; (2) all debts evidence by short-term bonds to be redeemed from the proceeds of long-term obligations; (3) all final judgments against the city, outstanding at the close of the year; and (4) all indebtedness to public trust funds and private trust funds due to the conversion to general public uses of all or a part of the money or other property received for creating public uses of all trust funds or permanent private trust funds, where the city assumes the annual payment of interest on the amounts so converted without issuing to the funds its formal bonds or certificates of indebtedness.

² Based upon Finance Statistics of Cities over 30,000 Population, U.S. Bureau of Census.

Special assessment bonds and certificates ¹ outstanding of cities over 30,000 ²

1930.....	\$577, 770, 659	1925.....	367, 426, 743
1929.....	539, 446, 218	1924.....	298, 336, 557
1928.....	534, 308, 765	1923.....	251, 010, 587
1927.....	486, 888, 458	1922.....	226, 869, 420
1926.....	414, 141, 197		

¹ *Special assessment indebtedness.*—Special assessment loans include all so-called bonds, certificates, and other short-term obligations issued or incurred with the understanding that they are to be paid wholly or in part from the proceeds of special assessments.

² Based upon financial statistics of cities over 30,000 population, United States Bureau of Census.

(Mayor Curley also offered the following telegram:)

MAY 25, 1933.

Hon. JAMES M. CURLEY, *President,*
United States Conference of Mayors, Mayflower Hotel, Washington, D.C.:

Knowing your desire to use the funds which will be made available by legislation for increasing employment and stimulating business as well as to relieve what I want to point out that in no better way can your general purpose be effected than to relieve the desperate situation existing in this and other cities where school teachers, firemen, and policemen are unpaid owing to the present but temporary inability to sell tax anticipation warrants against existing tax levies. If the Reconstruction Finance Corporation were authorized in the public works act to purchase city and board of education warrants or short-term bonds and in only such amount to each municipality as would cover back salaries to unpaid employees it would at once without taking unsound security make the most useful distribution of funds both from a business and humanitarian standpoint. Such a course would protect the vital processes of municipal government in this and other cities for a period of crisis which with the return of normal business now on the way should be short. I do not suggest that the Government should get behind the capital debt of municipalities which might be an unbearable burden but simply to loan on collectible warrants or short-term bonds to the amount of the unpaid salaries of employees. I am sending a copy of this statement to the President who has already done so much to relieve distress in the country to take this step. With kindest good wishes,

Sincerely yours,

EDWARD J. KELLY, *Mayor.*

Senator CONNALLY. We have Mayor Holcombe, of Houston, Tex., in the room, and I would like for the committee to hear him.

STATEMENT OF HON. OSCAR HOLCOMBE, MAYOR OF THE CITY OF HOUSTON, TEX.

Mr. HOLCOMBE. Senator Gore, on the question of the grant that you asked the mayor of Milwaukee about, I may be mistaken, but I think that grant was made to the State to be paid back out of Federal-aid funds as may be given to roads in the future. Am I right?

Senator GORE. Oh, no.

Senator LA FOLLETTE. You are right.

Mr. HOLCOMBE. We have not canceled that. We are not asking for a gift. This amendment that we are asking for here provides that these taxes would be earmarked, the same as we do when we borrow from our banks now. They are earmarked, and as the taxes come in they would go to pay these warrants off. It is not a question of bonds. We are not asking for you to buy bonds. We are asking merely for you to permit the Federal Reserve banks to take up these tax warrants, and as the taxes come in against the property, they are earmarked and it is set aside to take up this obligation. If the people do not pay these taxes, if they do not pay their current taxes to the city, which is on their real estate, they are not going to pay any taxes, and if these taxes are paid, the Government will get its money back.

Senator REED. In effect, what you are asking us to do is to force upon the member banks of the Federal Reserve System a sort of frozen asset; is not that true?

Mr. HOLCOMBE. We are not asking that this go to the Federal Reserve banks. Under this amendment we are asking that the Reconstruction Finance Corporation Act be amended so that they can buy these tax warrants and give us the 2-year period in which

to take them up. If the local communities, if the man that owns this building here does not pay his taxes on the real estate, there is not any other tax going to be paid, and if that falls down, if he falls down on that, then we have utter collapse.

I do not think you gentlemen are as familiar—I know you are not—with conditions back in these cities as the people who live there.

Senator REED. We have been told a lot about it in the last 2 years.

Mr. HOLCOMBE. I know that, but this condition has been aggravated since last fall, since the bank holiday, very much, because the local banks could not take care of it. My situation in Houston this year—I am talking for other cities—we are financed for the balance of the year. Our banks down there have taken care of us. New Orleans and Milwaukee happen to be in the same condition. This year they are getting along all right, but we can see this situation facing us next year, that will face the other cities of the country. They have cut their fire departments. Just as Mayor Walmsley said about grass growing in the streets, if there is not some way these cities can get the money to pay their employees to cut the grass in the streets, or to pay their fire departments and keep them going, or to keep the police departments going, you are going to have collapse.

Senator LA FOLLETTE. As I understood you, your only reference to the Federal Reserve banks was that they might act as a depositing agency, or agency to collect these warrants.

Mr. HOLCOMBE. No, sir. Our reference to that was that we were asked to talk to the committee about it. They have authority to take these warrants at the present time.

Senator CONNALLY. Your idea is the Federal Reserve banks, if they so desired, could do this?

Mr. HOLCOMBE. Yes, sir.

Senator CONNALLY. What you want is to transfer a similar authority to the Reconstruction Finance Corporation?

Mr. HOLCOMBE. Yes, sir. Governor Black, I think, told us the capital of the Federal Reserve banks was \$250,000,000 with may be \$300,000,000 surplus and this would freeze the capital of the Federal Reserve banks and it should not be done. After talking to them, we agreed thoroughly it should not go to the Federal Reserve, but it could go to the Reconstruction Finance Corporation and they could give us this relief.

If the cities are not financed you will have grass growing in the streets. In this country today you have townships and cities at the rate I think our Secretary's report shows of on the average of 100 a week that are in default. Cities have cut their fire departments, they have cut down to the bone, and they have practically ceased functioning, and when you quit functioning you are going to get grass in the streets.

STATEMENT OF HON. C. K. QUIN, MAYOR OF THE CITY OF SAN ANTONIO, TEX.

Mr. QUIN. I do not know that I can add anything to what has already been said. I would like to add this remark. Take your public-works program. I assume that you are going to depend on the program being carried out in the municipalities largely. You take our situation in San Antonio. We have not up to this time defaulted in

any of our bond retirements. We, up to this time, have been able to finance ourselves with our local banks, but we are not going to be in a position, by reason of the fact that many people who have punctually paid their taxes up to this year, are not going to be able to pay them now. We are not going to be able to take on any additional tax burdens. In other words, we are not going to be able down in our city to participate in this public-works program if that means adding to the tax burden by the issuance of bonds, which are to be taken care of out of this public works appropriation.

At this time we are running short of our tax collections for the same period last year. The indication is that we will collect something like 68 percent of our taxes for this fiscal year, which closes at the end of this month. We are very much interested in the proposition that has been made that we be permitted in some way to finance ourselves to the extent of some portion of this year's tax levy and some portion of last year's delinquencies, by pledging these tax certificates to this source rather than pledge them to the local banks.

I do not know whether we will be able to finance through the local banks this year or not. If the tax collections fall too low, we shall not be. We are in the same condition that your cities up here are in with reference to reducing our budget. We cut ours \$1,600,000. We let off many of our old employees. We cut our salaries very drastically. We are not in position to assume additional tax burdens in order to take care of or take part in this public-works program, and I think very many cities in the United States were in that position, and if you expect to see the public-works program put men to work and these large cities cannot take advantage of it, the public-works program is going to fall down. It is in that spirit that we come here and ask you to amend this bill so that we may be able to borrow by pledging these tax certificates to that extent.

Senator GORE. Would it not be a shorter process, that instead of requiring the cities to put up a part of this money for public works—would it not be more effective to let the United States in the first instance put up 100 percent rather than to require the cities to put up dollar for dollar?

Mr. QUIN. That might answer so far as the public-works program is concerned, but insofar as our operating is concerned, if these people are not able for the moment to pay taxes and if we have to reduce our fire departments and police protection below the line that is absolutely necessary it does not act in that respect.

Senator GORE. That means you have to tax the people of Oklahoma to keep the grass from growing in the streets of San Antonio.

Mr. QUIN. Grass is not going to grow in the streets of San Antonio.

STATEMENT OF A. M. LOOMIS, REPRESENTING THE AMERICAN ASSOCIATION OF CREAMERY BUTTER MANUFACTURERS, CHICAGO, ILL.

Mr. LOOMIS. I want to call attention of the committee to the fact that there seems to be dual control over certain industries involved in this bill, as related to or compared to the Farm Act—that is, those industries which process agricultural products. Section 8 of this bill attempts to straighten that out, but in the judgment of the people of our industry we do not know which bill we may be

under, and I am submitting a brief statement which contains an amendment to Section 8 of the bill.

The CHAIRMAN. Very well.

(The statement referred to is as follows:)

There is a real possibility of conflict between the Farm Act now in effect and the industrial recovery bill here under consideration. We as an industry should not be subject to two equally controlling factors in our Federal Government.

Under the Farm Act we are expected to adopt a program and fair-trade practices for our industry—the very thing that is also contemplated in the industrial recovery bill for all industries.

The only principles in the industrial recovery bill not found in the Farm Act are, limitation of working hours and minimum wages.

We recommend the following amendment or addition to section 8 of the industrial recovery bill:

“During the period in which said act is in force, the Secretary of Agriculture is authorized to carry out the purposes of this title with respect to such industries as come under his jurisdiction in the administration of said act, and codes of trade practice and/or trade agreements entered into under said act shall be deemed to be in compliance with this title.”

In regard to new taxation, if it is needed, we favor a general sales tax on every thing, including professional services, the only exception being plain food and plain clothing.

We are opposed to any further increase in income taxes, feeling that both business and individuals should be given a chance to recuperate and save a little money. That is especially essential to older people.

We have a very good reason for asking exemption for plain food and plain clothing, namely, that these commodities being produced on American farms, will no doubt have to pay a tax in support of the farm act in order to raise money to pay rentals on acreage withdrawn from production.

The farm act is designed to help the farmer, while the industrial recovery-bill is designed to help the workman in the cities, and the two, insofar as taxes and government control are concerned, should be kept separate and apart.

AMERICAN ASSOCIATION CREAMERY BUTTER MANUFACTURERS,
W. F. JENSEN, *Manager*.

Senator GORE. What is the point?

Senator REED. They are not sure which dictator they are under.

Mr. LOOMIS. The farm bill provides that all of the processors of agricultural products come under the Secretary of Agriculture. This bill provides that these same organizations and industries come under the control of this act, and we would like to have that straightened out, leaving us under the control of the Secretary of Agriculture.

Senator CONNALLY. Which one do you want to be under?

Mr. LOOMIS. The Secretary of Agriculture.

STATEMENT OF HENRY WOODHOUSE, NEW YORK, AND WILLARD HOTEL, WASHINGTON, D.C., SCIENTIFIC ECONOMIST, CHAIRMAN OF NATIONAL RECOVERY COUNSEL; AUTHOR OF THE FINANCIAL CONSTITUTION OF THE UNITED STATES; THE GUIDE TO FEDERAL BANKING LEGISLATION; THE GUIDE TO THE FEDERAL SECURITIES ACT, ETC.

Mr. WOODHOUSE. I was the appointee of the Governor of New York for the City Planning Conference in 1916, and I have been interested in civic affairs ever since. I made a survey and investigation of the borrowing capacity of the 48 States, the 3,072 counties, and the 16,500 municipalities of the United States, constituting the entire United States.

I own 43,000 acres of land near different cities, and I am one of the victims. I am asked to pay taxes by the State, county, and muni-

cipality, at times several times. My endeavor was to try to find how those cities could borrow money cheaply and not tax me.

I represent one of the 40,000,000 people who paid income tax out of 123,000,000 people. I found that the States and cities and municipalities at the present time are competing with each other for the same dollar, and they are not organized to get that dollar cheaper than, say—at times they cannot get it at all, but say may be 30 per cent considering all the expense they have to go through to get it.

I also found that I am paying \$30 per capita for every employed and destitute person, whereas I estimate the Federal Government could borrow the same money and make it available to the counties and municipalities at less than 3 percent, probably. I state this advisedly. There are 20,000 banks which report \$45,000,000,000 of deposits, representing the deposits of 30,000,000 people. They are all shouting for the Government guarantee of those deposits. Nothing would be more welcome on their part than to have those deposits guaranteed by buying Government securities.

I appeared before the Senate committee on Banking and Currency on the legislation there, and also appeared before the Committee on Banking and Currency on the home loan bank bill.

I appeared before several committees on different bills. I made an analysis of those bills and what they will do today to settle conditions. I found this, that the only fear of the country today—we are just at the turning point with an increased production, and a slight increase in wages. A slight increase in car loadings, a slight increase in everything, and we are just moving upward but I find back of it the greatest factor is that industry is beginning to produce so as to take advantage of the period when there is no processing tax. That means that they are producing so as to have those goods without paying the process tax. That will defeat, to some extent, one of the relief measures, and it will also bring stagnation within a few months unless you create purchasing power.

Why can you not create purchasing power under the many bills you have been enacting? And I have been quite close to every one of them. I have been close to every bill that has been enacted to propose relief. I have been with Senator Wagner, and when I say that in 1931 and 1932 we discussed direct relief, the philosophy and policy of the Nation were against it.

In about 3 months from now we will be facing the increased production which is going on now, without any purchasing power, and we find the following faults—they are not faults, they are rather limitations of the bill.

First, the famous inflation bill is not an inflation bill at all. If you will look into it you will find——

The CHAIRMAN. We have to adjourn. You have a written statement that you want to go into the record?

Mr. WOODHOUSE. I would like, if the chairman would kindly permit me, to propose an amendment that will show what different sources of income there are whereby this can be financed, and some of the sources of income are quite important. I believe that you will want to hear them.

First, I would propose an amendment to this act, call it title IV or title V, to provide a national recovery fund, and a gold, silver,

nickel, and copper reserve for the redemption of the currency issued to speed national recovery. I would make section 303 read as follows:

To effectuate the purposes of this title, the President is hereby authorized to—

1. Establish a national recovery fund; with gold, silver, nickel, and copper reserve for the redemption of the currency issued to redeem national currency, by entering into contracts with operators of gold and silver mines in the United States, Alaska, Hawaii, the Philippine Islands, and Puerto Rico to purchase all the gold and silver they may produce, either at a fixed price or on the cost plus basis, and—

(a) Having all the gold and silver produced delivered to the United States Treasury to be held as a reserve, to be considered as the redemption reserve for the currency issued to speed up national recovery.

(b) To have as much of the copper, nickel, and other by-products of mining gold and silver as may be required for the redemption of currency delivered to the United States Treasury, or as may be directed by the President.

(c) To have other by-products of gold and silver mining sold and the proceeds deposited to the account of the national recovery fund.

Now section 303, paragraph 2, I propose this amendment:

To create a source of revenue from a percentage of the rise in value of securities, listed on the exchanges due to earnings created by increasing the earnings of industries through the purchasing power created by the National Recovery Act: by

(A) Speeding up the spread and increase of purchasing power through the operation of this act and of the emergency and relief acts heretofore enacted by Congress, thereby creating increases in earnings of the industries and business establishments whose securities are outstanding, thereby appreciating their market and dividend values;

(B) Providing for the imposition of a "national recovery tax" of 5 percent of the increase of the market price of all shares, bonds, and other securities that may take place beginning _____ days from the date this act goes into effect.

Last month the securities increased in price by \$6,000,000 and this Government is not benefiting a penny. The shares were worth alone \$87,000,000,000 on October 21, 1929, and last October they were worth exactly \$26,000,000,000. If what is proposed here were enacted speedily, you would find a rise of \$10,000,000,000 immediately in the shares, and you will find the bonds going up \$5,000,000,000, making \$15,000,000,000, so I propose that in this recovery fund, which you need very badly, that 5 percent of the recovery value of those shares shall be turned into this fund. That will provide more than all other sources you have considered just now, as a fund to meet your payments on your loans. And further—this is part of the amendment no. 3, of the same kind. It says:

The President shall create a source of revenue from a percentage of the rise in values of real properties acquired by banks, insurance, mortgage, loans and other institutions and individuals at low liquidation prices, which may appreciate in value through the establishment of greater purchasing power and higher price levels, by the operation of this act: by

(A) Providing for the imposition of a national recovery tax of 5 percent of the increase of the market value of all real estate and properties acquired by banks, insurance, mortgage, loans and other institutions and individuals at low liquidation prices that may take place beginning _____ days from the date this act goes into effect.

The other day in New York I happened to be on the floor of the City Bank Farm Loan Co., or some company of similar name, and I found 72 attorneys employed on nothing else except foreclosures of properties. I inquired of one of them how many are there of you? They said, 72. I said, "Good God, what do you do? I have not seen your name anywhere."

You see, I am an economist and scientifically inclined. I may state for the record I have never been employed by anybody. I have been an editor for 20 years and I make my living in that way. I have never sold a share of stock in my life and never was employed by anybody. I have appeared before many committees.

The CHAIRMAN. Is that all the amendments you have?

Mr. WOODHOUSE. No. I have one more. I want to state today that there are today banks and others who have large armies of lawyers acting in their own names. I may say, as receivers, on all the property, and as soon as this goes into effect there will be a tremendous sum. Fifty-seven billion dollars is changing hands, going into the hands of a few. If you employ this tax and it goes up 5 or 10 percent, you can see how much revenue you have in this redemption fund. You will not have to worry about any other fund to pay your taxes.

Now amendment 4 provides for the President to:

Create a source of revenue from the sale of foreign obligations owned by the United States Government, or exchanging said obligations for United States Government obligations held by nations or their nationals: by—

(A) Exercising the contractual rights vested in the United States Government to offer for sale to the public any or all of the foreign obligations bought by the United States Government pursuant to the acts of Congress known as the "Liberty Bond Acts", and other acts, whereby the United States Government acquired securities of foreign governments which it now owns, having a par value as of April 30, 1933, in excess of \$11,000,000,000.

Only yesterday I went to the Treasury, expecting to be here as I have been actually, and inquired: "Have you any of the bonds of those foreign nations on hand?" You know the public is quite skeptical about it. I am a collector of historic records, so I went there a few years ago to see them and asked them and they said, "Yes, we have them." I said, "Let me feel one. I want to be able to tell the American people that the United States Government has \$11,000,000,000 in its hands which it has and can sell tomorrow under its contract."

It did not lend money to other nations. It bought their securities. The man says, "Here they are." So I held one, and it said "Gold bond of the Republic of France." It is like any other bond with an orange decoration, and it states the terms on which the bond would be paid.

Senator REED. What would you be willing to give for it?

Mr. WOODHOUSE. I would say this: If I were France or England or any other nation—and I spent my boyhood in those nations; I was born in Italy and lived for years in France and England—they were at first my mother country—I want to say the British Government will never permit bonds or shares to be offered on the market and not take them up. I will give you the answer to that. The answer is this: That the Treasury Department for 2 years has been answering me they did not know where the Liberty bonds were or the United States Government securities. I made an inquiry into that and I found that about \$6,000,000,000 of the United States obligations were held abroad.

When I propounded that proposition to the government, they said: "I am not sure of that," but they found it out recently when they asked for payment of interest in gold.

Senator GORE. You mean government or corporate securities?

Mr. WOODHOUSE. The government alone. I found that some six billion dollars of United States bonds which were sold—and I was one of those who started this particular national defense movement in 1912 and had to face the financing of the war——

The CHAIRMAN. The committee must adjourn. Is that your last suggestion?

Mr. WOODHOUSE. On this point——

The CHAIRMAN. I think the committee will have to adjourn.

Mr. WOODHOUSE. May I come in this afternoon?

The CHAIRMAN. Well, I don't know.

Mr. WOODHOUSE. May I extend my remarks in the record?

The CHAIRMAN. Yes.

Senator GORE. I am interested in your suggestion to tax the enhanced value of these securities. Would you levy that tax only on the securities that are handled through the exchanges? If a man has \$10,000 worth of securities locked in a strong box, you would tax the enhanced value of those as well?

Mr. WOODHOUSE. I would leave that to the committee. I tried to think of that, and I was just wondering what ramifications I would get into.

Senator GORE. If you have not worked it out, all right.

One other matter. You want to put a tax on the unearned increment of real estate.

Mr. WOODHOUSE. No; I am taxing the rise in value.

Senator GORE. Would you tax the rise in value on real estate and limit that tax to banks or others that sell the property?

Mr. WOODHOUSE. These lands are all in the names of individuals who act as dummies.

Senator GORE. Would you limit it to the lands that are foreclosed and then enhance in value, or would you apply it to all the real estate in the United States and then go up?

Mr. WOODHOUSE. I would leave that to the committee, but I believe I would extend it to all property that has changed hands in recent years.

ECONOMIC SURVEYS AND DATA PRESENTED AT FORMER HEARINGS AND NO LONGER AVAILABLE TO MEMBERS OF CONGRESS AND GOVERNMENT OFFICIALS ON ACCOUNT OF EXHAUSTION OF SUPPLY OF COPIES OF HEARINGS

Senators have been asking me for copies of the statistics about national income and economic and international surveys which I made and presented to the Senate Banking and Currency Committee in connection with the hearings on the Securities Act (S. 875) and the Home Owners' Loan Act (S. 1317). The 1,000 printed copies of the two hearings have been exhausted and thousands of requests have been received. The Labor Committee of the House tried to meet that demand by reprinting part of my data, but they, too, have now exhausted the supply, and still there are thousands of demands, including some from the Government departments and officials. I appreciate, therefore, the consideration of your committee in granting me the privilege of extending my remarks and to include selections from my former testimony.

THE TWO GREAT ECONOMIC AND SOCIOLOGIC TRANSFORMATIONS OF THE PAST 20 YEARS

The United States today has everything required to start on the road back to recovery. There is work to be done for 12,000,000 persons in improving, renovating, and restoring in the 48 States, 3,072 counties and 16,598 municipalities, there are the unemployed to do it, and the banks and depositors with \$45,000,000,000 in deposits, eager to make loans to the Federal Government, for the States, counties, and municipalities. All that is required is action.

Twice in the past 20 years I have seen economic transformations take place when the world as a whole did not believe that any improvements could be had. In each case a new movement brought about the transformation.

For instance, at the beginning of the World War, when I started the various training camps as part of the national defense movement, the industries of the United States were at the lowest ebb, the low wages were reduced still lower, the number of unemployed increased, the slums were jammed with destitutes.

When I pointed out that there was much work to be done, as I did to the Legislature of the State of New York, in 1912, to the city fathers of the city of Philadelphia, in 1914, and in addresses delivered in universities, at conventions of city planners and elsewhere, people shook their heads. They said they could not get the funds.

I pointed out that the national defense movement would make it imperative to set factories to work producing equipment and supplies, and the use of public credit for that purpose would result in setting the factories in operation at full time and that would quickly start a wave of prosperity.

Again people shook their heads, and they shook their heads doubtfully until labor became so scarce, during the war, that workers were at a premium, and the distribution of wealth from the earnings was so Nation-wide that all the workers, who had never had more than necessities, became consumers of commodities and buyers of Liberty bonds.

The increased purchasing power removed the surplus production, and the increased demand for labor removed the surplus of labor.

Likewise, the increased consumption appreciated the prices of the commodities; and the increased demand for labor increased wages.

These two appreciative factors worked constantly to improve each other. It was automatic. The laws of increasing returns were at work constantly.

They worked miracles for the United States. They made it possible to remove slums, extend the benefits of sanitation, education, recreation, and other helpful and healthy factors.

In 1914-16 I sent to the world's leaders of thought an outline of changes which I saw in prospect, and I asked their opinion. That resulted in wide discussions.

Commenting editorially on an address which I had delivered to the Massachusetts Institute of Technology, on October 7, 1914, the New York Times agreed with me in one of the broad changes which I foresaw in future international sociology. That happened also, although it appeared farther away than the economic changes.

Such dominant financiers as Henry P. Davison, of J. P. Morgan, who followed my advice to the extent of allowing his sons to form the First Yale Unit of the aerial coast patrol (see the First Yale Unit, by Ralph D. Paine, 2 vols., 1925), requested data on the subject, and became convinced that great industrial activities could be started by the national defense movement which might lift the Nation out of the stagnation of depression and put millions to work.

I prepared many economic surveys, which were eagerly studied by financiers, as well as by leaders of thought. Invariably there was fear expressed that after the work created by the national-defense movement was done there would be another slump.

My opinion was that the Nation could be so organized as to have work ahead for those who might become unemployed, so that there would never be any accumulation of unemployment to cause slumps.

I pointed out that the increase of incomes would increase the number of persons who could afford an automobile, a home, a country place, travel, good clothes, and other commodities. And that people who would normally buy only one suit a year, would henceforth buy two or more, and so on.

It is to be expected that people were skeptical. But it actually happened on a wider scale than I had prophesied, and people also bought radio sets, electric devices, and even aeroplanes in large enough numbers to create new industries.

America's first great prosperity came from increasing the number of gainfully employed from about 20,000,000 to about 40,000,000 in 1914-20, and increasing the wage scale.

The slump of 1921, which was caused by the stock market panic due to manipulations of a few international bankers, was prevented from extending to a series of cycles of depression by the fact that Congress was then engaged in the investigation of the war frauds and the bankers did not dare to extend their manipulations.

The new industries made it possible to quickly repair the damage caused by the panic of 1921. In the years that followed the automobile industries alone grew to enormous size, and produced 20,000,000 cars. The electric industries also grew to vast size. There were a score of other new industries, including aircraft, airports, good roads, gasoline stations, refrigerators, radios, motion pictures.

I prepared a survey on this subject for the President. I shall annex some excerpts, which give additional information, and open a vista of broad possible developments.

SCIENTIFIC ANALYSIS OF FACTORS THAT MADE AND EXPANDED AMERICAN PROSPERITY AND CAUSED CYCLES OF DEPRESSION

A scientific study of newly available data supplies a clear picture of the factors that made and expanded American prosperity, as well as of the factors that brought on each succeeding cycle of national depression after the first stock market slump of October-December 1929. I studied these factors in connection with the preparation of my works entitled "The Financial Constitution of the United States," and "The Guide to the Emergency Banking Act," and for the numerous surveys and articles which I have written. They can be summarized in pen pictures thus:

1. The people of the United States created a great, self-contained, independent prosperity in the years 1922-30 by enlarging their standard of living to include the conveniences and comforts evolved by inventive genius, the skill of the artisan and the producing efficiency of American industries.

2. The American people were, in the period of 1922-30, adopting for general use automobiles, telephones, telegraph, electric lighting, electric and other public utilities, radio, electric refrigeration, and other domestic and labor-saving appliances, and typewriters, cash registers, adding machines, motion pictures, and similar novelties, and were extending the systems of good roads, chains of airports, bus and electric railways, air lines, radio broadcasting, and doing away with tenements and making other general improvements to meet the new standards raised by progress.

3. The American people of our present generation were not any more extravagant in adopting the newly developed conveniences during the years 1922-30 than the past generation had been when it adopted for general use steamship, steam railroads, and street-car transportation, street and home lighting by gas, the community systems for providing running water, sewers and sanitation, elevators, sewing machines, mechanical farm implements, improved tenement houses for working people and other then advanced improvements to raise the standard of living.

4. That it was made possible entirely by American resources is made evident from such statistics as a gross income of over \$400,000,000,000 shown by the 4,044,000 individual income-tax reports for 1929, a merchandising expenditure of over \$118,000,000,000 at wholesale and retail stores of the United States in the year 1929, and the gross income of \$160,621,000,000 received by 509,436 American corporations the same year, as against a gross export of only \$5,241,000,000 for the same year.

The benefits from the exports were further reduced by the fact that the imports from foreign countries in 1929 amounted to \$4,251,000,000, leaving a balance of trade of only \$900,000,000, including the exports to American territories and purchases financed by loans.

5. But in analyzing the purchases made in 1929 at the 1,549,168 retail stores of the United States we find that the people of the United States were no longer living in accordance with the formulas still used by economists and sociologists in computing the living budgets of families. They were no longer living on bare necessities.

6. An illustration is supplied by the fact that the largest item of expenditure was the expenditure of \$11,310,627,359, or 22.61 percent of the total, at 407,715 food stores, representing 32 percent of the retail stores.

The large number of food stores and their character and distribution indicate the influence on modern life of—

(a) Motor transportation, with the attending increase of travel and outdoor life.

(b) The increasing mass of population that is taken from home daily to attend to factories, offices, and on the road in connection with manufacturing, selling and distributing the long lists of articles produced by our industries.

7. A more radical illustration is supplied by the statistics evidencing that \$9,546,897,913, or 19.08 percent of the \$50,033,850,000 was spent at 253,322 automotive establishments, on motor cars, accessories, gasoline, oil, etc.

The formulas for family budgets still used by economists and sociologists provide not over \$10 per \$1,000 income for automobile when the income is over \$1,000 per year. Below the \$1,000 per year people have not been supposed to afford automobiles.

Nevertheless a study of the statistics for 1,000 cities, and investigations in rural districts indicate that expenditures in automotive supplies are actually as large as 19.08 percent of the total expenses of families, as shown by the statistics, and in rural districts they are often larger than expenses on food on account of food being raised, whereas automotive supplies must be paid for in cash.

8. Another example is supplied by purchases at radio stores during the year 1929 in the amount of \$535,000,000 in addition to the purchases of radio sets and accessories at department stores. Nevertheless there were only 12,078,345 out of 29,890, 145 families with radio sets.

The radio purchases were only \$2,000,000 less than the business of the jewelry stores for the same year, evidencing that the utilitarian features of radio has outdistanced in a few years the ancient appeal of jewelry.

9. There is conclusive evidence that the stock market panic of 1929 was brought about by market manipulation of some bankers and much of the unemployment and economic depression that followed the stock market panic of October-December 1929 was due to the lack of data indicating the change in the economic conditions of the Nation as a whole that is revealed by the statistics collected for the first time during the fifteenth decennial census.

10. It is evident that, lacking that knowledge, the wrong remedies were applied, which only aggravated the situation. Purchasing power of millions was reduced by the acts and dictations of a few individuals.

11. There is evidence that the latter nineteenth century standards of living were used in judging twentieth century economic conditions, and that commodities essential to twentieth century standard of living were excluded as being nonessential, with disastrous effect.

12. As an illustration, it is estimated that 100,000 owners of automobiles who discharged their chauffeurs and sold or offered to sell their cars in the winter of 1929 undermined public confidence and brought about the discharge of 100,000 employees from the Nation's 124,000 filling stations, as many from the Nation's 59,000 garages and repair stations, and as many more from each the automobile dealers, the automobile manufacturers, and the industries contributing the materials and accessories and the petroleum industries.

13. In other words, the discharge of 100,000 chauffeurs created an army of over 500,000 unemployed, and the reduced purchasing power of that army reduced the income and undermined the confidence of other industries and caused retrenching in buying and discharging of employees.

These also brought about the necessity and desire to liquidate loans, securities, and mortgages and led to runs on banks and weakening of the credit system. The holders of securities among the 100,000 who started the wave of depression out of fear of contraction in values of their holdings probably did not realize when the reduction in values took place that it was brought about by their own acts.

14. An investigation of the plight of the architects has disclosed that in the period of uncertainty that followed the stock market slump of October-December 1929, thousands of construction projects under consideration were abandoned, and their abandonment caused a wave of retrenching in construction and associated industries.

Hundreds of thousands lost their jobs as a result of the loss of public confidence, and their loss of purchasing power and the general curtailments that followed added hundreds of thousands to the army of unemployed.

The slump in demand for housing, store and office space which was feared when they stopped the projects under consideration was precipitated as a result of stopping.

15. That same principle of ruthless devaluation and reducing millions to bare necessities was carried on on a Nation-wide scale, while it was denied officially that there was need for aid.

PROCESS BY WHICH 1929 PROSPERITY WAS ACHIEVED

The process which in a few years converted natural resources into a group of giant national industries took place in a few years.

It was swift, and the Nation and the world at large did not realize that it was—

(1) Witnessing the creation of world-wide prosperity by the conversion of idle resources into wealth in stupendous amounts.

(2) That the employment of such vast numbers of men and women in the new industries was creating new purchasing power on a national and international scale.

(3) That the diffusion of wealth among millions in units sufficiently large to enable the millions to buy commodities, instead of being confined merely to buying necessities, was increasing the consumption of all other commodities.

(4) That the distribution of wealth geographically throughout the United States through making travel possible by millions to places which had been practically inaccessible was developing purchasing power and creating new markets for commodities in thousands of communities.

(5) That the opening of new markets in the 48 States, 3,073 counties, and 16,598 municipalities created opportunities for between 500,000 and 1,000,000 persons to establish business enterprises, such as gasoline service stations, agencies, lunch and refreshment rooms, newspaper, magazine, and book shops, and other stores.

(6) These created Nation-wide activities in the construction, conditioning, fitting, equipping, and furnishing industries, gave employment to millions in all the industries, and also created purchasing power on a national scale.

(7) The foregoing created larger incomes and opportunities for hundreds of thousands to build homes, thereby creating additional employment and purchasing power on a national scale, which was reflected in earnings of all industries.

(8) Collectively the foregoing activities created traffic for railroads, demand for increased services from public utilities, greater volume of business in banking, financing, insurance, and other related branches of business, and for professional services of all the professions.

(9) The necessary regulation of such vast new activities brought into being the licensing of motor vehicles, the supervision of construction and operation of certain enterprises, and other supervisory activities in the Federal Government, the 48 States, 3,073 counties, and 16,598 municipalities, which created offices for thousands, who became earners and buyers.

(10) Every person who benefited became a beneficiary through buying with the income received.

(11) It was the first time in the history of the world that in a few years a nation had, by peaceful pursuits and by using its national resources and the enterprise, skill, and labor of its nationals, elevated millions of its population to a higher standard of living and had created a self-contained prosperity unparalleled in the history of mankind.

(12) A survey of the economic data of 108 countries of the world gives conclusive evidence that from the year 1922 the world enjoyed a new era of prosperity and higher standard of living never before equaled in the history of mankind.

The data presents evidence that all the nations had doubled or tripled their bank deposits since the war, had adopted modern conveniences in daily life, and a larger percentage of the population had incomes large enough to enable them to afford good homes, autos, radios, refrigerators, electric appliances, and other conveniences.

(13) It also shows evidence that the nations indebted to the United States had made such enormous gains that the amounts they owe to the United States could be paid from part of the gains made, as will be shown in future articles.

(14) These happy conditions lasted for over 7 years and were only interrupted by brief periods when groups of manipulators brought set-backs by attempts to gain advantages. The survey shows clearly when such set-backs took place and the causes. It shows how the crash of October 1929 was brought about by manipulators as part of an attack to wrest the financial control from the United States.

(15) Fortunately it shows clearly that the era of prosperity from 1922 to the end of 1929 was founded on factors that cannot be destroyed. Therefore the progress toward prosperity may be resumed as soon as the obstacles are removed.

(16) Most important is the fact that the increase in bank deposits of the nations by over \$50,000,000,000 over the deposits of the pre-war period and the increase of world trade by close to \$25,000,000,000 per year show that that prosperity was due to the natural process known to economists as the conversion of resources into wealth and the distribution of that wealth among those who created it.

UNITED STATES CAN HAVE INDEPENDENT PROSPERITY

The ultimate significance of the fact disclosed by the newly collected statistics resulting from the Nation-wide survey which I have had the honor of directing is that—

(1) The United States as a nation is assured that it can recover prosperity without waiting for foreign nations to recover by the evidence that the United States enjoyed unparalleled prosperity for many years, although the gross income from exports amounted to less than 4 percent of the Nation's gross business, which amounted to upward of \$600,000,000,000 for the year 1929.

(2) Since the gross income of the United States from exports has been less than 1 percent of the total gross income, and it was reduced to less than \$1,000,000,000 per year by the imports, it is evident that the population of the United States consumed practically everything that was produced by the American industries, in addition to consuming the foreign imports.

(3) As a whole there has not been production beyond the capacity of the population of the United States to consume, and there is not likely to be for many years to come.

(4) As a whole the slump in earnings of American industries since 1929 has not been due to overproduction or to the slump in foreign markets but to the reduction in consumption of millions of Americans whose buying power became curtailed as a result of sudden retrenchment on the part of large groups of persons, following the stock-market crash of October-December 1929.

(5) Just as a wreck on a railroad track or the blocking of a highway jams the traffic of many roads, so the sudden stopping of buying of a percentage of the commodities crippled the industrial channels.

(6) The evidence that the exports have contributed less than 1 percent of the gross income of the American industries supplies a new and sounder basis for planning our economic recovery.

It is apparent that the United States has been enjoying a separate and independent prosperity, which it may have again out of its own resources.

While not minimizing the importance of exporting that 1 percent, and increasing whenever possible, we may now turn to building our prosperity on the solid and sure foundations of American consumption of American products.

(7) One of the most important studies that has been made possible by the data collected for the first time in the history of this country during the Fifteenth Decennial Census is being completed. It is most important as it shows that the United States affords a vast market for the products of the industries that have suffered most in this depression.

(8) The industries engaged in the production of capital goods, such as construction, metal, automotive, telephone, radio, and electric appliances, and other capital goods have reduced the number of persons employed from 9,000,000 in 1930 to 4,000,000 in June 1932.

(9) The study indicates that not only they may recover the lost business, which was largely American consumption, but that there is a vast amount of business still undeveloped.

(10) I may point out, for instance, that some 10,000,000 homes in the United States have not yet been wired for electricity and have not had electric appliances, or even such conveniences as running water.

This scientific survey shows vast reservoirs of work for the employment of American labor for many years

(11) Vast reservoirs of work for unemployed have been disclosed by a survey of the general needs that are common with the 48 States, 3,073 counties, and 16,598 municipalities of the United States.

(12) A list of 100 needs common to all, mostly long deferred by all on account of lack of funds, has indicated that 5,000,000 unemployed could be put to work and kept at work by the 48 States, 3,073 counties, and 16,598 municipalities for a number of years.

(13) These needs are entirely outside of public works or roads. They cover the general improvements, replacement of equipment in State, county, and municipal institutions and organizations, which have never been fully attended to, but have been almost wholly neglected in the past 3 years.

(14) Over 100 cities and counties have been visited in this study and have shown that the work proposed by this study can be started in 48 States, counties, and municipalities in 60 days.

(15) While the volume of this work to be done is greater in cities, it is also substantial in rural districts, and will afford employment for people in the agricultural districts.

(16) Another scientific study now being made may indicate other new ways of benefitting the 10,500,000 persons engaged in and 16,500,000 dependent upon agricultural production in the United States.

(17) The study is based upon the newly discovered evidence that the exports of the United States, even during the peak years from 1922 to 1930 never exceeded 2 percent of the gross incomes of the American industries.

(18) The study has for its objective the utilization of the \$58,000,000,000 invested in agriculture in the best way possible to produce the maximum benefit to the 27,000,000 persons engaged in or dependent upon agriculture.

(19) The benefits that may be derived from the foregoing factors by the thousands of banks, trusts, savings, insurance, and mutual benefit institutions and the hundreds of thousands of individual owners of securities has also been the subject of an extensive study, the results of which will soon be available.

It has already become evident that the general condemnations of the increase in capital financing and prices of securities during the years 1928-30 did not take into consideration three factors—

(a) The fact that a substantial part of the financing was made necessary by the development of new industries created by the increased popular use of automobile, electrical appliances, radio, aviation, motion pictures, and other new things that have become accepted parts of our advanced civilization.

(b) The fact that the annual volume of gross business of the United States was from 10 to 20 times greater than was estimated to be when it was assumed that the five billion dollar annual gross from foreign exports represented 10 percent of the annual business of the United States, and the capital financing, though huge, was not in excess of the requirements for the volume of business being done.

(c) The fact that the 48 States, 3,073 counties, and 16,598 municipalities needed financing to provide the improvements and conveniences required to meet the higher standard of living brought about by inventive genius and progress.

(20) As illustrative of the importance of the new industries, it is shown that—

(a) The United States electrical machinery and apparatus industry sales for 1929 aggregated \$2,230,361,000.

(b) In 1921 there were 13,875,000 telephones in use in the United States. In 10 years the number increased to over 20,000,000.

(c) The first airport was only established in May 1919. In 10 years the number grew to 500.

(d) The airports made air transportation possible on a large scale, on the same principle that good roads have developed auto transportation.

(e) In the comparatively new field of motion pictures there have been established over 15,000 theaters, which gained a weekly attendance of 75,000,000; and the recent development of the talking pictures has created a substantial new industry.

(f) The advent of educational motion pictures and use of pictures in homes is creating another new industry as important as the theatrical motion picture industry.

(g) The installing of radio-receiving sets and domestic electric appliances became Nation-wide almost overnight. By April 1930, there were 12,078,345 families with radio sets, out of the 29,980,166 families living in the United States. Nevertheless those with the sets represented only 40.3 percent. The balance were prospective customers. Likewise the 9,000,000 electric vacuum cleaners, 3,300,000 electric sewing machines, 2,650,000 electric refrigerators, represented a huge new business, but only a percentage of the volume still to be expected, particularly when the balance of the homes, about 10,000,000, are still to be wired for electricity.

(21) A survey calls to mind the fact that American enterprise built great industrial centers around new industries in the past and indicates that the same beneficial factors and forces are at work in the developing of these latest new industries and if given support during the pioneer stage they will repay the Nation as did the automotive industries.

(22) The increase by \$14,868,501,628 of the market value of the securities and bonds listed on the stock exchange during the months of July and August has indicated that the hundreds of thousands of individual stockholders and the banks, trusts, insurance companies, and other institutions holding the Nation's securities will be benefited by improvements in the established and new industries and the industries themselves will derive vast benefits.

A substantial increase in the value of their capital stock and bonds will increase the value of their capital assets, their credit and borrowing power, and their capacity to employ.

STATISTICS ESTABLISHING THAT LESS THAN ONE HALF OF 1 PERCENT OF THE NATIONAL INCOME OF THE UNITED STATES HAS BEEN DERIVED FROM EXPORTS TO EUROPE

Official statistics show that less than one half of 1 percent of the national income of the United States has been derived from exports to Europe.

The income tax reports filed by the corporations are shown by the United States Treasury to have had gross incomes ranging from \$100,000,000 to \$160,000,000 annually; while the income tax reports of the 3 or 4 percent of the population that has been making reports have indicated that, as in the year 1929, 4,044,000 persons had a gross income of over \$400,000,000.

In 1929, the gross income of 509,000 corporations and 4,044,000 individuals was about \$600,000,000, with a net of \$36,454,621,000. Let us now consider the exports from 1921 to 1931:

Merchandise exports (including reexports), by continents and leading countries

[Thousands of dollars]

Continent and country	1921-25, average	1928	1929	1930	1931
Total	4,397,027	5,128,357	5,240,995	3,843,181	2,423,769
Europe	2,317,944	2,374,916	2,340,848	1,838,377	1,185,985
North America:					
Northern North America.....	627,382	924,172	961,473	670,652	402,993
Southern North America.....	444,577	397,195	433,500	348,575	189,291
South America	297,115	480,815	539,310	337,508	153,684
Asia	498,853	654,514	643,215	447,988	386,272
Oceania	141,426	180,033	192,022	107,719	41,575
Africa	69,729	116,713	130,535	92,362	59,959
EUROPE					
Belgium.....	111,284	111,830	114,855	86,000	59,410
Denmark.....	42,615	47,173	51,442	40,243	29,748
Finland.....	10,442	18,742	14,891	11,290	4,855
France.....	265,196	240,692	265,592	223,900	121,820
Germany.....	383,210	467,260	410,449	278,269	165,999
Italy.....	185,237	162,125	153,967	100,420	54,816
Netherlands.....	138,228	142,278	128,295	104,915	65,482
Norway.....	28,081	21,141	23,647	20,281	12,145
Spain.....	70,465	86,613	82,120	57,507	33,970
Sweden.....	39,443	57,323	53,704	44,922	32,156
United Kingdom.....	939,412	847,326	848,000	678,105	455,561
U.S.S.R. (Russia).....	31,749	72,504	81,547	111,362	103,438
NORTH AMERICA					
Canada.....	610,017	914,713	948,446	659,094	395,648
Newfoundland and Labrador.....	8,181	9,216	12,502	11,285	7,138
Central America.....	58,738	82,117	90,756	68,340	46,846
Cuba.....	181,294	127,897	128,909	93,550	47,985
Netherland West Indies.....	3,095	13,622	24,167	24,020	9,649
Other West Indies and Bermudas.....	55,103	57,905	55,893	46,530	31,445
Mexico.....	146,345	115,654	133,893	116,135	52,365
SOUTH AMERICA					
Argentina.....	117,002	178,899	210,288	129,862	52,636
Brazil.....	59,921	100,104	108,787	53,809	28,579
Chile.....	30,132	40,351	55,776	46,374	21,462
Colombia.....	25,862	58,596	48,983	25,130	16,052
Ecuador.....	4,930	6,595	6,069	4,866	2,934
Peru.....	20,942	23,410	26,176	15,720	7,935
Uruguay.....	15,952	26,016	28,245	21,413	9,519
Venezuela.....	14,576	37,920	45,325	32,967	15,645
ASIA					
British India.....	38,188	53,694	55,359	45,195	36,698
British Malaya.....	8,030	11,816	14,641	9,601	4,735
China, Hong Kong, Kwantung.....	128,720	165,884	155,570	112,997	114,445
Japan.....	241,877	288,158	259,127	164,570	155,668
Netherland East Indies.....	17,242	34,445	45,650	29,468	15,323
Philippine Islands.....	51,927	79,805	85,530	64,935	48,883
OCEANIA					
Australia.....	111,273	141,440	150,110	75,990	27,167
New Zealand.....	28,198	35,825	39,461	29,827	13,479
AFRICA					
Algeria and Tunisia.....	7,329	8,725	10,848	8,270	4,520
British South Africa.....	31,369	59,093	63,752	39,129	28,606
British West Africa.....	7,835	13,454	12,381	9,379	6,119
Egypt.....	8,221	11,059	14,026	8,904	6,269
Portuguese Africa.....	4,687	6,353	8,325	7,138	6,309

It will be noted that even in the banner year of 1929 the exports to Europe only amounted to \$2,340,848, or less than one half of 1 percent of the income of the 509,000 corporations and 4,044,000 individuals who made income-tax returns.

The statements circulated, to the effect that the exports made up 10 percent of the national income of the United States were fraudulent assertions, circulated for the purpose of making it appear that the United States was dependent on European trade. The objective was to lead the United States to cancel the war debts and make other grants to the European nations.

The statistics of imports into the United States from other nations show that the small exports were further reduced by large imports:

Merchandise imports by continents and leading countries

(Thousands of dollars)

Continent and country	1921-25, average	1928	1929	1930	1931
Total.....	3,450,103	4,091,444	4,399,361	3,060,908	2,089,802
Europe.....	1,049,494	1,248,749	1,332,630	908,846	640,096
North America:					
Northern North America.....	396,668	499,959	514,370	414,356	277,140
Southern North America.....	514,233	460,743	467,159	347,356	239,931
South America.....	421,336	569,410	639,758	433,516	307,277
Asia.....	942,879	1,168,928	1,280,279	856,495	573,354
Oceania.....	53,904	53,460	56,557	32,791	19,120
Africa.....	71,499	90,207	108,608	67,548	32,584
EUROPE					
Belgium.....	58,335	75,074	74,048	51,536	34,241
Denmark.....	6,029	3,938	4,561	3,181	1,881
Finland.....	7,549	9,872	11,225	10,454	9,932
France.....	147,875	158,748	171,485	113,775	79,174
Germany.....	132,496	222,130	254,688	176,981	127,084
Italy.....	79,141	101,681	117,067	79,321	62,658
Netherlands.....	70,625	83,604	83,853	51,193	34,907
Norway.....	18,498	21,720	21,235	18,224	16,820
Spain.....	29,639	35,018	36,059	25,362	18,621
Sweden.....	34,073	40,056	52,986	45,525	34,269
United Kingdom.....	355,751	348,540	329,755	209,994	135,452
U.S.S.R. (Russia).....	4,557	13,940	21,520	21,963	12,611
NORTH AMERICA					
Canada.....	393,771	480,303	503,496	402,350	266,297
Newfoundland and Labrador.....	2,528	10,147	10,411	11,485	10,396
Central America.....	36,357	45,345	44,771	38,627	31,001
Cuba.....	299,605	202,842	207,421	121,940	90,059
Netherlands West Indies.....	4,200	54,433	64,589	78,345	80,817
Other West Indies and Bermudas.....	26,493	33,609	32,640	28,141	20,443
Mexico.....	147,488	124,514	117,738	80,293	47,611
SOUTH AMERICA					
Argentina.....	83,270	99,438	117,531	71,891	35,979
Brazil.....	152,170	220,701	207,686	130,854	110,301
Chile.....	77,186	75,160	102,025	54,813	39,977
Colombia.....	49,370	94,599	103,525	97,139	75,480
Ecuador.....	8,859	5,345	5,830	5,554	3,603
Peru.....	19,015	20,757	30,167	21,284	8,974
Uruguay.....	14,799	11,709	18,677	12,354	3,877
Venezuela.....	14,873	38,905	51,224	36,868	20,845
ASIA					
British India.....	100,020	148,932	149,332	104,148	58,521
British Malaya.....	153,247	204,364	239,164	144,032	83,073
China, Hong Kong, Kwantung.....	160,711	156,539	182,725	113,275	73,813
Japan.....	336,354	384,450	431,873	279,040	205,369
Netherland East Indies.....	54,962	80,142	82,301	57,890	34,240
Philippine Islands.....	80,108	115,609	125,792	109,390	87,133
OCEANIA					
Australia.....	37,534	31,577	31,998	17,451	12,504
New Zealand.....	13,821	19,208	20,834	11,621	4,433
AFRICA					
Algeria and Tunisia.....	2,096	4,938	4,382	4,019	1,818
British South Africa.....	9,292	9,181	9,656	6,972	4,489
British West Africa.....	12,843	22,168	30,000	20,317	12,476
Egypt.....	33,471	28,687	39,675	13,590	4,011
Portuguese Africa.....	9,615	3,152	4,060	1,615	2,540

Comparative table of exports and imports of 108 countries, 1913-31

EXPORTS

	Annual average 1911-13	1913	Annual average 1926-30	1926
World's total (108 countries)...	\$20,465,000,000	\$21,590,200,000	\$32,917,200,000	\$32,164,100,000
United States.....	1,714,300,000	1,792,600,000	4,033,500,000	4,430,900,000
Percentage of total.....	8.4	8.3	12.3	13.8
Great Britain.....	\$3,559,300,000	\$3,741,000,000	\$5,759,900,000	\$6,030,800,000
Germany.....	2,474,700,000	2,565,300,000	2,936,100,000	2,350,300,000
France.....	1,590,200,000	1,625,300,000	2,090,500,000	1,931,900,000
Canada.....	599,100,000	659,100,000	1,125,000,000	1,008,300,000
Italy.....	600,700,000	703,600,000	1,056,700,000	1,006,700,000
Japan.....	307,400,000	361,200,000	991,600,000	1,120,300,000
Netherlands.....	963,500,000	1,045,700,000	1,031,800,000	979,200,000
Argentina.....	443,700,000	492,500,000	765,500,000	757,900,000

	1927	1928	1929	1930	1931
World's total (108 countries).....	\$33,698,200,000	\$34,599,700,000	\$35,436,600,000	\$28,637,400,000	\$20,721,000,000
United States.....	4,184,700,000	4,091,400,000	4,399,400,900	3,000,900,000	2,090,600,000
Percentage of total.....	12.4	11.8	12.4	10.7	10.1
Great Britain.....	\$5,920,100,000	\$5,818,400,000	\$5,940,900,000	\$5,080,500,000	\$3,005,300,000
Germany.....	3,380,600,000	3,340,700,000	3,203,000,000	2,475,600,000	1,602,400,000
France.....	2,077,400,000	2,102,800,000	2,282,200,000	2,058,400,000	1,654,200,000
Canada.....	1,007,100,000	1,222,300,000	1,299,000,000	1,008,500,000	610,700,000
Italy.....	1,051,300,000	1,173,700,000	1,139,600,000	912,400,000	606,300,000
Japan.....	1,033,100,000	1,019,300,000	1,021,700,000	763,600,000	600,000,000
Netherlands.....	1,022,300,000	1,078,900,000	1,006,400,000	972,100,000	760,900,000
Argentina.....	825,100,000	807,300,000	820,100,000	617,300,000	344,700,000

IMPORTS

	Annual average, 1911-13	1913	Annual average, 1926-30	1926
World's total (108 countries)...	\$18,927,900,000	\$20,072,200,000	\$30,462,500,000	\$29,790,100,000
United States.....	2,253,300,000	2,484,000,000	4,777,300,000	4,808,700,000
Percentage of total.....	11.9	12.4	15.7	16.1
Great Britain.....	\$2,904,700,000	\$3,089,400,000	\$3,844,300,000	\$3,782,300,000
Germany.....	2,156,500,000	2,405,200,000	2,810,500,000	2,478,600,000
France.....	1,265,400,000	1,327,900,000	1,954,100,000	1,919,500,000
Canada.....	373,400,000	460,500,000	1,202,200,000	1,283,900,000
Italy.....	457,600,000	484,700,000	752,100,000	726,000,000
Japan.....	265,200,000	313,200,000	908,000,000	963,500,000
Netherlands.....	792,800,000	821,300,000	750,500,000	701,400,000
Argentina.....	448,700,000	515,200,000	827,900,000	730,000,000

	1927	1928	1929	1930	1931
World's total (108 countries).....	\$31,217,700,000	\$32,531,800,000	\$32,687,600,000	\$26,052,300,000	\$18,675,200,000
United States.....	4,865,400,000	5,128,400,000	5,241,000,000	3,843,200,000	2,424,300,000
Percentage of total.....	15.5	15.5	16	14.7	12.9
Great Britain.....	\$4,010,100,000	\$4,106,700,000	\$4,083,200,000	\$3,200,200,000	\$2,069,800,000
Germany.....	2,566,300,000	2,929,000,000	3,211,600,000	2,866,900,000	2,286,400,000
France.....	2,163,700,000	2,012,500,000	1,965,500,000	1,679,100,000	1,192,500,000
Canada.....	1,238,900,000	1,374,200,000	1,208,300,000	905,000,000	595,300,000
Italy.....	806,700,000	788,900,000	801,400,000	637,500,000	522,900,000
Japan.....	944,600,000	915,200,000	990,500,000	725,000,000	566,100,000
Netherlands.....	762,000,000	798,400,000	799,800,000	691,000,000	527,300,000
Argentina.....	972,000,000	1,017,400,000	907,300,000	512,800,000	427,500,000

COMPARABILITY OF FOREIGN TRADE STATISTICS

Inquiries at the Department of Commerce has brought to light the following pertinent facts:

Statistics of trade between exporting and importing countries are properly comparable only in case of direct trade valued on the same basis.

In 1914 the Government of Brazil published a comparison of Brazilian imports for the 13 years 1902-14 with the corresponding export statistics of the United

States, the United Kingdom, and Germany. It was found that the Brazilian values of imports (purchase prices in the exporting countries) for the 13 years averaged only 2.1 percent above the export values of the United States, 0.9 percent above those of the United Kingdom, and 3.3 percent above those of Germany. The larger discrepancy in the case of Germany was doubtless due to the difference in valuation (official valuation in Germany; importers' declarations in Brazil).

A similar comparison for Brazilian exports was not possible, however, as Brazilian coffee and other products are often shipped "for order" to a certain port, the final destination being unknown at the time of shipment.

Among the principal causes of discrepancies between the correlated import and export statistics the following may be mentioned:

1. *Difference in valuation as between imports and exports.*—Exports are always valued f.o.b. port or frontier, while imports are usually valued c.i.f. port of landing and hence appear in the statistics at a higher figure than the corresponding exports. Among the leading countries only the United States, Canada, Cuba, Philippines, and the Union of South Africa value their imports, f.o.b. foreign port.

2. *Difference in valuation as between countries.*—In most countries the valuation of imports and exports is based on declarations of the importers or exporters. In some countries, however, official unit prices are used which may or may not represent true values.

3. *Confusion caused by shipments "for orders".*—American corn shipped via Montreal is credited as exports to Canada, though its final destination may be some European country.

4. *Indirect trade passing through a third country or through a free port.*—This is the chief cause of discrepancies. The Czechoslovak statistics for 1929 show direct imports from the United States valued at \$32,231,000, although the real value of imports from the United States, direct and indirect, was \$68,633,000.

American copper going to Germany is credited partly to Belgium and Netherlands through whose ports it passes. Contrariwise, American cotton going to German ports is credited to Germany, though large quantities may really go to Czechoslovakia or Austria.

Canadian wheat and furs shipped via United States ports to Germany may be credited to the United States. Canadian wheat so shipped to Italy is likewise credited to the United States. Liverpool, London, Antwerp, Rotterdam, Bremen, Hamburg, and Copenhagen in Europe, and Hong Kong and Singapore in Asia, are the principal ports of transshipment.

5. *Sale in transit.*—An American may ship 30,000 bushels of oats to Greece, and the shipment is so recorded in United States statistics. When the ship reaches Algiers, the oats is sold there at a profit. That shipment naturally will not appear in Greek statistics of imports.

6. *Time lag.*—Exports shipped in December may not reach the importing country until January of next year.

7. *Loss in transit.*—Sometimes whole shipments or parts of shipments are lost at sea; sometimes goods are stolen on the way. Such commodities will appear in export statistics, but not in import statistics.

8. *Fluctuating currency.*—When exchange fluctuates, the annual record is a sum of different valuations, and the conversion into dollars at the annual average rate may or may not approximate the real dollar value.

In addition to these principal causes of discrepancies a few minor factors contributing to the differences may be mentioned. Importers sometimes undervalue goods to escape a higher duty, and even exporters are occasionally guilty of the same fault.

In Italy it has been officially admitted that the valuation of exports was too low for a number of years. Receipts of reparations in kind are included in French, but not in Italian or Yugoslav statistics. Ships and ship stores, diamonds, and other precious stones, are included in the trade statistics of some countries, but excluded in other countries.

Foreign trade statistics as a rule show direct trade only. The statistics of imports are usually more reliable than those of export, as imports are subject to stricter control, even though considerable contraband trade may develop on certain occasions.

A strict comparison of imports and exports is possible only in the rare cases of direct trade; in other cases a comparison can be made only on the basis of a study of the trade of both the countries immediately concerned and the intermediate countries through which a part of the trade may pass.

THE VITAL NEED OF ADOPTING THIS BILL WITH CREDIT TO THE STATES, COUNTIES, AND MUNICIPALITIES TO COMPENSATE FOR THE \$50,000,000,000 DEVALUATION RESULTING FROM OTHER LEGISLATION

The adoption of this bill, with provision for extending loans to the 48 States, 3,072 counties, and 16,598 municipalities, is vital to the Nation.

It is needed to compensate for the \$50,000,000,000 devaluation of capital values resulting from the other emergency legislation if it is enforced as emergency legislation has been enforced so far. For instance:

1. The Emergency Banking Act has crippled banking and credit facilities throughout the United States, due to the policy of devaluing the assets of the banks and keeping many closed or in the hands of the conservators, in endeavors to bring about mergers and reduce the number of banks.

2. The Economy Act reduced the purchasing power of over 1,000,000 Government employees and their dependents, and will do likewise to as many veterans.

3. The representing of the gold restrictions as abandonment of the gold standard resulted in the laws of diminishing returns being set in motion against the United States, as follows:

(a) It cost over 20 percent more to Americans to pay their bills for merchandise they bought abroad, while it cost 20 percent less to foreigners to pay their bills to the United States.

(b) It cost about 20 percent less to foreigners to buy American goods, while it cost 20 percent more to Americans to buy American goods.

(c) Americans with dollars balances abroad, as many banks and merchants have, have 20 percent less funds, whereas the foreign banks and merchants with American balances in foreign exchange have 20 percent more.

(d) Americans will get 20 percent less for what they export, while the foreigners will get 20 percent more for what they bring to the United States.

(e) The prices of commodities soared up to meet the reduced value of the dollar abroad, which is less than 1 percent of the consumption since the American buyer represents over 99 percent of the consuming power.

(f) The Americans will have to pay the increased prices with reduced dollars and reduced incomes.

(g) The United States Government employees will suffer a greater and additional loss than the 15 percent cut made recently, because they have less income to pay a large increase in prices, particularly of commodities. That decreases purchasing power.

4. The so-called "Inflation Act" or "Emergency Farm Mortgage Act" has the following shortcomings:

(a) The farmers will not derive benefits from payments of crops until late in the year, as they sold their crops.

(b) The compulsory reduction of crops sets the laws of diminishing returns to work against the farmers. They must reduce capital values without assurance of living incomes.

(c) They are compelled to pay higher prices for commodities long before they derive any income for their crops.

(d) The requirement that a tax is to be paid upon processing of products will tend to restrict the processing to actual needs, so as to save the amount of the tax. That will reduce employment in processing of products.

(e) Section 22 provides for the "purchase, reduction, and refinance of farm mortgages." There is danger that the capital investment in farm properties, which amounts to about \$57,000,000,000, will be devalued by up to \$25,000,000,000, which will reduce the capital and credit values of 27,000,000 farmers to little over half of what they toiled to build.

(f) Section 32 provides for the "reduction of debts" by devaluation or scaling down, but does not provide payments to farmers, which is what they need.

(g) Section 36 provides for "refinancing of agricultural improvement district indebtedness" to the extent of \$50,000,000, but does not provide a dollar to be paid to the farmer.

(h) Section 43 provides for increase of currency by \$3,000,000 and for reduction of the gold contents of the dollar. But there is no provision for paying the farmer or any other needy anything.

(i) Section 44 authorizes the President to accept payment from foreign governments for payments now due in gold up to \$200,000,000 in silver, at not exceeding 50 cents per ounce, and the use of that silver for silver currency.

There is no aid to the farmers in that provision. On the contrary, the import of silver will reduce the employment and purchasing power of the silver-mining industry of the United States, which will hurt business as a whole.

5. The Wagner-Lewis relief bill barely provides for the bread-line relief which has been failing, due to lessening of private charity. It provides \$500,000,000, for instance, to be made available for relief under different conditions. That is less than would be required to provide only 25 cents per capita for the 12,000,000 destitutes.

Even at the small sum of 25 cents per day for each of the destitutes, the amount required would be \$1,095,000,000 a year.

7. How little can be accomplished by doling out, up to \$1,000,000,000, in dribbles from which no additional purchasing power is created is clearly shown by the fact that conditions have grown worse during the past year instead of better.

8. The Reconstruction Finance Corporation loans to the States during the past year have aided in keeping the millions in the bread lines from complete starvation, but have not contributed otherwise. The loans made by the Reconstruction Finance Corporation to the States up to March 31, 1933, were as follows:

Reconstruction Finance Corporation relief loans to Mar. 31, 1933

	Total loans		Total loans
Alabama.....	\$3, 322, 493	New Mexico.....	\$302, 138
Arizona.....	1, 250, 666	New York.....	19, 800, 000
Arkansas.....	4, 262, 370	North Carolina.....	5, 074, 000
California.....	6, 956, 557	North Dakota.....	458, 868
Colorado.....	3, 325, 530	Ohio.....	15, 283, 937
Florida.....	3, 785, 533	Oklahoma.....	3, 827, 027
Georgia.....	1, 096, 921	Oregon.....	2, 094, 136
Idaho.....	950, 616	Pennsylvania.....	29, 929, 875
Illinois.....	44, 738, 621	Rhode Island.....	896, 090
Indiana.....	3, 952, 260	South Carolina.....	3, 801, 815
Iowa.....	1, 615, 287	South Dakota.....	1, 803, 945
Kansas.....	2, 448, 663	Tennessee.....	2, 470, 523
Kentucky.....	5, 172, 859	Texas.....	5, 513, 089
Louisiana.....	7, 602, 506	Utah.....	2, 567, 789
Maine.....	112, 740	Virginia.....	3, 391, 794
Michigan.....	15, 725, 790	Washington.....	4, 738, 483
Minnesota.....	2, 155, 592	West Virginia.....	8, 305, 328
Mississippi.....	3, 709, 962	Wisconsin.....	11, 912, 992
Missouri.....	3, 835, 265	Hawaii.....	307, 435
Montana.....	2, 058, 535	Puerto Rico.....	360, 000
Nevada.....	206, 567		
New Hampshire.....	1, 366, 603	Total.....	242, 491, 200

9. The results from the expenditure of that \$242,461,000, plus three times as much contributed by the States, cities, and private charity, has not been more than to barely keep the millions in the bread line from absolute starvation. At 50 cents per person, it would have required \$6,000,000 per day, or \$2,190,000,000 for the year, to care for the 12,000,000 destitutes.

11. It is clear, therefore, that the expectations of great improvements from the Wagner-Lewis relief bill cannot be realized. The amount provided is not adequate even for bread-line relief.

ECONOMIC LOSSES OF REDUCING THE CAPITAL VALUE OF HOME MORTGAGES

The Home Owners' Loan Act of 1933 is predicated upon the theory that President Roosevelt's policy of having the Government aid to save the homes of the Nation can be carried into effect by compelling the home owners and the holders of mortgages to reduce the valuation of the homes and the mortgages and then loaning on 40 percent of the reduced valuation.

That theory will be destructive. It will set in motion the laws of diminishing returns on such a vast scale as to make the measure a national menace, for the following reasons:

1. It sets the laws of diminishing returns to work against (a) capital values, (b) against purchasing power, (c) against credit power, (d) against bank deposits of home owners, (e) against bank deposits of mortgage holders, (f) against the insurance policies held by millions.

2. It will reduce the value of the homes by about \$10,000,000,000, so that the home owners will have that much less capital values.

3. It will reduce the bank deposits of the Nation's 30,000,000 depositors from \$45,000,000,000 present total to \$35,000,000,000, or thereabout, since a large part of those deposits have been invested in home mortgages, direct by the banks or by other depositors in the banks.

4. It will reduce the purchasing power of those from whom the \$10,000,000,000 is taken and their dependents, employees, and industries depending upon their trade.

5. It will reduce their borrowing power by \$10,000,000,000.

6. It will reduce the Nation's credit total by \$10,000,000,000.

7. It will reduce the borrowing power of the Nation, the 48 States, the 3,072 counties, and the 16,598 municipalities by \$10,000,000,000, because the lending power of the people and banks will have been reduced.

Senator GORE. Would that tax be by the rule of apportionment as provided under the Constitution?

Mr. WOODHOUSE. This is to tax increased values produced by economic processes.

Senator GORE. I understand that, but you are taxing the lands of the States.

The CHAIRMAN. You may extend your remarks in the record.

Mr. WOODHOUSE. Paragraph (b) of section 4 is as follows:

(b) Exercising the contractual rights of the United States to accept payment for said foreign securities in Government obligations of the United States, thereby reducing interest charges on outstanding obligations now amounting to upward of \$725,000,000 annually, which are paid by the people of the United States in taxes.

Amendment 5 is:

Create a source of revenue from exercising the rights of the United States to the domains and lands ceded to the United States by Mexico under the treaty of Guadalupe Hidalgo of February 2, 1848, and the protocol of May 26, 1848, and collecting fees estimated at \$4,000,000,000 overdue, and annual fees thereafter, by—

(a) Authorizing the proper departments and officials of the United States Government to proceed with the exercising of the rights of the Government of the United States to the vast areas of rich mineral, gas, and residential lands ceded to the United States by Mexico, since held largely by private individuals and corporations without lawful right.

6. Increase the income from the processing tax, as provided under this act, by speeding the increase of purchasing power in all parts of the United States by—

(a) Providing cash loans, to be made within 30 days of the enacting of this act, to the 48 States, 3,073 counties, 19,598 municipalities, in the amount of \$20 per capita of their population, to be spent in civic improvements that will tend to create employment and use of processed articles.

To speed the increase and distribution of purchasing power, I propose the following measure:

SEC. 303. To enable the 48 States, 3,072 counties, and 16,598 municipalities constituting the political divisions and subdivisions of the United States to cooperate with the Federal Government in speeding the operation of this act, and to also provide for employing the unemployed, the President is authorized and empowered to make available in cash to each State an amount equal to not more than \$20 for each individual residing in such State as shown by the report of the census of the United States of 1930, and to each county and municipality of each State an amount equal to not more than \$20 for each individual residing in such county or municipality or other political subdivision, as shown by the report of the census of the United States for 1930.

(a) Each State, county, municipality, or other subdivision of a State may, from time to time, by its executive authority, make application to the Federal agency to be designated by the President for an advance under this act on a form supplied by the said agency.

(b) Such forms shall contain a list of 100 or over purposes for which sums advanced may be used, which shall include any and all improvements, replacements, restorations and activities which may provide work for unemployed and create the consumption of products of industries, materials, and equipment.

(c) The use of such application forms shall be deemed to be for the purpose of supplying a census of activities and to show the approximate purpose for which sums applied for are intended to be used, but the failure to designate any such use, or any changes in the use of said sums shall not be grounds for denying the application or for rescinding the advance after it has been made.

(d) Advances shall be made solely on the credit of the State, county, municipality, or other political subdivision, as the case may be, upon the application to the said agency by the executive authority of the State, county, municipality, or other political subdivision and upon the certification by such executive authority of the agreement of such State, county, municipality, or other political subdivision to accept advances made under this act, and to repay them in accordance to their terms the sums applied for.

(e) Advances shall be made for a period of 20 years, shall bear interest at the rate not exceeding 4 percent per annum payable annually, and the principal of the advance shall be payable in installments of not less annually than \$1 per capita.

(f) All advances shall be used for the purpose of making improvements, replacements and restorations and activities calculated to provide work that will employ needy and distressed people and create purchasing power tending to relieve the hardships resulting from unemployment, and no part of the sums advanced shall be used by the borrower for the payment of debts, the purchase of securities, or for direct charity.

(g) No part of the sums advanced shall be used by the borrower for the purchase of materials or articles grown, produced, or manufactured in a foreign country.

Sec. 304. The sums advanced under this act shall be in addition to sums loaned or advanced under the Reconstruction Finance Corporation Act and the Emergency Relief Reconstruction Act of 1932, and the limitations of the last sentence of the second paragraph of section 5 of the Reconstruction Act shall not apply with respect to the amount which may be advanced to any one borrower under this act.

Sec. —. To speed and extend the benefits of this title to this act, the President of the United States may, at his discretion, appoint a national recovery board, in which board shall be vested the management and carrying into effect the provisions of this title of this act, which board shall consist of the Secretary of the Treasury (or in his absence the Under Secretary of the Treasury) who shall be a member ex officio, and six other persons appointed by the President of the United States by and with the advice and consent of the Senate, whose qualifications shall be determined by the qualifications set forth at section 3 of the Emergency Relief and Reconstruction Act of 1932.

Sec. —. The amount of notes, debentures, bonds, or other such obligations which are provided under this act and under the Farm Relief Act, the Reconstruction Finance Corporation is authorized and empowered, is hereby increased to such amount as may be necessary for the purpose of this act.

Sec. —. As used in this act, the terms "State" includes Alaska, Hawaii, Puerto Rico, and the District of Columbia.

Sec. — This may be cited as the National Recovery Fund Act.

I also submit the following possible amendments to Senate 1712, the National Recovery Act:

Amend title II, section 202, by adding, at line 23, after "as amended" the following:

(f) Any project calculated to increase the production in the United States and territories and by American labor of gold and silver.

(g) Any projects calculated to bring about the establishing of self-supporting cooperative communities in the United States and territories for families of three or over members, at least two of which shall be in their minorities.

(h) Any project calculated to bring about the establishing of self-supporting, cooperative communities for families and single persons irrespective of age, who shall be entitled to payments, compensations, or pensions from the Government of the United States, the Veterans' Administration, or other Federal, States, county, or municipal agencies.

(i) Any project calculated to revive, aid and encourage civilian sea-faring and maritime activities.

Amend title II, section 203 (line 23) by adding after the words "such projects" the following:

Provided, That for the purpose of speeding the realization of (f), (g), (h), (i) of section 202 of this act the President is authorized to direct that loans be made without restriction other than the amount shall not exceed the sum of \$1,000,000

for each of such projects, and that not exceeding \$50,000 shall be advanced for preliminary planning of any one of such projects, including the cost of securing options on additional lands that may be required to complete said planning of any one of said projects.

I also propose the following amendment:

There is hereby created a Federal emergency relief employment coordinating bureau, which shall be administered under the direction of the Federal emergency employment coordinator (referred in this act as the "coordinator") to be appointed by the President, by and with the advice and consent of the Senate.

The coordinator shall receive a salary to be fixed by the President, and necessary traveling and subsistence expenses within the limitations prescribed by law for civilian employees in the executive branch of the Government.

It shall be the duty of the coordinator to—

(1) Prepare and maintain a list or lists of all possible improvements and conditioning and reconditioning that may properly be done by or under the direction of the United States, the several States, counties, municipalities, and subdivisions and agencies thereof.

(2) To prepare and maintain surveys and charts giving comprehensive statistics of the geographical and seasonal distribution of work and activities which may afford employment to unemployed.

(3) To prepare and maintain surveys and charts giving accurate statistics of the percentage of employment afforded by the various industries, professions, and occupations over a period of years, to facilitate providing work for different branches of human endeavor on a regular, normal, balanced schedule.

(4) To prepare and maintain surveys and charts giving accurate statistics of seasonal requirements of labor of different industries in different geographical divisions.

(5) To prepare and maintain surveys and charts giving accurate statistics of the economic dislocation wrought in recent years by floods, earthquakes, droughts, and other catastrophes, and indicating the measure of relief which would have restored the areas affected to their normal status and prevented the laws of diminishing return from operating to the disadvantage of the Nation as a whole.

THE IMPORTANCE OF PROVIDING A RESERVE OF GOLD AND SILVER, AS REDEMPTION PRIMARY MONEY, TO REMOVE THE PUBLIC APPREHENSION CREATED REGARDING THE PAPER CURRENCY AUTHORIZED BY THE EMERGENCY ACTS

After spending 2 days before the House Committee on Foreign Affairs, in the consideration of the three resolutions which provide for the instructions to be given to the American delegates to the World Economic Conference, I realize the importance of assuring the Nation that there are ample assets with which to redeem the new paper currency authorized by the Farm Relief Act.

In the 20 years that I have been appearing before congressional committees on national questions I have never seen such definite interest and had to answer so many definite questions as on the importance of gold and silver and establishing proper ratios to insure stabilization.

We had no such interest in national finance, and no interest at all in ratios of gold and silver when we were considering the ways and means of raising the billions of dollars for paying the expenses of preparing for the World War.

We raised over \$20,000,000,000 and delivered that amount of paper bonds for that amount without ever questioning the fact that the United States resources were sufficient to redeem a thousand times that amount of bonds over a course of years.

I recall that we figured that the amount of gold required to deal with the international part of the transactions of the war was quite sufficient, although the gold coin and gold bullion in the United States Treasury at the time in 1916 amounted to only \$2,444,935,900, or about half of the present amount.

At the time I made an economic survey of silver and suggested that we also estimate accurately the amount of gold to be had from mines in the United States, so as to know what we might do on a metal base. The people to whom I mentioned the matter, including the chairmen of the important committees of Congress engaged in computing the borrowing capacity of the Nation, saw no necessity for considering the increasing of the production of gold.

What the world required at the time was production of food products, of war supplies, and of commodities for the millions of Americans who had been finding employment and were buying long-desired commodities.

Gold was not a necessity, nor a commodity. It was neither thereafter, and in the banner year of 1929 the United States had only \$4,324,350,860 in gold coin and bullion, and yet the income-tax returns of the 4,044,000 individuals and 509,000 corporations who made returns that year show a gross income of over \$600,000,000,000, with a net income of over 6 percent on that huge sum, or \$36,454,621,000.

That had all been derived from American consumption of American products, since the exports to foreign countries and the Philippines, Hawaii, Alaska, and Puerto Rico amounted to only less than 1 percent, or \$5,241,000,000.

But now we have become gold conscious and silver conscious, and the press is crying for currency backed by primary money of redemption. That is easy to meet; we need but put the unemployed to work in the idle gold and silver mines, and produce the gold and silver required to redeem all the paper currency in theory, since no one will ever want coin instead of paper.

MONEY IN THE UNITED STATES, 1914-32

Statements showing the stock of money in the United States in the years ended June 30, 1914, to 1932, and the imports and exports of merchandise, gold, and silver in the calendar years 1914 to 1931, and the 9 months ended September 30, 1932, follow:

Stock of money in the United States, in the Treasury, in reporting banks, in Federal Reserve banks, and in general circulation, years ended June 30, 1914 to 1932

Year ended June 30—	Coin and other money in the United States	Coin and other money in Treasury as assets ¹		Coin and other money in reporting banks ²		Held by or for Federal Reserve banks and agents		In general circulation, exclusive of amounts held by reporting banks, Federal Reserve banks, and Treasury		
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Per capita
	<i>Millions</i>	<i>Millions</i>		<i>Millions</i>		<i>Millions</i>		<i>Millions</i>		
1914.....	3,787.8	338.4	8.91	1,630.0	42.92	-----	-----	1,829.4	48.17	18.46
1915.....	4,050.8	348.2	8.60	1,447.9	35.74	383.0	9.45	1,871.7	46.21	18.66
1916.....	4,541.7	299.1	6.59	1,472.2	32.41	593.3	13.06	2,177.1	47.94	21.24
1917.....	5,678.7	269.7	4.75	1,487.3	26.19	1,342.7	23.64	2,579.1	45.42	24.74
1918.....	6,906.2	363.5	5.27	882.7	12.78	2,061.0	29.84	3,599.0	52.11	33.97
1919.....	7,688.4	585.1	7.61	981.3	12.76	2,226.7	28.96	3,895.3	50.67	36.67
1920.....	8,158.5	490.7	6.01	1,047.3	12.84	2,200.2	26.97	4,420.3	54.19	41.50
1921.....	8,174.5	463.6	5.67	926.3	11.33	2,799.9	34.25	3,984.7	48.75	36.71
1922.....	8,276.1	406.1	4.91	814.0	9.84	3,406.8	41.16	3,649.2	44.09	33.18
1923.....	8,702.8	386.5	4.44	777.1	8.93	3,493.0	40.14	4,046.2	46.49	36.20
1924.....	8,846.5	359.4	4.06	900.8	10.18	3,637.8	41.12	3,948.5	44.64	34.69
1925.....	8,299.4	363.9	4.38	938.3	11.30	3,120.3	37.63	3,876.9	46.69	33.58
1926.....	8,429.0	352.2	4.19	975.2	11.57	3,190.5	37.85	3,910.1	46.39	33.35
1927.....	8,667.3	350.9	4.05	985.1	11.36	3,465.1	39.98	3,866.2	44.61	32.57
1928.....	8,118.1	351.3	4.33	866.5	10.67	2,970.2	36.69	3,930.1	48.41	32.72
1929.....	8,538.6	373.1	4.37	799.1	9.36	3,419.4	40.04	3,947.2	46.23	32.47
1930.....	8,306.6	247.2	2.98	853.8	10.28	3,537.3	42.58	3,668.2	44.16	29.78
1931.....	9,079.6	254.9	2.81	865.5	9.53	4,002.7	44.08	3,956.5	43.58	31.87
1932.....	9,004.4	278.2	3.09	774.1	8.60	3,031.1	33.66	4,921.0	54.65	39.41

¹ Public money in national-bank depositories to the credit of the Treasurer of the United States not included.

² Money in banks of island possessions not included.

NOTE.—Population estimated at 113,818,432 in 1924; 115,469,094 in 1925; 117,227,000 in 1926; 118,719,000 in 1927; 120,104,000 in 1928; 121,546,198 in 1929; 123,250,000 in 1930; 124,135,800 in 1931; and 124,881,806 in 1932.

Imports and exports of merchandise, calendar years 1914 to 1931, inclusive, and from Jan. 1 to Sept. 30, 1932

	Imports of merchandise	Exports of merchandise	Excess of exports over imports
1914.....	\$1,789,276,001	\$3,113,624,050	\$1,324,348,049
1915.....	1,778,596,685	3,554,670,847	1,776,074,152
1916.....	2,391,635,335	3,482,641,101	3,091,005,766
1917.....	2,952,465,955	6,226,255,654	3,273,789,699
1918.....	3,031,304,721	6,149,241,951	3,117,937,230
1919.....	3,004,304,932	7,920,425,990	4,916,061,058
1920.....	3,278,811,490	8,228,016,307	2,949,534,817
1921.....	3,209,147,870	4,485,031,356	1,975,883,786
1922.....	3,112,748,000	3,831,777,469	719,030,636
1923.....	3,112,748,000	4,147,493,080	375,427,117
1924.....	3,112,748,000	4,350,983,845	661,021,266
1925.....	3,112,748,000	4,350,983,845	661,021,266
1926.....	3,112,748,000	4,350,983,845	661,021,266
1927.....	3,112,748,000	4,350,983,845	661,021,266
1928.....	3,112,748,000	4,350,983,845	661,021,266
1929.....	3,112,748,000	4,350,983,845	661,021,266
1930.....	3,112,748,000	4,350,983,845	661,021,266
1931.....	3,112,748,000	4,350,983,845	661,021,266
1932 (9 months).....	1,078,301,000	1,145,854,990	173,593,000
Total, 18 years and 9 months.....	61,428,614,000	63,128,200,161	28,510,382,824

¹ Preliminary, subject to correction.

Analysis of changes in monetary gold stock since the panic of 1929 and during emergency of 1933

(In millions of dollars)

Month	Gold stock at end of month	Analysis of changes			
		Increase (+) or decrease (-) in stock during month	Net gold import	Net release from earmark ¹	Domestic production, etc. ²
1929—October.....	4,386	14.4	17.5	-4.5	1.4
November.....	4,367	-19.2	-23.3	1.0	3.0
December.....	4,284	-82.9	-64.4	-22.0	3.5
Total (12 months).....		142.5	175.1	-55.4	22.8
1930—January.....	4,291	6.8	4.0	.5	2.3
February.....	4,353	61.9	60.0	.0	1.9
March.....	4,423	70.2	55.5	15.0	-3
April.....	4,491	68.5	65.7	.5	2.3
May.....	4,517	25.9	23.5	2.0	.5
June.....	4,535	17.6	13.0	2.0	1.7
July.....	4,517	-18.4	-19.6	-3.0	4.3
August.....	4,501	-15.5	-19.0	.0	4.2
September.....	4,511	10.2	2.5	4.0	3.7
October.....	4,535	23.3	26.4	-6.1	3.1
November.....	4,571	36.8	35.2	-2.1	3.8
December.....	4,593	22.1	32.7	-15.2	4.5
Total (12 months).....		309.6	280.1	-2.4	31.9

¹ Gold released from earmark at Federal reserve banks less gold placed under earmark.

² This figure, derived from preceding columns, represents the excess of domestic production over non-monetary consumption of gold—chiefly consumption in the arts. In any given month, however, it may be predominantly affected by the fact that on the final day of the month (a) gold bullion or foreign gold coin recently imported may not yet have reached a reserve bank of the Treasury, and (b) gold bullion recently withdrawn from stock for exports may not yet have been actually exported. The figures are subject to certain unavoidable inaccuracies in official reports of gold imports and exports.

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Analysis of changes in monetary gold stock since the panic of 1929 and during emergency of 1933—Continued

Month	Gold stock at end of month	Analysis of changes			
		Increase (+) or decrease (-) in stock during month	Net gold import	Net release from earmark	Domestic production, etc.
1931—January.....	4,643	49.4	34.4	11.9	3.1
February.....	4,665	22.0	16.1	2.5	3.3
March.....	4,697	32.0	25.6	3.0	3.3
April.....	4,704	28.7	49.5	-7.5	-13.3
May.....	4,724	72.4	49.6	4.0	18.8
June.....	4,750	25.0	63.8	92.3	1.9
July.....	4,752	2.0	19.5	-9.7	3.6
August.....	4,752	0.0	57.5	-16.0	4.2
September.....	4,752	0.0	60.6	-79.1	4.2
October.....	4,752	0.0	57.7	-107.6	-3.1
November.....	4,752	0.0	29.4	28.3	4.2
December.....	4,752	0.0	29.4	-22.9	11.9
Total (12 months).....		-124.4		-320.8	42.1
1932—January.....		-44.2		25.4	3.4
February.....		26.4		26.4	1.9
March.....		58.3		58.3	2.4
April.....		4.0		4.0	3.2
May.....		2.1		2.1	3.6
June.....		-2.8	-2.8	25.8	0.9
July.....		2.0		48.2	5.2
August.....		111.7		100.5	5.1
September.....		104.8		72.3	4.6
October.....		70.8		45.8	4.5
November.....		75.6		48.6	5.3
December.....		57.5		71.0	1.6
Total (12 months).....				457.5	41.6
1933—January.....	4,553			-91.5	3.0
February.....	4,380			-178.3	-12.9
Mar. ^a	4,279			-100.1	21.8
Total (3 months).....				-369.9	11.9

^a Allowance has been made for gold held for account of the Federal Reserve Bank of New York.

^b Differs from Department of Commerce figures because gold declared for export on Feb. 28 was not actually taken from the Federal Reserve Bank until Mar. 1.

^c Preliminary figures.

Gold movements to and from United States

[In thousands of dollars]

From or to—	1933				1932	
	February (preliminary)		January		January- December	
	Imports	Exports	Imports	Exports	Imports	Exports
Belgium.....					1,031	83,602
England.....	4,024	1,070	50,254	6	68,718	16,132
France.....		3,554	29,490		16,649	458,298
Germany.....			1,067		382	13,738
Netherlands.....	4,378	6,121	15,123		18,690	115,277
Portugal.....						2,386
Switzerland.....		1,564			287	118,560
Canada.....	3,992		5,282	8	64,757	184
Central America.....			129		1,392	3
Mexico.....			634		20,407	320
Argentina.....					13,000	9
Colombia.....			52		3,242	
Ecuador.....			113		1,053	1,060
Peru.....	140		64		3,242	126
Uruguay.....					4,384	
Venezuela.....			139		1,770	
Australia.....	608		682		7,510	
British India.....	8,237		15,193		26,596	
China and Hong Kong.....	3,610		5,612		39,044	
Dutch East Indies.....			120		2,901	
Japan.....			3,729		49,720	
Philippine Islands.....			533		7,052	
All other countries ¹	1,735	17	202		11,489	233
Total.....	\$ 26,724	\$ 12,326	128,479	14	363,315	809,628

¹ Includes all movements of unreported origin or destination.

² At New York—imports, \$18,514,000, exports, \$12,326,000. Elsewhere—imports, \$8,210,000.

Kinds of money in circulation

[Money outside Treasury and Federal Reserve banks. In millions of dollars]

Kind of money	1933		1932
	Feb. 28 ¹	Jan. 31	Feb. 29
Gold coin.....	571	479	406
Gold certificates.....	650	591	820
Federal Reserve notes.....	3,405	2,707	2,634
Treasury currency:			
Standard silver dollars.....	28	28	31
Silver certificates.....	362	350	363
Treasury notes of 1890.....	1	1	1
Subsidiary silver.....	252	250	260
Minor coin.....	111	111	114
United States notes.....	301	287	280
Federal Reserve bank notes.....	3	3	3
National-bank notes.....	861	836	691
Total Treasury currency.....	1,919	1,866	1,743
Total money in circulation.....	6,546	5,645	5,604

¹ Preliminary.

The statutory provision for the gold dollar standard in the United States is section 314 of chapter 8, title 31 (p. 995), Code of Laws of the United States. It reads:

"Standard unit of value.—The dollar consisting of twenty-five and eight-tenths grains of gold nine-tenths fine shall be the standard unit of value, and all forms of money coined and issued by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity." (R.S. 3511; Mar. 14, 1900, ch. 41, sec. 1, 31, Stat. 45.)

Gold production
(In thousands of dollars)

Year and month	Estimated world production	Production reported monthly											
		Total	Africa				North and South America				Far East		
			South Africa	Rhodesia	West Africa	Belgian Congo	Canada	United States	Mexico	Colombia	Australia	Japan	India
1929 —January.....	33,819	29,968	18,252	960	320	170	3,112	3,820	1,327	235	613	523	638
February.....	31,712	27,861	16,836	923	324	164	3,018	3,820	777	235	639	519	606
March.....	33,292	29,441	17,904	962	351	171	3,223	3,820	966	235	627	533	629
April.....	33,589	29,738	18,034	997	367	173	3,173	3,820	936	235	870	512	622
May.....	34,249	30,398	18,579	998	362	193	3,414	3,820	936	235	662	571	629
June.....	33,632	29,782	17,744	1,044	372	195	3,524	3,820	965	235	748	565	612
July.....	34,437	30,587	18,420	959	333	211	3,294	3,820	1,512	235	654	533	616
August.....	34,528	30,677	18,415	961	333	217	3,401	3,820	1,255	235	846	582	614
September.....	33,534	29,684	17,516	931	344	211	3,339	3,820	1,253	235	747	670	618
October.....	35,057	31,206	18,394	970	385	221	3,765	3,820	1,341	235	820	624	631
November.....	33,504	29,654	17,838	955	406	219	3,111	3,820	1,131	235	681	638	619
December.....	33,517	29,667	17,310	968	399	245	3,488	3,820	1,062	235	806	659	675
Total (12 months).....	404,869	358,664	215,242	11,607	4,297	2,390	39,862	45,835	13,463	2,823	8,712	6,927	7,508
1930 —January.....	35,153	30,320	18,434	957	408	228	3,194	3,927	1,127	273	578	585	606
February.....	33,654	28,821	16,927	910	396	212	3,014	3,927	1,282	273	709	583	587
March.....	35,253	30,420	18,317	956	410	222	3,394	3,927	1,050	273	666	611	593
April.....	34,988	30,154	17,961	963	423	208	3,506	3,927	1,150	273	838	597	307
May.....	35,992	31,158	18,934	998	413	210	3,487	3,927	1,204	273	763	641	307
June.....	35,917	31,084	18,355	951	404	211	3,637	3,927	1,156	273	945	647	576
July.....	36,376	31,543	19,041	960	414	207	3,529	3,927	1,115	273	796	711	569
August.....	36,373	31,540	18,916	964	428	216	3,515	3,927	1,139	273	876	666	619
September.....	36,166	31,333	18,642	964	409	238	3,686	3,927	1,115	273	741	732	606
October.....	37,054	32,221	19,142	944	419	256	3,862	3,927	1,109	273	895	756	637
November.....	36,472	31,638	18,337	935	430	272	4,067	3,927	1,171	273	751	750	675
December.....	37,327	32,494	18,519	973	440	219	4,543	3,927	1,194	273	964	741	700
Total (12 months).....	430,725	372,726	221,526	11,476	4,995	2,699	43,454	47,123	13,813	3,281	9,553	8,021	6,785
1931 —January.....	38,097	32,668	19,151	960	442	304	4,201	4,127	1,281	301	634	621	648
February.....	36,077	30,648	17,427	898	438	246	4,051	4,127	1,011	299	869	702	580
March.....	37,651	32,222	18,791	886	453	258	4,235	4,127	988	340	863	689	594
April.....	37,769	32,340	18,194	917	446	250	4,607	4,127	1,329	278	936	694	561
May.....	38,227	32,798	18,901	918	451	230	4,477	4,127	1,208	329	919	716	521
June.....	38,208	32,779	18,594	926	447	240	4,744	4,127	1,103	353	1,062	663	490

July.....	38,158	32,729	18,959	947	451	245	4,731	4,127	814	354	933	668	500
August.....	38,767	33,335	18,959	918	462	254	4,738	4,127	1,223	353	1,232	654	516
September.....	38,744	33,315	18,981	905	486	291	5,026	4,127	1,074	256	916	662	562
October.....	39,846	34,417	19,525	936	473	317	4,955	4,127	1,041	452	1,240	679	673
November.....	38,748	33,319	18,673	941	478	292	4,927	4,127	914	389	1,321	667	590
December.....	38,811	33,382	18,809	1,041	498	299	4,995	4,127	877	312	1,181	664	579
Total (12 months).....	459,104	393,957	224,863	11,193	5,524	3,224	55,987	49,524	12,866	4,016	12,134	8,109	6,815
1932—January.....	39,236	33,464	19,587	921	480	295	4,834	3,597	1,106	450	1,032	628	534
February.....	38,187	32,415	18,935	956	453	286	4,670	3,535	948	386	1,063	657	525
March.....	39,895	34,123	19,877	996	484	304	5,285	3,494	862	404	1,131	741	545
April.....	39,433	33,662	19,593	976	466	281	5,093	3,390	1,057	380	1,164	671	590
May.....	41,091	35,319	19,970	977	481	298	5,551	4,114	1,026	447	1,234	653	567
June.....	41,187	35,415	19,871	1,011	482	309	5,592	4,362	990	405	1,172	647	603
July.....	41,572	35,800	20,268	981	546	319	5,176	4,610	924	455	1,244	692	585
August.....	42,734	36,963	20,475	1,019	510	330	5,480	4,982	1,138	524	1,221	696	588
September.....	42,138	36,366	19,888	1,041	509	304	5,406	5,085	1,122	456	1,292	702	559
October.....	42,351	36,579	20,157	1,044	515	314	5,240	5,271	1,091	455	1,216	727	547
November.....	42,091	36,319	20,190	997	526	307	5,220	4,858	1,158	415	1,376	715	556
December.....	* 41,645	35,873	20,118	1,080	539	294	5,514	4,651	* 661	353	* 1,413	668	581
Total (12 months).....	* 491,560	422,298	238,931	12,000	5,992	3,642	63,061	* 51,948	* 12,054	5,132	* 14,558	8,198	6,782
1933—January.....	* 40,931	* 35,159	20,152	1,008	532	280	4,826	* 4,341	* 1,199	513	* 1,066	666	576
February.....	* 37,831	* 32,059	18,256	1,930	517	1,434	4,858	3,039	1,034	344	1,364	1,682	1,601

* Figure reported by American Bureau of Metal Statistics.

* Preliminary.

Gold imports into and exports from the United States, by months, 1922-31

(In thousands of dollars)

Year and month	Imports	Exports	Net imports or exports (-)	Year and month	Imports	Exports	Net imports or exports (-)
1922				1927			
January.....	26,571	863	25,708	January.....	59,355	14,890	44,465
February.....	28,739	1,732	27,007	February.....	22,309	2,414	19,895
March.....	33,488	963	32,525	March.....	16,382	5,625	10,757
April.....	12,244	1,579	10,665	April.....	14,503	2,592	11,911
May.....	8,994	3,407	5,587	May.....	34,212	2,510	31,702
June.....	12,977	1,601	11,376	June.....	14,611	1,840	12,771
July.....	42,987	844	42,343	July.....	10,738	1,803	8,935
August.....	19,092	956	18,136	August.....	7,877	1,524	6,353
September.....	24,464	1,399	23,066	September.....	12,979	24,444	-11,465
October.....	20,866	17,692	3,275	October.....	2,056	10,698	-8,642
November.....	18,308	3,431	14,877	November.....	2,082	55,266	-53,184
December.....	26,440	2,710	23,730	December.....	10,431	77,840	-67,418
Total.....	275,170	36,875	238,295	Total.....	207,535	201,455	6,080
1923				1928			
January.....	52,820	8,472	44,348	January.....	38,320	52,086	-13,766
February.....	8,383	1,399	6,984	February.....	14,698	25,806	-11,120
March.....	15,951	10,392	5,559	March.....	2,693	97,530	-94,837
April.....	9,188	655	8,533	April.....	5,319	96,469	-91,150
May.....	46,156	824	45,332	May.....	1,968	83,689	-81,721
June.....	19,434	548	18,886	June.....	20,001	99,932	-79,931
July.....	27,929	523	27,407	July.....	10,331	74,190	-63,859
August.....	32,856	2,201	30,655	August.....	2,445	1,698	747
September.....	27,804	863	26,941	September.....	4,273	3,810	463
October.....	29,795	1,307	28,488	October.....	14,331	992	13,339
November.....	39,757	747	39,010	November.....	29,591	22,916	6,676
December.....	32,611	712	31,930	December.....	24,950	1,636	23,314
Total.....	322,716	28,643	294,073	Total.....	168,897	560,759	-391,862
1924				1929			
January.....	45,136	281	44,855	January.....	48,577	1,378	47,199
February.....	35,111	505	34,606	February.....	26,913	1,425	25,488
March.....	24,322	817	23,505	March.....	26,470	1,635	24,835
April.....	45,418	1,391	44,027	April.....	24,667	1,594	23,073
May.....	44,074	593	43,481	May.....	24,068	467	23,601
June.....	25,181	268	24,913	June.....	30,762	550	30,212
July.....	18,834	327	18,507	July.....	35,525	807	34,718
August.....	18,150	2,398	15,752	August.....	19,271	581	18,690
September.....	6,656	4,590	2,076	September.....	18,781	1,205	17,576
October.....	19,702	4,125	15,577	October.....	21,321	3,805	17,516
November.....	19,862	6,689	13,173	November.....	7,123	30,289	-23,166
December.....	10,274	39,076	-29,401	December.....	8,121	72,547	-64,426
Total.....	319,721	61,648	258,073	Total.....	291,640	116,583	175,056
1925				1930			
January.....	5,038	73,526	-68,488	January.....	12,908	8,948	3,960
February.....	3,603	50,600	-46,997	February.....	60,198	207	59,991
March.....	7,337	25,105	-17,768	March.....	55,768	290	55,478
April.....	8,870	21,604	-12,734	April.....	65,835	110	65,725
May.....	11,393	13,390	-1,997	May.....	23,552	82	23,470
June.....	4,426	6,713	-2,287	June.....	13,938	26	13,912
July.....	10,204	4,417	5,787	July.....	21,689	41,529	-19,840
August.....	4,862	2,136	2,726	August.....	19,714	39,332	-19,618
September.....	4,128	6,794	-2,666	September.....	13,680	11,133	2,547
October.....	50,741	28,039	22,702	October.....	35,635	9,266	26,369
November.....	10,458	24,360	-13,904	November.....	40,159	5,008	35,151
December.....	7,218	5,968	1,248	December.....	32,778	36	32,742
Total.....	128,273	262,640	-134,367	Total.....	396,054	115,967	280,087
1926				1931			
January.....	19,351	3,097	16,254	January.....	34,426	54	34,372
February.....	25,416	3,851	21,565	February.....	18,156	14	18,142
March.....	43,413	4,225	39,188	March.....	25,671	26	25,645
April.....	13,116	17,894	-4,778	April.....	49,543	27	49,516
May.....	2,935	9,343	-6,408	May.....	50,258	628	49,630
June.....	18,890	3,346	15,544	June.....	63,887	40	63,847
July.....	19,820	5,069	14,751	July.....	20,512	1,009	19,503
August.....	11,979	29,743	-17,764	August.....	57,539	39	57,500
September.....	15,987	23,081	-7,094	September.....	49,269	28,708	20,561
October.....	8,857	1,186	7,671	October.....	60,919	398,604	-337,685
November.....	16,738	7,727	9,011	November.....	94,430	4,994	89,436
December.....	17,004	7,196	9,808	December.....	89,509	32,651	56,858
Total.....	213,504	115,798	97,796	Total.....	612,119	466,794	145,325

Gold¹ earmarked by Federal Reserve banks for foreign account, by months, 1916-31

[In thousands of dollars. For other statistics of earmarked gold see table 29, note 1]

End of month	1916	1917	1918	1919	1920	1921	1922	1923
January.....		6,097	6,942	6,942	6,000	18,010		5,329
February.....		6,097	6,942	6,942	5,000	20,000		1,000
March.....	2,391	6,097	6,942	6,842	6,000	20,000		1,000
April.....	4,571	6,097	6,942		9,000	20,000		
May.....	4,571	6,097	6,942		10,000	20,000		
June.....	5,071	6,097	6,942		11,500	23,000		
July.....	5,402	6,097	6,942		14,500	18,000		1,500
August.....	5,502	6,778	6,942		16,500	18,000		1,500
September.....	5,955	6,942	6,942		17,500	8,000		1,000
October.....	5,981	6,942	6,942	3,000	20,000		1,500	3,000
November.....	5,981	6,942	6,942	4,000	20,500		1,700	3,000
December.....	6,097	6,942	6,942	5,000	22,000		3,700	3,000

End of month	1924	1925	1926	1927	1928	1929	1930	1931
January.....	3,000	46,023	19,012	19,779	193,919	144,898	134,794	125,795
February.....	2,407	52,389	30,012	3,599	191,051	144,898	134,794	123,295
March.....	4,859	61,714	53,000	18,101	155,251	137,391	119,795	120,295
April.....	5,417	46,864	53,000	19,101	109,511	88,821	119,295	127,795
May.....	4,417	30,889	53,000	114,101	136,050	72,694	117,295	123,795
June.....	2,417	25,814	53,580	114,601	105,997	80,207	115,295	31,531
July.....	5,000	28,915	49,580	114,417	45,050	102,194	118,295	61,331
August.....	12,984	17,340	30,390	116,918	39,134	103,194	118,295	77,231
September.....	26,213	15,839	32,780	125,918	40,334	109,795	114,303	356,321
October.....	43,213	12,969	32,770	150,919	39,134	114,296	120,410	463,931
November.....	43,713	10,969	40,274	190,919	64,136	113,292	122,536	435,621
December.....	45,213	12,969	39,266	199,419	79,897	135,295	137,695	458,634

¹ Gold bullion (bars) and United States gold coin.

² First transaction Mar. 21, 1916.

GOLD IMPORTS INTO AND EXPORTS FROM THE UNITED STATES, BY COUNTRIES, 1928-31

[In thousands of dollars]

From—	Imports into United States				To—	Exports from United States			
	1928	1929	1930	1931		1928	1929	1930	1931
Belgium.....		1	6	24	Belgium.....	2,000			15,607
France.....	154	202	133	19,394	France.....	308,002	65,381	73,898	363,908
Germany.....	1	46,773	27	37,073	Germany.....	28,759	2,384	201	1,047
Great Britain.....	37,524	62,398	14	7,015	Great Britain.....	32,525	21,066	289	219
Italy.....	2	5	4	9	Italy.....	26,093		3,000	5,320
Netherlands.....		5	17		Netherlands.....	4,000		1	50,327
Spain.....	1	75	93	40	Poland and Danzig..	6,000	5,010		7,620
Sweden.....	75		502	5,573	Portugal.....				2,089
Canada.....	102,371	73,880	43,618	81,252	Sweden.....		1,341		35
Central America.....	1,041	1,030	1,697	1,090	Switzerland.....		10,007		19,823
Mexico.....	4,610	9,174	20,805	25,319	Canada.....	22,641	390	36,746	116
West Indies.....	631	423	2,184	8,869	Central America.....	323	1,052		100
Argentina.....	4,500	72,478	20,270	141,293	Mexico.....	4,490	3,605	415	3,052
Bolivia.....	4	3,589	2,733	15	West Indies.....	101	33		
Brazil.....			87,776	16	Argentina.....	69,400		50	
Chile.....	624	528	438	299	Brazil.....	25,012			
Colombia.....	1,374	5,292	9,097	15,110	Colombia.....	2,053			
Ecuador.....	1,483	1,373	1,155	1,015	Peru.....				1,082
Peru.....	1,468	1,921	6,896	7,522	Uruguay.....	9,000			
Uruguay.....		250	8,354	6,080	Venezuela.....	5,970	1,600	965	52
Venezuela.....	481	383	4,747	1,073	British India.....	1,485	87		
Australia.....	3	4,870	54	2,643	British Malaya.....	706	677		
British India.....	2			8,064	China.....	1,827	103		
China.....		1,077	10,326	19,683	Dutch East Indies... Hong Kong.....	2,531	1,280	50	
Dutch East Indies... Hong Kong.....	1,262	1,199	1,752	4,870		7,547	2,408	401	83
Japan.....	4	650	12,286	14,641	Japan.....	248	124		42
New Zealand.....	773	715	220	185	Turkey.....				3,004
Philippine Islands... All other.....	1,773	3,202	3,715	3,740		47	15	40	269
	8,749	97	131	948	Total.....	600,759	110,583	115,967	466,794
Total.....	168,897	291,649	396,054	612,119					

Gold reserves of central banks and governments

[In millions of dollars]

End of month	Total (49 countries)	United States ¹	Canada	Europe								
				Total (27 countries)	Austria	Belgium	Bulgaria	Czecho-slovakia	Denmark	England	France	Germany
1932—January.....	11,340	4,009	80	6,300	25	352	11	49	39	588	2,808	226
February.....	11,418	3,947	78	6,444	25	351	11	49	39	588	2,942	221
March.....	11,499	3,986	77	6,484	25	349	11	49	39	588	3,012	209
April.....	11,515	3,956	77	6,531	25	351	11	49	39	586	3,052	205
May.....	11,416	3,717	78	6,665	23	353	11	49	39	608	3,115	206
June.....	11,348	3,466	78	6,841	21	357	11	49	36	663	3,218	198
July.....	11,420	3,522	79	6,871	21	365	11	49	36	670	3,221	183
August.....	11,552	3,639	80	6,897	21	364	11	49	36	676	3,224	183
September.....	11,694	3,748	81	6,923	21	359	11	49	36	678	3,241	190
October.....	11,739	3,819	85	6,944	21	363	11	49	36	678	3,250	195
November.....	11,859	3,885	86	6,949	21	362	11	50	36	678	3,267	197
December.....	* 11,893	4,045	84	6,826	21	361	11	51	36	583	3,254	192
1933—January.....	* 11,919	4,074	84	6,818	21	362	11	51	36	602	* 3,221	196
February.....	* 11,733	3,808	84	* 6,882	21	366	11	51	36	692	3,176	183
March.....		* 3,912				371				836	* 3,152	* 176

End of month	Europe—Continued													
	Greece	Hungary	Italy	Nether-lands	Norway	Poland	Portugal	Rumania	Spain	Sweden	Switzer-land	U.S.S.R.	Yugo-slavia	6 other countries
1932—January.....	11	18	296	351	42	67	13	56	434	55	472	329	31	28
February.....	11	17	296	353	42	68	15	57	434	55	482	329	31	26
March.....	9	17	296	354	42	64	16	57	434	55	471	330	31	26
April.....	6	17	296	364	42	64	17	57	434	55	471	331	31	27
May.....	6	17	297	384	42	62	17	56	435	55	493	335	31	30
June.....	7	17	298	394	40	54	17	57	435	55	503	349	31	31
July.....	7	17	300	406	38	54	17	57	435	55	509	357	31	30
August.....	7	17	302	415	38	54	18	57	435	55	510	368	31	28
September.....	7	17	305	416	38	55	18	57	435	55	509	* 368	31	28
October.....	7	17	306	416	39	55	18	57	436	55	509	* 368	31	28
November.....	8	17	306	415	39	56	18	57	436	55	493	* 368	31	28
December.....	8	17	307	415	39	56	24	57	436	55	477	* 368	31	29
1933—January.....	7	17	308	413	39	57	25	57	436	55	477	* 368	31	29
February.....	8	17	325	410	39	58	* 25	57	436	55	488	* 368	31	* 31
March.....			* 330	381				58	436		489			

End of month	Latin America							Asia and Oceania								Africa		
	Total (10 countries)	Argentina	Chile	Colombia	Peru	Uruguay	5 other countries	Total (7 countries)	Australia	India	Japan	Java	New Zealand	Siam	Turkey	Algeria	Egypt	South Africa
1932—January.....	360	262	12	6	15	52	13	532	51	162	215	45	32	23	4	8	21	40
February.....	347	249	11	7	14	52	14	534	52	162	215	45	32	23	6	8	23	31
March.....	347	249	11	7	13	52	15	535	52	162	214	42	31	28	6	8	31	31
April.....	343	249	12	8	12	51	13	534	52	162	214	41	30	28	6	8	32	34
May.....	346	249	12	11	11	51	13	534	52	162	214	42	30	28	6	8	33	35
June.....	347	249	12	13	11	50	13	536	52	162	214	42	30	28	8	8	33	36
July.....	348	249	12	13	11	50	14	524	42	162	214	42	30	28	9	8	33	37
August.....	348	249	12	13	11	50	14	524	42	162	214	42	28	28	8	8	33	38
September.....	346	249	11	13	11	50	12	523	42	162	214	42	27	28	9	8	33	39
October.....	342	249	10	11	11	48	12	524	42	162	214	42	27	28	9	8	33	40
November.....	341	249	10	12	11	48	11	523	42	162	213	42	27	28	9	8	33	41
December.....	* 342	249	10	12	11	48	* 12	520	42	162	212	42	25	28	10	8	33	42
1933—January.....	* 343	* 249	* 10	12	* 11	49	* 11	521	42	162	212	42	25	28	10	8	* 33	43
February.....	* 343	* 249	* 10	13	* 11	50	* 11	* 524	* 42	162	212	45	* 25	* 28	10	8	* 33	44

¹ Differences between these figures and those shown elsewhere in the Bulletin for total monetary gold stock of the United States are due to the exclusion from the former of gold coin in circulation.

² Preliminary.

³ The August 1932 figure is carried forward for subsequent months, as no statement has been issued by the State Bank of the U.S.S.R. since that time.

⁴ Revised.

NOTES.—Figures for 34 countries are as of final day of month; for the other 15 countries—including England, France, and Netherlands—they are as of last report date of month. Since the note in the Bulletin for May 1932 was prepared, figures for the Banque Centrale de la République de Turquie and for the Government of Siam have been added to the table. The figures for Turkey relate to the last Thursday of the month.

The 6 European countries and 5 Latin American countries for which figures are not shown separately are Albania, Danzig, Estonia, Finland, Latvia, and Lithuania; Bolivia, Ecuador, Guatemala, and Mexico. None of these countries has had gold reserves during this period in excess of \$10,000,000.

**GROWTH IN NUMBER OF ISSUES AND SHARES LISTED ON NEW YORK STOCK EXCHANGE
SINCE 1925**

In support of amendment 2 I submit statistics indicating the great rise in value of securities whenever there is a promise of increased earnings.

The growth in number of issues and shares listed on the New York Stock Exchange since 1925 is shown by the following list of totals at outstanding periods:

Date	Number of issues	Number of shares	Market value
Jan. 1, 1925.....	927	433, 448, 561	\$27, 072, 322, 192
Jan. 1, 1926.....	1, 043	491, 615, 637	34, 489, 227, 125
Jan. 1, 1927.....	1, 081	535, 641, 222	38, 376, 162, 138
Jan. 1, 1928.....	1, 097	654, 999, 126	49, 736, 350, 946
Jan. 1, 1929.....	1, 176	757, 301, 677	67, 478, 138, 151
Apr. 1, 1929.....	1, 205	862, 725, 570	69, 770, 122, 129
July 1, 1929.....	1, 238	945, 341, 007	77, 264, 128, 900
Oct. 1, 1929.....	1, 279	1, 048, 359, 263	87, 073, 630, 423
Jan. 1, 1930.....	1, 293	1, 127, 682, 468	64, 707, 878, 131
Apr. 1, 1930.....	1, 316	1, 178, 736, 324	76, 075, 447, 459
July 1, 1930.....	1, 313	1, 231, 273, 258	63, 892, 327, 059
Oct. 1, 1930.....	1, 313	1, 284, 052, 185	60, 143, 133, 105
Jan. 1, 1931.....	1, 308	1, 296, 794, 480	49, 019, 878, 459
Apr. 1, 1931.....	1, 300	1, 298, 492, 276	53, 336, 394, 495
July 1, 1931.....	1, 297	1, 303, 489, 082	47, 417, 147, 581
Aug. 1, 1931.....	1, 293	1, 303, 221, 198	44, 422, 740, 446
Sept. 1, 1931.....	1, 286	1, 314, 199, 951	44, 587, 026, 110
Oct. 1, 1931.....	1, 284	1, 316, 548, 658	32, 327, 037, 441
Nov. 1, 1931.....	1, 284	1, 318, 586, 847	34, 246, 649, 501
Jan. 1, 1932.....	1, 278	1, 318, 729, 621	26, 693, 836, 532
July 1, 1932.....	1, 253	1, 315, 172, 584	15, 633, 479, 577
Aug. 1, 1932.....	1, 352	1, 315, 334, 428	20, 494, 759, 465
Sept. 1, 1932.....	1, 245	1, 311, 960, 145	27, 782, 501, 806
Oct. 1, 1932.....	1, 246	1, 310, 966, 486	26, 734, 828, 668
Nov. 1, 1932.....	1, 245	1, 312, 480, 819	23, 440, 661, 828
Dec. 1, 1932.....	1, 242	1, 312, 148, 772	22, 259, 137, 174
Jan. 1, 1933.....	1, 237	1, 311, 861, 157	22, 767, 636, 718
Feb. 1, 1933.....	1, 231	1, 302, 692, 848	23, 073, 194, 091
Mar. 1, 1933.....	1, 228	1, 296, 231, 953	19, 700, 985, 961
Apr. 1, 1933.....	1, 221	1, 292, 601, 719	19, 815, 110, 054
May 1, 1933.....	1, 221	1, 293, 545, 655	26, 815, 110, 054

**GROWTH IN NUMBER OF ISSUES AND VALUE OF BONDS LISTED ON THE NEW YORK
STOCK EXCHANGE SINCE 1925**

The growth in number of issues and value of the bonds listed on the New York Stock Exchange since 1925 is shown by the following list of totals at outstanding periods:

Date	Number of issues	Par value	Market value
Jan. 1, 1925.....	1, 332	\$35, 457, 811, 674	\$33, 611, 817, 340
Jan. 1, 1926.....	1, 367	36, 995, 069, 533	35, 509, 211, 458
Jan. 1, 1927.....	1, 420	37, 900, 083, 650	37, 167, 607, 468
Jan. 1, 1928.....	1, 491	36, 881, 320, 122	36, 874, 717, 458
Jan. 1, 1929.....	1, 534	48, 588, 549, 854	47, 379, 028, 502
Apr. 1, 1929.....	1, 534	48, 738, 201, 369	46, 371, 588, 481
July 1, 1929.....	1, 533	49, 262, 745, 055	46, 973, 612, 462
Oct. 1, 1929.....	1, 533	49, 017, 420, 231	46, 456, 064, 983
Jan. 1, 1930.....	1, 543	49, 058, 099, 434	46, 892, 458, 780
Apr. 1, 1930.....	1, 550	49, 502, 940, 277	48, 291, 463, 272
July 1, 1930.....	1, 567	50, 203, 947, 917	48, 588, 299, 816
Oct. 1, 1930.....	1, 607	50, 027, 129, 653	48, 715, 222, 900
Jan. 1, 1931.....	1, 607	50, 072, 879, 897	47, 384, 805, 889
Apr. 1, 1931.....	1, 610	50, 788, 506, 210	48, 463, 021, 490
July 1, 1931.....	1, 608	51, 846, 247, 978	49, 132, 895, 753
Aug. 1, 1931.....	1, 608	51, 938, 698, 878	48, 375, 745, 828
Sept. 1, 1931.....	1, 607	51, 949, 752, 078	47, 318, 973, 356
Oct. 1, 1931.....	1, 605	52, 671, 359, 575	43, 031, 447, 232
Jan. 1, 1932.....	1, 601	37, 848, 488, 806
Aug. 1, 1932.....	1, 579	51, 991, 479, 630	38, 015, 339, 620
Sept. 1, 1932.....	1, 580	51, 863, 419, 183	40, 072, 839, 336
Nov. 1, 1932.....	1, 575	51, 744, 095, 817	39, 512, 926, 993
Dec. 1, 1932.....	1, 548	51, 642, 847, 249	38, 095, 183, 663
Jan. 1, 1933.....	1, 549	41, 304, 596, 305	31, 918, 066, 155
Feb. 1, 1933.....	1, 539	41, 172, 601, 809	32, 456, 657, 292
Mar. 1, 1933.....	1, 547	41, 107, 372, 934	30, 785, 171, 007

Number of shares sold on New York Stock Exchange during the first year of the panic, by weeks

1929, week ending—	Shares sold	1930 week ending—Con.	Shares sold
Sept. 28.....	24, 557, 420	Apr. 5.....	28, 958, 850
Oct. 5.....	23, 927, 020	Apr. 12.....	28, 796, 040
Oct. 12.....	19, 140, 280	Apr. 19.....	16, 708, 300
Oct. 19.....	20, 810, 890	Apr. 26.....	26, 923, 570
Oct. 26.....	37, 502, 180	May 3.....	30, 309, 770
Nov. 2.....	43, 499, 540	May 10.....	25, 976, 830
Nov. 9.....	22, 516, 410	May 17.....	14, 457, 350
Nov. 16.....	27, 490, 710	May 24.....	12, 997, 410
Nov. 23.....	14, 361, 730	May 31.....	9, 114, 230
Nov. 30.....	8, 086, 570	June 7.....	11, 949, 330
Dec. 7.....	22, 854, 320	June 14.....	21, 276, 000
Dec. 14.....	23, 108, 870	June 21.....	20, 487, 130
Dec. 21.....	18, 007, 630	June 28.....	15, 037, 740
Dec. 28.....	13, 052, 910	July 5.....	6, 737, 220
1930, week ending—		July 12.....	8, 992, 180
Jan. 4.....	13, 158, 890	July 19.....	14, 534, 510
Jan. 11.....	11, 497, 130	July 26.....	10, 380, 300
Jan. 18.....	13, 019, 970	Aug. 2.....	10, 401, 170
Jan. 25.....	14, 468, 400	Aug. 9.....	10, 012, 520
Feb. 1.....	18, 927, 220	Aug. 23.....	8, 831, 646
Feb. 8.....	20, 143, 250	Aug. 30.....	8, 843, 400
Feb. 15.....	15, 366, 880	Sept. 6.....	8, 099, 290
Feb. 22.....	16, 796, 930	Sept. 13.....	11, 331, 030
Mar. 1.....	16, 297, 410	Sept. 20.....	9, 676, 640
Mar. 8.....	19, 480, 270	Sept. 26.....	16, 179, 115
Mar. 15.....	20, 085, 460	Oct. 4.....	16, 683, 795
Mar. 22.....	23, 424, 220	Oct. 11.....	21, 075, 518
Mar. 29.....	26, 244, 970	Oct. 18.....	12, 439, 950

The largest number of shares sold in one day during the first year of the panic was on October 24, 1929, when 12,844,600 shares were thrown on the market.

The quick rises in value of securities when there are any prospects of improved economic conditions is illustrated by the following table:

Security prices

[Index numbers of Standard Statistics Co. Monthly data are averages of weekly figures]

Month or date	Bonds ¹	Preferred stocks ²	Common stocks (1926=100)													
			Total	Industrial	Rail-road	Public utility	Selected groups of industrial issues									
							Auto-mobile	Build-ing equip-ment	Chain store	Chem-ical	Cop-per and brass	Elec-trical equip-ment	Ma-chinery	Oil	Steel	Tex-tile
Number of issues.....	60	20	421	351	33	37	13	12	16	11	8	4	10	15	10	28
1932—January.....	81.0	96.5	58	54	37	94	64	31	57	80	26	85	48	43	32	31
February.....	80.3	96.3	56	53	34	93	60	30	56	79	32	77	47	42	32	31
March.....	80.8	96.2	57	54	32	93	55	29	58	85	30	77	47	45	32	31
April.....	79.4	94.2	44	42	22	73	34	22	49	61	22	57	37	38	23	26
May.....	75.2	90.3	40	38	17	68	30	20	42	52	20	52	33	39	20	23
June.....	72.2	83.6	34	34	14	55	26	18	35	48	17	40	29	37	16	20
July.....	74.2	85.3	36	36	16	55	26	19	36	50	20	43	30	42	18	22
August.....	83.2	98.6	53	52	29	84	45	30	49	75	38	73	44	55	33	33
September.....	85.8	101.8	58	56	35	91	54	34	53	83	47	78	48	54	42	39
October.....	84.1	99.8	50	48	28	81	43	28	48	74	24	63	42	47	33	33
November.....	81.9	97.4	48	45	26	78	43	26	47	71	32	60	39	47	28	30
December.....	81.2	95.4	47	45	26	80	46	25	47	76	26	56	38	46	25	28
1933—January.....	84.1	97.8	49	46	28	82	43	25	46	82	29	61	39	46	27	27
February.....	82.5	95.7	45	42	27	73	38	23	43	74	28	54	39	42	24	25
March.....	76.8	93.1	43	42	26	67	34	22	40	72	29	52	37	41	23	24
Mar. 1.....	76.4	92.4	41	39	24	67	32	20	38	67	25	48	36	39	20	23
Mar. 8 ³																
Mar. 15.....	77.3	93.9	48	46	28	74	40	24	43	81	35	59	41	43	27	25
Mar. 22.....	78.4	93.8	43	43	26	64	35	24	40	72	28	54	37	41	24	25
Mar. 29.....	76.5	93.6	43	42	26	62	34	23	40	72	29	53	37	41	23	25

¹ Average price of 60 high-grade bonds adjusted for differences in coupon rate and maturity.² 20 high-grade industrials; average price.³ Markets closed.

A rise of from \$5,000,000,000 to \$10,000,000,000 per month in values is to be expected if purchasing power is created through the Nation, as is proposed in the amendments which I have suggested.

Range of United States Government Bonds

	High, 1931	Low, 1931	Trades	High	Low	Last	Net change	Range since date of issue			
								High	Date	Low	Date
Liberty 3½'s, 1932-47.....	102.23	97.11	44,506,000	102.26	94.2	102.16	+4.14	103.1	Oct. 19, 1922	86.1	June 22, 1921
Liberty 3½'s, registered.....	102.17	97.16	90,000	102.7	95.8	102.7	+4.23	102.25	do.....	85.5	July 11, 1921
Liberty first convertible 4's, 1932-47.....	102.16	99.19	171,000	102.2	96.8	101.1	+1.1	102.26	July 23, 1922	83.00	May 19, 1920
Liberty first convertible 4's, registered.....								102.10	June 15, 1926	82.00	May 12, 1920
Liberty first and second, convertible 4½'s, 1932-47.....	102.00	100.16	12,000	101.2	100.8	100.17	+1	103.00	June 13, 1924	90.00	June 7, 1920
Liberty first convertible 4½'s, 1932-47.....	103.16	98.26	34,235,000	102.24	97.22	102.8	+2.22	103.30	Mar. 9, 1927	84.00	May 21, 1920
Liberty first convertible 4½'s, registered.....	103.12	98.28	138,000	102.18	97.20	102.12	+3.16	103.13	Mar. 15, 1927	84.00	July 20, 1920
Liberty fourth 4½'s, 1933-38.....	105.5	98.15	97,607,000	104.8	98.8	103.22	+4.4	105.5	May 19, 1931	82.00	May 20, 1920
Liberty fourth 4½'s, registered.....	105.00	98.24	664,000	104.1	98.25	103.18	+4.8	105.00	do.....	82.15	Do.
U.S. Treasury 4½'s, 1947-52.....	104.8	100.2	45,634,000	110.00	98.30	109.27	+7.26	116.6	Jan. 7, 1928	98.1	May 27, 1923
U.S. Treasury 4½'s, registered.....	112.3	100.00	78	109.18	100.1	109.18	+3.18	115.16	Dec. 27, 1927	98.28	Apr. 6, 1922
U.S. Treasury 4's, 1944-54.....	109.22	97.26	49641	106.25	94.00	106.20	+7.16	111.12	Jan. 7, 1928	94.00	Jan. 11, 1932
U.S. Treasury 4's, registered.....	108.21	101.2	50	104.00	99.18	104.00	+2.30	110.14	Dec. 2, 1927	99.16	Mar. 4, 1932
U.S. Treasury 3¾'s, 1946-56.....	107.22	94.16	40836	104.26	89.16	104.16	+8.4	108.10	Jan. 7, 1928	89.16	Jan. 13, 1932
U.S. Treasury 3¾'s, registered.....			4	102.6	101.26	102.6		106.00	Sept. 22, 1930	101.26	Nov. 15, 1932
U.S. Treasury 3¾'s, 1943-47.....	103.18	90.20	42288	102.14	87.20	102.4	+9.10	103.18	May 21, 1931	87.20	Jan. 12, 1932
U.S. Treasury 3¾'s, registered.....	101.26	101.4	14	100.26	94.00	100.26	-1.00	102.17	Nov. 18, 1930	94.00	Apr. 5, 1932
U.S. Treasury 3¾'s, 1940-43.....	103.16	91.00	22602	102.12	87.24	102.8	+9.24	103.16	May 20, 1931	87.24	Jan. 12, 1932
U.S. Treasury 3¾'s, registered.....	102.10	100.00	94	102.6	91.23	102.6	+2.6	102.10	June 1, 1931	91.23	Feb. 5, 1932
U.S. Treasury 3¾'s, 1941-43.....	103.16	90.30	49952	102.10	88.1	102.7	+9.29	103.16	May 26, 1931	88.1	Jan. 11, 1932
U.S. Treasury 3¾'s, registered.....	93.00	93.00	21	100.20	94.19	100.20	+7.20	100.20	Sept. 10, 1932	93.00	Dec. 28, 1931
U.S. Treasury 3½'s, 1946-49.....	101.21	94.20	84174	99.19	83.00	99.12	+11.20	101.21	July 22, 1931	83.00	Jan. 11, 1932
U.S. Treasury 3½'s, registered.....	85.21	85.21	120	99.8	95.23	99.8	+13.19	99.8	Dec. 28, 1932	85.21	Dec. 30, 1931
U.S. Treasury 3's, 1951-55.....	99.21	82.25	69215	98.18	82.3	97.17	+11.15	99.21	Sept. 18, 1931	82.3	Jan. 12, 1932
U.S. Treasury 3's, registered.....	94.28	94.28	42	96.26	91.30	96.17	+1.21	96.26	Aug. 5, 1932	91.30	June 20, 1932

Figures after decimal represent thirty-seconds of a point.

UNITED STATES GOVERNMENT LOANS

The following table gives the high, low, last and yearly net change as of March 3, 1933, on all United States Government obligations dealt in on the New York Stock Exchange this year, together with nominal bid and asked closing quotations of yesterday; also yields and high and low since date of issue:

Issue	Range since date of issue				1933			Yearly net change	Nominal		
	High	Date	Low	Date	High	Low	Last		Bid	Asked	Yield
Liberty 3½'s, 1932-47.....	103.20	Jan. 26, 1923	86.1	June 2, 1921	103.20	99.30	100.6	-2.4	100.16	101.00	2.14
Liberty 3½'s, registered.....	102.25	Oct. 19, 1922	86.4	July 11, 1921	100.20	100.10	100.20	-1.19			
Liberty 1st 4's, 1932-47.....	102.17	Jan. 17, 1925	83.00	May 19, 1920	102.17	101.5	102.16	+1.15			
Liberty 1st 2d 4½'s, 1932-47.....	103.00	June 13, 1924	90.00	June 7, 1920	101.16	101.16	101.16	+1.31			
Liberty 1st convertible 4½'s, 1932-47.....	103.30	Mar. 9, 1927	84.00	May 21, 1920	102.31	99.28	100.10	-1.30	100.20	101.8	2.55
Liberty 2d convertible 4½'s, registered.....	103.15	Mar. 24, 1927	84.00	July 30, 1920	102.23	101.28	102.19	+1.7			
Liberty 4th 4½'s, 1933-38.....	105.5	May 19, 1931	82.00	May 20, 1920	103.30	100.12	100.18	-3.4	101.16	102.00	.75
Liberty 4th 4½'s, registered.....	105.00	May 19, 1931	82.15	May 20, 1920	103.20	100.8	100.14	-3.4			
Treasury 4½'s, 1947-52.....	116.6	Jan. 7, 1928	98.1	Mar. 27, 1923	111.4	103.14	103.24	-6.3	104.16	105.16	3.75
Treasury 4½'s, registered.....	115.16	Dec. 27, 1927	98.20	Apr. 25, 1923	110.18	109.26	110.18	+1.00			
Treasury 4's, 1944-54.....	111.12	Jan. 9, 1928	94.00	Jan. 11, 1932	107.14	99.31	100.2	-6.18	102.16	103.16	3.63
Treasury 4's, registered.....	110.14	Dec. 2, 1927	99.16	Mar. 4, 1932	106.27	106.26	106.26	+2.26			
Treasury 3¾'s, 1946-56.....	108.10	Jan. 10, 1928	89.16	Jan. 12, 1932	105.17	98.14	98.22	-5.26	100.00	101.00	3.65
Treasury 3¾'s, 1943-47.....	103.18	May 21, 1931	87.20	Jan. 12, 1932	102.25	97.4	97.6	-4.30	98.00	99.16	3.41
Treasury 3¾'s, 1943-47, registered.....	102.17	Nov. 18, 1930	94.00	Apr. 5, 1932	102.15	101.8	101.8	+1.14			
Treasury 3¾'s, 1940-43.....	103.16	May 20, 1931	87.24	Jan. 12, 1932	102.29	98.00	98.00	-4.8	98.16	100.00	3.37
Treasury 3¾'s, 1940-43, registered.....	102.10	June 1, 1931	91.23	Feb. 5, 1932	101.13	101.13	101.13	-4.25			
Treasury 3¾'s, 1941-43.....	103.16	May 20, 1931	88.1	Jan. 11, 1932	102.25	96.31	97.10	-4.29	98.16	100.00	3.37
Treasury 3¾'s, 1941-43, registered.....	102.8	Jan. 23, 1933	93.00	Dec. 28, 1931	102.8	102.8	102.8	+1.20			
Treasury 3½'s, 1946-49.....	101.21	July 22, 1931	83.00	Jan. 11, 1932	100.4	95.15	96.00	-3.12	98.16	98.16	3.23
Treasury 3½'s, 1946-49, registered.....	99.8	Dec. 28, 1932	85.21	Dec. 30, 1931	98.30	98.30	98.30	-1.10			
Treasury 3's, 1951-55.....	99.21	Sept. 18, 1931	82.3	Jan. 12, 1932	98.29	93.16	94.18	-2.31	95.16	96.16	3.21

NOTE.—Quotations after the decimal point in the above tables represent one or more thirty-seconds of a point.

Principal of the public debt outstanding at the end of each fiscal year from 1853 to 1932¹

(On basis of daily Treasury statements (revised))

June 30--	Interest-bearing ²	Matured	Noninterest-bearing ³	Total gross debt	Gross debt per capita
1853	\$59,642,412	\$162,240		\$60,804,661	\$2.36
1854	42,044,517	199,248		42,243,765	1.62
1855	35,418,001	170,498		35,588,499	1.32
1856	31,805,180	168,901		31,974,081	1.15
1857	28,503,377	197,998		28,701,375	1.01
1858	44,743,256	170,168		44,913,424	1.53
1859	58,333,156	165,125		58,498,281	1.93
1860	64,683,258	160,575		64,843,831	2.06
1861	90,423,292	159,125		90,582,417	2.83
1862	365,356,045	230,520	\$158,591,390	524,177,955	18.03
1863	707,834,255	171,970	411,767,456	1,119,773,681	33.56
1864	1,360,026,914	366,629	455,437,271	1,815,830,814	53.33
1865	2,217,709,407	2,129,425	468,090,180	2,687,929,012	77.07
1866	2,322,116,330	4,435,865	429,211,734	2,755,763,929	77.69
1867	2,238,954,794	1,739,108	409,474,321	2,650,168,223	73.19
1868	2,191,326,130	1,246,334	390,873,992	2,583,446,456	69.87
1869	2,151,495,065	5,112,034	388,503,491	2,545,110,590	67.41
1870	2,035,881,005	3,569,694	397,002,510	2,436,453,260	63.19
1871	1,920,690,750	1,948,902	399,406,489	2,322,052,141	58.70
1872	1,800,794,100	7,826,547	401,270,191	2,209,890,838	54.44
1873	1,696,483,950	51,929,460	402,796,935	2,151,210,345	51.62
1874	1,724,930,750	3,216,340	431,785,640	2,160,932,730	50.47
1875	1,708,676,300	11,425,570	436,174,779	2,156,276,649	49.06
1876	1,696,688,450	3,902,170	430,258,188	2,130,846,728	47.21
1877	1,697,888,500	16,648,610	393,222,793	2,107,769,903	45.47
1878	1,780,735,650	5,594,070	373,088,595	2,159,418,315	45.37
1879	1,887,716,110	37,015,390	374,181,163	2,298,912,643	47.05
1880	1,709,993,100	7,621,295	373,204,587	2,090,808,872	41.69
1881	1,625,667,750	6,723,615	369,994,363	2,019,285,728	39.35
1882	1,440,810,400	16,260,555	390,844,689	1,858,915,644	35.37
1883	1,324,229,150	7,831,165	389,898,093	1,721,958,018	32.02
1884	1,212,563,850	19,655,955	393,067,639	1,625,307,444	29.60
1885	1,182,150,950	4,100,745	392,299,474	1,578,551,169	28.11
1886	1,132,014,100	9,704,195	413,941,255	1,555,659,550	27.10
1887	1,007,692,350	6,114,915	451,678,929	1,465,485,294	24.97
1888	936,822,500	2,495,845	445,013,311	1,384,331,656	23.09
1889	815,853,990	1,911,235	431,705,286	1,249,470,511	20.39
1890	711,313,110	1,815,555	409,267,919	1,122,396,584	17.92
1891	610,529,120	1,614,705	393,062,730	1,005,806,561	15.75
1892	585,029,330	2,785,875	380,403,636	968,218,841	14.88
1893	585,037,100	2,094,040	374,300,006	961,431,706	14.49
1894	635,041,890	1,851,240	390,004,687	1,010,897,817	15.04
1895	716,202,000	1,721,590	378,980,470	1,096,913,120	15.91
1896	847,363,890	1,636,890	373,728,570	1,222,720,350	17.40
1897	847,365,130	1,346,880	378,081,703	1,226,793,713	17.14
1898	847,367,470	1,262,690	364,112,913	1,232,743,063	16.90
1899	1,046,048,750	1,218,300	389,433,654	1,436,700,704	19.33
1900	1,023,478,860	1,170,320	236,761,733	1,261,410,913	16.56
1901	987,141,040	1,415,020	233,015,585	1,221,572,245	15.71
1902	931,070,340	1,280,860	245,090,157	1,178,451,357	14.89
1903	914,541,410	1,205,090	243,059,413	1,159,801,913	14.40
1904	895,157,440	1,970,920	239,130,656	1,136,259,016	13.68
1905	895,158,340	1,370,245	235,828,510	1,132,357,095	13.60
1906	895,150,140	1,128,135	26,235,695	1,142,522,970	13.60
1907	894,634,280	1,089,815	251,257,098	1,147,981,193	13.33
1908	897,593,990	4,130,015	276,056,368	1,177,690,403	13.46
1909	913,317,400	2,883,855	232,114,027	1,148,315,372	12.91
1910	913,317,400	2,124,895	231,497,584	1,146,939,869	12.69
1911	915,353,000	1,870,830	236,751,917	1,153,984,937	12.28
1912	963,776,770	1,700,450	228,301,285	1,193,838,505	12.48
1913	965,790,610	1,669,550	225,681,585	1,193,074,745	12.26
1914	967,953,310	1,552,560	218,729,530	1,188,235,400	12.00
1915	969,759,090	1,507,260	219,907,718	1,191,264,068	11.83
1916	971,562,590	1,473,100	252,109,878	1,225,145,568	11.96
1917	2,712,549,477	14,232,230	248,830,878	2,975,618,585	28.57
1918	11,985,882,436	20,242,550	237,593,733	12,243,628,719	115.65
1919	25,234,496,274	11,109,370	236,428,779	25,482,034,419	240.09

¹ Figures for 1853 to 1885, inclusive, are taken from "Statement of receipts and expenditures of the Government from 1855 to 1886 and principal public debt from 1791 to 1885," compiled from the official records of the Register's office. Later figures are taken from the monthly debt statements and revised figures published in the annual reports of the Secretary of the Treasury.

² Exclusive of bonds issued to the Pacific railways (provision having been made by law to secure the Treasury against both principal and interest) and the Navy pension fund (which was in no sense a debt, the principal being the property of the United States).

³ Includes old demand notes; United States notes, less the amount of the gold reserve since 1900; postal currency and fractional currency less the amounts officially estimated to have been destroyed; and also the redemption fund held by the Treasury to retire national-bank notes of national banks failed, in liquidation, and reducing circulation, which prior to 1890 was not included in the published debt statements. Does not include gold, silver, or currency certificates or Treasury notes of 1890 for redemption of which an exact equivalent of the respective kinds of money or bullion was held in the Treasury.

Principal of the public debt outstanding at the end of each fiscal year from 1853 to 1932—Continued

June 30—	Interest bearing	Matured	Noninterest-bearing	Total gross debt	Gross debt per capita
1920.....	\$24,061,095,362	\$6,747,700	\$230,075,350	\$24,297,918,412	\$228.82
1921.....	23,737,352,080	10,939,620	227,968,908	23,976,250,608	221.09
1922.....	22,711,035,587	25,250,890	227,792,723	22,964,079,190	208.97
1923.....	22,007,590,754	98,172,160	243,924,844	22,348,687,758	200.10
1924.....	20,981,586,430	30,241,250	239,292,747	21,251,120,427	186.86
1925.....	20,210,908,251	30,242,930	275,122,993	20,516,272,174	177.82
1926.....	19,333,770,860	13,327,800	246,084,419	19,643,183,079	167.70
1927.....	18,250,943,965	14,707,235	244,523,064	18,510,174,266	158.04
1928.....	17,317,695,097	45,331,660	241,263,806	17,604,290,563	146.69
1929.....	16,638,941,380	50,751,399	241,504,969	16,931,197,748	139.40
1930.....	15,921,892,350	31,715,370	231,700,579	16,185,908,299	131.38
1931.....	16,519,588,640	51,822,845	230,073,658	16,801,485,143	135.42
1932.....	19,161,273,540	60,066,685	265,649,541	19,487,009,766	156.12

* Revised in accordance with the 1930 census enumeration.

Interest-bearing¹ debt outstanding June 30, 1932, by kind of security and callable period or payable date

[On basis of daily Treasury statements (revised), see p. 337]

Security	Callable period or payable date	Certificates of indebtedness and Treasury bills	Notes and bonds	Cumulative total
Treasury certificates, adjusted service.	July 1, '32-Jan. 1, '33 ²	\$105,000,000	-----	\$105,000,000
Panamas.....	July 1, '32-Aug. 1, '36	-----	\$48,954,180	153,954,180
Do.....	July 1, '32-Nov. 1, '38	-----	25,947,400	179,901,580
Postal savings ³	July 1, '32-Jan. 1, '52	-----	36,247,260	216,148,840
Consols.....	After July 1, 1932.....	-----	599,724,050	815,872,890
First Liberty loan.....	July 1, '32-June 15, '47	-----	1,933,214,100	2,749,086,990
Treasury bills.....	July 13, 1932.....	76,200,000	-----	2,825,286,990
Do.....	July 20, 1932.....	75,600,000	-----	2,900,886,990
Do.....	July 27, 1932.....	51,550,000	-----	2,952,436,990
Certificates of indebtedness, A-1932.....	Aug. 1, 1932.....	227,631,000	-----	3,180,067,990
Treasury bills.....	Aug. 10, 1932.....	76,744,000	-----	3,256,811,990
Do.....	Aug. 17, 1932.....	75,000,000	-----	3,331,811,990
Do.....	Aug. 24, 1932.....	60,050,000	-----	3,391,861,990
Certificates of indebtedness, first series.....	Aug. 29, 1932-Mar. 15, 1933.....	33,960,900	-----	3,425,822,890
Treasury bills.....	Aug. 31, 1932.....	100,022,000	-----	3,525,844,890
Certificates of indebtedness:				
TS-1932.....	Sept. 15, 1932.....	314,279,500	-----	3,840,124,390
TS2-1932.....	do.....	398,225,000	-----	4,238,349,390
Treasury bills.....	Sept. 28, 1932.....	100,466,000	-----	4,338,815,390
Certificates of indebtedness, TO-1932.....	Oct. 15, 1932.....	333,492,500	-----	4,672,307,890
Treasury notes, series 1932.....	Dec. 15, 1932.....	-----	600,446,200	5,272,754,090
Certificates of indebtedness:				
A-1933.....	Feb. 1, 1933.....	144,372,000	-----	5,417,126,090
TM-1933.....	Mar. 15, 1933.....	660,715,500	-----	6,077,841,590
B-1933.....	May 2, 1933.....	239,197,000	-----	6,317,038,590
TJ-1933.....	June 15, 1933.....	373,856,500	-----	6,690,895,090
Fourth Liberty loan.....	Oct. 15, 1933-38.....	-----	6,268,100,450	12,958,995,540
Treasury notes:				
Series A-1934.....	May 2, 1934.....	-----	244,234,600	13,203,230,140
Series A-1935.....	June 15, 1935.....	-----	416,602,800	13,619,832,940
Treasury bonds.....	June 15, 1940-43.....	-----	352,994,450	13,972,827,390
Do.....	Mar. 15, 1941-43.....	-----	544,917,050	14,517,744,440
Do.....	June 15, 1943-47.....	-----	454,135,200	14,971,879,640
Do.....	Dec. 15, 1944-54.....	-----	1,036,834,500	16,008,714,140
Conversion bonds.....	Jan. 1, 1946-47.....	-----	28,894,500	16,037,608,640
Treasury bonds.....	June 15, 1946-49.....	-----	821,403,000	16,859,011,640
Do.....	Mar. 15, 1940-56.....	-----	489,087,100	17,348,098,740
Do.....	Oct. 15, 1947-52.....	-----	758,983,300	18,107,082,040
Do.....	Sept. 15, 1951-55.....	-----	800,421,500	18,907,503,540
Panamas.....	June 1, 1961.....	-----	49,800,000	18,957,303,540
Treasury notes—civil service, foreign service, and Canal Zone.....	(4)	-----	203,970,000	19,161,273,540
Total.....		3,446,361,900	15,714,911,640	

¹ Matured debt on which interest has ceased amounted to \$60,066,685, of which \$9,507,900 was Treasury notes, \$3,080,850 was Second Liberty bonds, and \$5,067,250 was Third Liberty loan bonds; and debt bearing no interest was \$265,649,540.

² Funds available for the adjusted service certificate fund are invested and reinvested in special short-term securities which are redeemed from time to time to meet current obligations. These transactions will occur until the adjusted service certificates mature about 1945.

³ Callable and payable dates for all issues of postal savings bonds fall within the period indicated.

⁴ Funds acquired during year are invested in short-term securities. Therefore, these issues in varying amounts will be outstanding indefinitely.

Interest paid on the public debt, by issues, for the fiscal years 1930 to 1932¹

[On basis of warrants issued]

Title	Rate of interest	1930	1931	1932
Debt unmatured as of June 30, 1932:	<i>Percent</i>			
Consols of 1930.....	2	\$12,013,570.05	\$11,990,183.25	\$11,994,223.25
Panama Canal loan of 1916-36.....	2	978,542.30	979,675.70	978,464.10
Panama Canal loan of 1918-38.....	2	519,216.18	519,082.22	518,722.30
Panama Canal loan of 1961.....	3	1,493,616.75	1,493,606.50	1,492,434.75
Conversion bonds of 1946-47.....	3	867,128.25	866,427.75	865,452.75
Postal Savings bonds.....	2½	436,927.25	495,681.25	621,661.50
First Liberty loan bonds.....	3½	49,102,456.65	48,528,988.44	48,870,615.64
First Liberty loan bonds (converted).....	4	212,043.23	202,174.19	206,074.69
Do.....	4½	22,600,176.02	22,891,047.89	22,537,235.91
First Liberty loan bonds (second converted).....	4½	149,443.98	150,735.09	149,049.59
Fourth Liberty loan bonds.....	4½	266,066,143.77	265,961,876.96	265,250,533.90
Treasury bonds of 1947-52.....	4½	32,234,593.08	32,192,016.65	32,085,722.18
Treasury bonds of 1944-54.....	4	41,461,516.72	41,500,752.00	40,835,912.00
Treasury bonds of 1946-56.....	3¾	18,308,410.96	18,343,527.70	18,304,992.52
Treasury bonds of 1943-47.....	3¾	16,651,610.82	16,598,223.04	16,091,009.96
Treasury bonds of 1941-43.....	3¾	12,078,168.29	¹ 8.61	10,888,916.48
Treasury bonds of 1940-43.....	3¾		12,021,731.15	11,780,100.74
Treasury bonds of 1946-49.....	3½		¹ 855.78	24,456,103.67
Treasury bonds of 1951-55.....	3			11,848,614.82
Treasury notes.....	3½	73,740,906.81	15,899,578.81	8,494,645.81
Treasury notes, adj. serv. cert. series.....	4	20,500,175.31	33,355,561.64	
Treasury notes, civ. serv. ret. series.....	4	8,416,975.33	0,367,780.83	7,624,273.23
Treasury notes, for serv. ret. series.....	4	52,522.63	50,518.35	64,678.69
Treasury notes, Canal Zone ret. series.....	4			66,385.89
Treasury bills.....		2,331,970.66	3,535,083.05	8,910,674.75
Treasury certificates.....	2			¹ 7,843.81
Debt matured as of June 30, 1932:				
Old debt, matured, issued prior to Apr. 1, 1917.....		24,293.05	4,339.01	3,952.49
Second Liberty loan bonds.....	4	64,137.30	35,817.00	28,693.00
Second Liberty loan bonds (converted).....	4½	217,615.84	121,868.15	67,382.77
Third Liberty loan bonds.....	4½	779,996.69	335,383.54	203,275.13
Victory Liberty loan notes.....	3¾-4¾	35,120.81	23,073.36	20,410.11
Treasury notes, at various interest rates.....		15,777.69	39,938,280.38	9,216,847.66
Certificates of indebtedness, at various interest rates.....		76,102,760.71	34,957,543.89	32,873,998.97
Certificates of indebtedness, adjusted service series.....	4		970,980.81	3,018,641.12
Treasury savings certificates.....		543,454.85	¹ 88.60	
Thrift and Treasury savings stamps.....		523,090.98	426,763.61	340,138.68
Total.....		658,602,154.96	610,758,025.42	599,722,595.24

¹ For details for the fiscal years 1918 to 1929, see annual report for 1929, p. 503.
² Deduct excess of credits, collection of interest accruals, and counter warrant adjustments.
³ Sold on a discount basis.

Amount of interest-bearing debt outstanding on June 30, the computed annual interest charge, and the computed rate of interest, for the fiscal years 1916 to 1932

June 30--	Interest-bearing debt	Computed annual interest charge	Computed rate of interest
			<i>Percent</i>
1916.....	\$971,562,590	\$23,084,635	2.376
1917.....	2,712,549,476	83,625,482	3.120
1918.....	11,985,832,436	468,618,544	3.910
1919.....	25,234,496,273	1,054,204,509	4.178
1920.....	24,061,095,361	1,016,592,219	4.225
1921.....	23,737,352,080	1,029,917,903	4.339
1922.....	22,711,035,587	962,896,535	4.240
1923.....	22,007,590,754	927,331,341	4.214
1924.....	20,981,586,429	876,960,673	4.180
1925.....	20,210,906,251	829,680,044	4.105
1926.....	19,383,770,860	793,423,952	4.093
1927.....	18,250,943,965	722,675,553	3.960
1928.....	17,317,695,096	671,353,112	3.877
1929.....	16,638,941,379	656,654,311	3.945
1930.....	15,921,892,350	606,031,631	3.807
1931.....	16,619,588,640	589,987,438	3.566
1932.....	19,161,273,640	671,604,676	3.505

HOW THE SUPPRESSION OF STATISTICS REGARDING THE TRUE NATIONAL INCOME AND INCREASE OF BANK DEPOSITS OF DEBTOR NATIONS COST THE AMERICAN TAXPAYERS \$15,000,000,000

The following is important data in support of amendment 4:

The records of the United States Treasury disclose that the huge sum of \$15,000,000,000 was shifted by the World War Foreign Debt Commission from being a debt to be paid to the United States by the taxpayers of the debtor nations to being a debt to be paid by the American taxpayers.

How that huge reduction, which has been and is being paid in annual installments by the American taxpayers was brought about, is explained in a statement transmitted to me by the United States Treasury in answer to an inquiry. It reads:

"The obligations originally acquired by the United States from its foreign debtors generally bore interest at the rate of 5 percent per annum. In a very few cases the rate was 6 percent. (The amount the nations owed in principal and accrued and unpaid interest at the time of the funding of the debt was \$12,090,667,000.)

"The funding agreement made with the foreign debtor nations provide for payments over a period of 62 years (except in the case of the Austrian settlement, which provides for a period of 40 years) with interest at varying rates, all considerably under 5 percent.

"If therefore, the payments to be received under the funding period under the various debt settlements are discounted on the basis of a rate of 5 percent per annum, payable semiannually, the sum of \$5,888,000,000 is arrived at as the present worth of the debt settlement on this discount basis, as of various dates on which the settlements became effective.

"The total amount due as of the date on which each settlement became effective, including accrued and unpaid interest up to such date at the original rate of interest, was about \$12,090,000,000. The difference, therefore, between this figure and the present worth (assuming the discounting of it as set forth above) or about \$6,200,000,000, represents, in effect, the concessions granted under the funding agreement as compared with the original contracts."

The debtor nations received that discount in advance on the presuppositions that:

1. The financial and economic statements of their countries presented by their commissioners to the American commissioners gave the correct statements of the financial and economic conditions of those countries, whereas they only presented partial accounts, and did not show the fact that the deposits in their commercial banks had increased after the World War by such large sum that the increase was large enough to pay the entire amount owed to the United States.

2. That upon the completion of the funding the nations would deliver to the United States gold bonds for the amounts which they owed to the United States under the funding agreement, and that these bonds would be paid each year when due.

3. That, as provided by the funding agreements, the United States Government would have the right to exchange the bonds for "marketable obligations." For instance, the provision in the Anglo-American agreement, dated June 18, 1923, signed on behalf of the British Government by "A. Geddes, His Britannic Majesty's Ambassador Extraordinary and Plenipotentiary," it is provided:

"Great Britain will issue to the United States at any time or from time to time, at the request of the Secretary of the United States, in exchange of any or all of the bonds proposed to be issued hereunder and held by the United States, definite engraved bonds in form suitable for sale to the public, in such amounts and denominations as the Secretary of the Treasury may request, in bearer form, with provision as to registration as to principal, and/or in fully registered form, and otherwise on the same terms and conditions, as to date of issue and maturity, rate and rates of interest, exemption from taxation, payment in bonds of the United States issued or to be issued after April 6, 1917, payable before maturity, and the like, as the bonds surrendered on such exchange, except that the bonds shall carry such provision for repayment of principal as shall be agreed upon; provided, that if no agreement to the contrary is arrived at, any such bonds shall contain separate provision for payment before maturity conforming substantially to the table of repayments of principal prescribed by paragraph 6 of this proposal and in form satisfactory to the Secretary of the Treasury of the United States, such payments to be computed on a basis to accomplish the retirement of

any such bond by December 15, 1984, and to be made through annual drawings for redemption at par and accrued interest."

The United States received the bonds and has been holding them in the United States Treasury. I was permitted to examine some for the purpose of obtaining an accurate description for the Henry Woodhouse Collection of Historic Currency. They are regular gold bonds.

The following table shows how the United States was to receive \$26,000,000,000 over a period of 62 years instead of the \$11,000,000,000. The people of the United States are paying the balance. This year they are paying \$725,000,000 in taxes specifically for interest on the debt. They will have to pay annual installments until the \$26,000,000,000 is paid.

DATA IN SUPPORT OF AMENDMENT

Amendment 5 provides for a new source of revenue in the large amount of over \$4,000,000,000, which appears to be owed to the United States Government.

Some years ago the Government started some proceedings in this matter. But it was not followed to a conclusion. That can be done by introducing a bill more or less like the following:

A BILL To collect and pay into the Treasury of the United States \$4,000,000,000, the value of oil, gas, and minerals on lands, the property of the United States, which were ceded to it by Mexico and which have been unlawfully, illegally, and wrongfully taken and withdrawn by foreign, as well as domestic, corporations and persons, and for other purposes.

"Whereas Mexico ceded to the United States 334,000,000 acres of land by the Treaty of Guadalupe Hidalgo of February 2, 1848, and the protocol of May 26, 1848; and

"Whereas over 50,000,000 acres of this land has been illegally and wrongfully taken, and is now being illegally and wrongfully held, but is in reality a part of the public domain; and

"Whereas foreign (Dutch and British Shell and others) and domestic corporations and persons have taken since 1918 over 4,000,000,000 barrels of oil worth over \$4,000,000,000 from this public domain, which sum the United States is entitled to recover and collect, and is entitled also to now lease the oil rights according to law, which would on the one eighth royalty basis bring in a revenue of over \$40,000,000 annually; and

"Whereas there are certain gold, silver, coal, iron, etc., mines worth over \$100,000,000 on this public domain; and

"Whereas there is at least 25,000,000 acres of very valuable land of such public domain so illegally taken worth over \$15,000,000,000; and

"Whereas there is at least 25,000,000 acres of such public domain so illegally taken worth over \$250,000,000; therefore

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That all the lands ceded to the United States of America by Mexico by the Treaty of Guadalupe Hidalgo of February 2, 1848, and the protocol thereto of May 26, 1848, be closed to entry except such portions as homesteaders have attempted to file on for entry but have been prevented from completing such entries and from taking possession thereof by the United States of America and its officials, officers, agents and employees, or by others, and also except such portions, if any, as were actually granted by Mexico by valid grants, limited to the amount grantable under Mexican laws and duly executed prior to May 13, 1848 the date fixed by said treaty.

"Sec. 2. Be it further enacted, that all homesteaders described in section 1 hereof are hereby authorized and empowered to sell their entries and preemptions and attempted entries and preemptions to the United States of America, and the Secretary of the Interior is hereby authorized, empowered, and instructed to buy for the United States of America any and all of same as may be offered to him: *Provided,* That he and the owner or the owner's duly authorized attorney in fact can agree upon a price: *And provided further,* That the price shall be the value of the land and the Secretary shall not diminish it because of any defect or incompleteness of the entry filing or because of lack of possession: *And provided further,* That in the event that such owner, after offering to so sell to the United States of America, is unable to agree with the Secretary on the price to be paid, that thereupon such owner may sell to any other purchaser, and in that event, the Secretary shall put such purchaser in possession and protect such possession.

"Sec. 3. Be it further enacted, that the Secretary of the Interior be, and he is hereby, authorized, instructed, and empowered to take possession of all of the lands described in section 1 hereof except such portions as have been filed on by

homesteaders as described and protected by sections 1 and 2 hereof, and also except such portions, if any, as were actually granted by Mexico by valid grants, limited to the amount grantable under Mexican laws, and duly executed prior to May 13, 1846, the date fixed by said treaty, and to improve and develop same, and the natural resources thereof, and to also operate all oil and gas wells and mines and developments of mineral thereupon, until such time as same may be leased under the laws in force for leasing gas, oil and mineral properties and rights.

"Sec. 4. Be it further enacted, that the Secretary of the Interior be, and he is hereby, authorized, instructed and empowered to demand, collect, and recover the market price at the time taken and withdrawn of all oils, gas, and minerals taken or withdrawn from any and all of the lands described in section 1 hereof except such portions, if any, as were actually granted by Mexico by valid grants limited to the amount grantable under Mexican laws and duly executed prior to May 13, 1846, the date fixed by the treaty, from the parties who took or withdrew same; and any and all moneys collected hereunder, either with or without suit in the name of the United States, shall be held as a sinking fund for the payment of any bonds the Reconstruction Finance Corporation has been or may be authorized by the Seventy-third Congress to issue, or shall be paid in to the Treasury in the discretion of the President."

DATA IN SUPPORT OF AMENDMENTS 6 AND 7

I have stated that many corporations are working now, speeding production so as to evade paying the processing tax provided under the act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and other purposes.

That will create a great stock of goods against limited purchasing power, unless something is done to create new demands for processed products.

This demand can be created in 60 days by the speedy adoption of amendment 7.

HOW EXISTING ORGANIZATIONS CAN DIVIDE THE TASK OF PROVIDING IMMEDIATE EMPLOYMENT FOR OVER 11,000,000 UNEMPLOYED

If amendment 7 is adopted, the following suggests an equitable basis for existing institutions and organizations to divide the task of providing immediate employment for over 11,000,000 unemployed:

The 48 States agree to find employment for 5,000 unemployed each, making a total of.....	240, 000
The 3,073 counties of the United States agree to find employment for 400 unemployed each, making a total of.....	1, 229, 200
Electric railroads of the United States employing on the basis of 10 percent of their 1930 average of 200,000 employees.....	20, 000
Other railroads, transit lines, bus lines, etc., employing a total of over 500,000, on the basis of adding 10 percent to their employment roll.....	50, 000
Telephone and telegraph, and radio interconnection companies of the United States employing on the basis of 10 percent of their 1930 average of 400,000.....	40, 000
Public utilities and power and light corporations of the United States, on the basis of 15,600 establishments, employing 10 percent of their 1930 average of 1,000,000 employees.....	100, 000
Banks (50,000 large and small), stock and bond brokers, insurance companies, real estate and holding companies, or over 100,000 establishments, on the average of 2 persons per establishment..	200, 000
Total possible employment.....	11, 930, 200

Assuming that the Federal Government makes loans to the States, counties, and cities of \$20 per capita of their population to enable them to employ 5,000,000 persons for 6 months in making general improvements in which they can be put to work immediately, with the aid of a list of 100 such items work to be done to be supplied by the Federal Government.

The purchasing power of the 5,000,000 will create immediate business for the retail stores. They will be justified in stocking up to replenish their depleted inventories. That will create immediate business for the wholesalers and distributors and the manufacturers and the other groups listed above.

While Congress may not legislate that these groups shall employ, the communities where the stores and establishments are located may well impose a moral duty upon themselves and the stores and establishments to see that the retail stores, wholesalers, and distributors do employ a person each from the day the legislation goes into effect and that the others employ in the proportions given above.

The collective volume of the 11,930,000 newly employed in purchases, banking, and general activities will remove the ton of weight of depression from the road to the goal of prosperity and will also create large demands for processed products.

TO WHAT EXTENT CAN PURCHASING POWER OF AMERICAN PEOPLE BE DEVELOPED BEYOND THE 1929 MAXIMUM CONSUMPTION

It is safe to say that most of the losses and difficulties that have resulted from the United States dealing with foreign countries have been the result of an obsession to the effect that the people of the United States cannot consume 90 percent of what the United States produce.

Senators are familiar with the fact that my discovery of the \$500,000,000,000 discrepancies between the reported national income of the United States and the actual income of the 4 percent population and 509,000 corporations shown by their income-tax returns has established that less than 1 percent of income of the United States came from exports.

They are also familiar with the vast mass of statistical data and economic studies which I collected for my works:

The Financial Constitution of the United States.

The Guide to United States Credit and Financing.

The Guide to the United States Currency System.

The Guide to the United States Public Debt.

The Guide to the War Debt and History of the 11 Billion Dollar Foreign Bonds Held by the United States Government.

The Guide to the Emergency Banking Acts and Regulations.

This last guide is now being published by the National Bankers Service, of Columbian Building, 416 Fifth Street, Washington, D.C., which has kindly consented to making available part of the data for use by the Congress in these considerations of national legislation.

At all turns, in any discussion of the prospects of economic recovery we are faced with the question:

"To what extent can the purchasing power of the people of the United States be developed to consume American products?"

That was one of the first questions asked of me by Senator Robert F. Wagner in August 1931 when I first proposed the National Recovery Act as a bill that he might introduce when Congress convened.

Congress was not in session then. I had proposed the plan and the making of a Nation-wide survey of the needs of the States, counties, and municipalities, so as to put their unemployed to work.

In response to my announcement the Hearst newspapers wanted to make the national survey. They had my plans in June 1931, but Mr. Hearst was away. Consideration was delayed.

Finally, in August 1931, Mr. E. D. Coblenz, the editor of the Hearst group, returned from his vacation, went over the plan, and was so impressed that he arranged for special conferences, and asked Senator Wagner's opinion. I spent 3 hours with Senator Wagner, and one of the important questions we considered was the consuming capacity of the population of the United States.

The same subject was foremost in the discussions with Senator Robert M. La Follette, that same year, before Congress convened. We went over the records which we had prepared, and it became evident that the people of the United States could consume everything that the Nation could produce.

I submitted to them then, as I have been submitting since, that the evidence shows that the people of the United States consumed 99 percent of the products of the United States. The misunderstanding came from propaganda and from the fact that the Federal Government has never tabulated the gross income shown by the income-tax returns of the individual taxpayers.

The Bureau of Internal Revenue of the United States Treasury has, however, tabulated the gross incomes of the corporations that have made tax returns, and have shown that, for instance, in 1929, the 509,000 corporations making returns had a gross of \$160,621,000,000, with a net of \$11,653,886,000.

Applying the same ratio of net to gross, for the \$25,800,735,000 net shown by the individual income-tax returns for the 4,044,327 individuals who reported in

1929, the gross income of those individuals would figure out at about \$300,000,000,000, with a net "dividend" of over 8 percent on the \$300,000,000,000?

Likewise we find that the total gross income of the 509,000 corporations and the 4,044,327 individuals aggregated \$460,621,000,000, with a net of \$36,454,621,000, with a generous 8 percent net dividend.

The 4,044,327 individuals represented less than 4 percent of the population of the United States in 1929.

The balance of the population also had an income, but we do not know what that was. We only know that 48,000,000 were reported in the census of 1929 as being gainfully employed, and that there may have been hundreds of thousands not "gainfully employed" living on dividends from investments in corporations.

Unfortunately Mr. Hearst must have misunderstood the plan when explained by his representative over the trans-Atlantic telephone, and when the Hearst newspapers came out with a plan it was for \$5,000,000,000 for public buildings, instead of being for putting the unemployed of the 48 States, 3,072 counties, and 16,598 municipalities to work in general improvements that could be undertaken immediately, as I had proposed. Thereupon President Hoover condemned the public-buildings proposal as impractical, requiring years of preparation, and asked that the national recovery plan be tried first by means of extending credits to the banks, railroads, and other corporations.

The theory was that when that credit was extended the banks would extend credit to the industries, and they and the railroads would put the unemployed to work.

What actually happened was that the banks did not extend the credit and the railroads used the borrowings from the Reconstruction Finance Corporation largely to liquidate their loans from banks which controlled to a large extent their policies. They liquidated large loans from foreign capital, and large masses of gold was sent to Europe that came from the loans made by the Reconstruction Finance Corporation.

In other words, the people of the United States were again and again deprived of the opportunity of proving that they could consume the 99 percent of the products of American industries.

Many Senators and Representatives who received copies of my plan and wrote to me about it, will recall that the principal feature was the creation of purchasing power and consumption of necessities and commodities throughout the United States. I sent the analysis already cited.

I also made the list of 100 or over possible improvements and replacements and activities that can be put into effect immediately by all the States, counties, and municipalities, which I am submitting for the record.

To answer the questions, particularly of Senator La Follette and Senator Wagner, I secured data showing that even in the banner year of 1929 there were at least 10,000,000 people in the United States who did not earn enough to buy even necessities, and were prospective buyers of both, necessities and commodities, forming a great potential market, right here in the United States. Here are some statistics I have gathered on the subject:

POSSIBLE SOLUTION OF PROBLEM OF INCREASING BUYING CAPACITY OF MILLIONS OF UNITED STATES WAGE EARNERS SHOWN BY AVERAGE WAGES AND PERCENTAGE OF WAGES TO COST OF MANUFACTURED PRODUCTS

A possible solution of the problem of increasing the buying capacity of millions of United States wage earners is shown by the following table of average wages and percentage of wages or labor cost to the value of the manufactured products in the prosperity year of 1929:

Industry	Average wages in 1929	Percent of labor cost to value of manufactured products
Printing.....	\$1,868	14.5
Automobile.....	1,621	9.8
Foundries and machine shops.....	1,498	24.9
Furniture.....	1,235	25.2
Brick and clay.....	1,148	36.4
Lumber.....	1,021	32.9
Knit goods and hosiery.....	1,011	23.4
Cotton.....	783	21.4

In other words, during the prosperity year of 1929 the half million workers who converted the raw cotton into the textiles that are the basic products of many industries received 21 percent of its value, but it amounted to only \$753 per year. That has been reduced since to an even lower percentage. The average wages for all industries for the year was \$1,306 per year, or 16.4 percent of the total value of the manufactured products.

It would be absurd to argue that it would have been excessive or hurtful in any way to have increased the average wages of the last six industries to \$1,500 per year.

Any doubts on that point are removed by the statistics given in the following statement by the Department of Commerce:

"Wage cutting does not mean curtailment in the cost of manufacturing. Wages only amount to 16.2 percent of factory cost, and a 10 percent cut in wages results in a saving of only 1.6 percent.

"Real wages—by that I mean wages in relation to cost—never were inflated. From 1921 to 1929 real wages increased only 13 percent. During this same period returns to industrialists grew 72 percent, and in the same year dividends in industrial stocks and rails grew 256 percent."

We see, then, that between 1920 and 1929 the banks and investors received an increase of 256 percent on their investments in industrials and railroads, the industrialists themselves received 72 percent increase, but labor received only 13 percent increase.

Had the banks and investors received only 100 or 150 percent increase, with the balance to the industrialists and labor, or had the banks and investors abstained from sending their earnings abroad, the United States would have consumed everything that its industries produced and much that other countries produced.

We see further that labor cost has been only about 10 percent of factory production cost.

Increase it to 20 percent and you will make it possible for 20,000,000 workers to increase their buying of commodities and support of United States industries to an extent greater than was attained by the combined efforts of the industries, the financiers, the loans of some \$15,000,000,000, and the United States Government in increased exports.

That would have solved the problem of consuming the 5 or 10 percent increased production of our industries, by creating the power of consumption at home, to the benefit of the Nation as a whole, since increased consumption means increased income to all the industries, increased dividends to securities holders, and increased taxes paid in the United States Treasury.

It would also have benefited the foreign nations, as it would have increased our purchases and spending abroad through trade channels, which distribute the benefits more generally than by sending our money abroad through banking channels in the form of loans. That opportunity of insuring American prosperity was entirely overlooked.

The Nation accepted the statements of ill-advised persons who alleged that wages were too high, and they have actually been cut so far down that some 10,000,000 workers receive only from \$500 to \$750 per year.

Those who received the large dividends from American industries were inveigled into allowing their money to be invested largely in foreign securities, and their spending capacity in the United States was reduced, thereby depriving the United States industries of the benefit of the support from those who had been enriched by the earnings of American industries.

HOW PART OF THE OUTCOME OF THE HUGE INCREASED PRODUCTION OF AMERICAN INDUSTRIES COULD HAVE BEEN CONVERTED INTO INSURANCE AGAINST DEPRESSION

A review of the statistics and events since 1923 show conclusively that—

1. American prosperity was bottomed on the solid bedrock of American consumption of over 99 percent of the products of its industries;

2. That the amount of exports was so close to the amount of imports that the balance in favor of the United States was insignificant;

3. That while the value of manufactured products of American industries increased enormously, the wages paid by those industries only increased from \$11,007,000,000, in 1923, to \$11,421,000,000 in 1929, or less than half a billion dollars;

4. That the population of the United States could easily have consumed that 5 or 6 percent of products that went in exports and more, if the wages of the 20,000,000 or so wage earners who earned only between \$750 and \$1,100 per year had been increased to only \$1,200 per year out of the huge earnings of the industries, instead of diverting those earnings to foreign investments;

5. That the capacity of the population of the United States to buy commodities will not be reached even when the consumption has attained the stupendous sum of 1,000 billion dollars per year.

Having been advised that the 1,000 copies of the hearings held on the 30-hour week bill have been exhausted, and the data and economic surveys which I supplied in connection with that bill are no longer available for the study of this bill, I submit herewith copies of some for the record, as has been suggested by Senators.

This bill is the only general measure for aid to the Nation. It can be made a most beneficial instrument, provided it is amended to provide work in the 48 States, 3,072 counties, and 16,598 municipalities when the act goes into effect.

The major amendment which I propose provides for putting close to 12,000,000 persons to work in 60 days, in making improvements, repairs, and restorations, and renewing civic and social activities which have been in arrears for a number of years.

Another amendment would provide a "coordinator" of work, who would endeavor to see that workers be kept employed, so as to avoid accumulations of unemployment.

My surveys show that there is ample work to keep all the workers employed, at all seasons, particularly if it is put into effect with the immediate employment of 12,000,000 unemployed to create purchasing power.

It is my belief that this legislation, with the amendments I propose, will accomplish the following results:

1. Carry into effect the plank in the Democratic platform which reads: "We advocate the extension of Federal credit to the States to provide unemployment relief wherever the diminishing resources of the States make it impossible for them to provide for the remedy; expansion of the Federal program of necessary and useful construction affected with a public interest, such as adequate flood control and waterways."

2. To solve the problem of making the Nation's \$25,000,000,000 now idle contribute to put to work the Nation's 13,000,000 unemployed.

3. To solve the problem of enabling the 48 States, 3,072 counties, and 16,598 municipalities to borrow sufficient funds at low rate of interest to put their unemployed to work at making much-needed improvements which will benefit all the major industries besides creating Nation-wide demand for commodities.

4. To solve the problem of distributing relief funds through the 48 States, 3,072 counties, and 16,598 municipalities in a way that will increase consumption of commodities and industrial products, restore their value and prices, and contribute to restoring incomes, thereby starting national recovery.

5. To solve the problem of distributing currency through the Nation, particularly outside of the Federal Reserve centers, where the shortage of currency is still the outstanding problem obstructing the efforts to reestablish normal flow of banking and business.

6. To stop the Nation-wide liquidation at bankruptcy prices, which has been causing new declines in the earnings of industries.

7. To aid in restoring the normal operations of the Nation's 20,000 banks and financial institutions, safeguarding the \$45,000,000,000 deposits of 30,000,000 depositors.

8. To coordinate the requirements of the 48 States, 3,072 counties, and 16,598 municipalities in a way to distribute the demand for materials and the employment of labor so as to derive maximum benefit for the Nation as a whole.

9. For instance, over 10,000 municipalities and counties need an average of 5 miles of new water mains each. That 50,000 miles of new water mains will keep the iron works of the Nation busy for several years, and laying the water mains will employ an army of men. The work should be so distributed, seasonally and geographically, to afford maximum employment during seasons when there is slack in other industries.

The surveys and reports that follow are only part of the data which I can supply to fully establish the fact that the plan can be put into effect immediately.

It will be noted that the work proposed by my amendments will be financed for 5,370,200 on the credit of the 48 States, 3,072 counties, and 16,598 municipalities. That work is to be general improving and restoring work, as shown by the annexed list of possible activities:

CHECK LIST OF POSSIBLE IMPROVEMENTS FOR ANY STATE, COUNTY, AND MUNICIPALITY

NATURE OF IMPROVEMENT

Airport improvements.
 City area extension.
 Artistic entrances to city.
 Art center, civic.
 Art exhibitions.
 Auditorium.
 Baseball diamonds.
 Baths, public.
 Better homes planning.
 Bridges, widening.
 Bridges, new.
 Bridges, repairing.
 Buildings, public: Repairing, cleaning, new lighting, new heating, new equipment, new plumbing.
 Busses, motor.
 Bus depots.
 Camps for tourists.
 Camps for families, Boy Scouts, Girl Scouts, school vacations, needy mothers.
 Celebrations: New Year, Lincoln's Birthday, Washington's Birthday, Easter Sunday, Memorial Day, Flag Day, Independence Day, Labor Day, Columbus Day, Armistice Day, Thanksgiving Day, Christmas Day (organizing and holding, as to stimulate employment and patriotism).
 Child welfare.
 City beautification.
 City planning work.
 Cleaning, street.
 Clinic, municipal.
 Comfort stations.
 Community centers.
 Community music.
 Court buildings: Repairing, cleaning, new lighting, new heating, new equipment, new plumbing.
 Disposal of garbage, ashes, rubbish.
 Disposal, sewage.
 Docks, repairs, new.
 Draining swampy lands and marshes.
 Educational organizations.
 Electric lighting improvements.
 Employment bureau.
 Fire-department equipment.
 Fire houses, improvement.
 Flood-prevention planning and construction.
 Fuel yards, municipal.
 Garages, municipal.
 Golf courses, municipal.
 Grade-crossing elimination.
 Harbor development.
 Health, public, development.
 Highway improvements.
 Hospitals, improvements.
 Housing, planning improvements.
 Jails, improvements.
 Laundries, municipal.
 Libraries, public.
 Markets, improvements.
 Maternity aid.
 Mosquito extermination.
 Motor trucks for street cleaning and flushing.

Museums, new and repairing
 Parent-teachers aid.
 Parking areas, municipal.
 Parks, extension and improvement.
 Paving streets.
 Planting trees, streets and other public places.
 Playgrounds, improvements and extension.
 Police department, improvements, new equipment, etc.
 Poor relief.
 Public schools, new buildings, equipment and improvements.
 Public works, new and improving.
 Recreation facilities.
 Relief, emergency service.
 River fronts, beautifying.
 Roads, construction and repairs.
 Safety, public improvements.
 Sanitation, municipal.
 Segregation of traffic by grade separation, two-level drives, etc.
 Sewage-disposal improvements.
 Snow-removal planning and equipment.
 Stadiums for public sports, etc.
 Summer camps, public.
 Terminal facilities.
 War memorials, renovating.
 Water-works construction and improvement.
 Water mains, new water main, cleaning and renewing.
 Women's hospital and aid service.

CHECK LIST OF BENEFITS AND ADVANTAGES AFFORDED BY THE PLAN TO MAKE LOANS TO STATES, COUNTIES, AND MUNICIPALITIES UP TO \$20 PER CAPITA OF THEIR POPULATION

The proposed plan to make loans to the 48 States, 3,072 counties, and 16,598 municipalities up to \$20 per capita of their population has numerous benefits and advantages. The author, Henry Woodhouse, first proposed the plan in 1930, and from the discussions that have resulted has made the following check list:

1. It will rid the Nation, and if followed by other nations may rid the world, of the tragic paradox now existing, heretofore expressed by the author as follows:

"The country is paralyzed by the tragic paradox of industries idle for want of capital while central banks have billions of dollars of idle funds; millions of people in forced idleness when there is work to keep them busy for 10 years to come; millions suffering from want of food, shoes, and clothing, and having to deprive themselves of home comforts while food, shoes, and clothing and things that make for home comforts fill idle factories and storehouses; and of the thinking world dreading the possible outcome of employing the idle labor to produce more goods, for which there are no markets, as much as the possible harm that may come to society if the millions are not employed."

2. It will bring into being an agency that will receive and utilize the funds of the thousands who are willing to lend to the Government for the States, counties, and municipalities, who express their desires somewhat as follows:

"I would gladly invest part of my income toward lessening unemployment if I could only find an organization or something to which I can contribute part of my income whenever I can spare it, with the assurance that it will not be employed to create some other difficulty by producing additional goods for the competitive market, clogging the avenues of industry and commerce with additional products, for which markets must be found, or creating other objectionable problems."

3. It will enable the Nation to put the unemployed to work at one third of the present cost of the bread line and insure the Nation against repetition of such calamities as being suddenly paralyzed or affected by events that impair confidence by increasing the percentage of working capital in business, which is now so low that over 90 percent of the business is done on credit, which credit is affected when confidence is affected.

4. The plan would undoubtedly have prevented the sudden drop of \$50,000,000,000 in the market value of American stocks listed on the stock exchange in the fall and winter of 1929 and would have minimized the causes of the waves of depression that followed, which paralyzed the Nation's industries.

5. It is self-financing and self-extending in accordance with the will of the people of the States, counties, and municipalities, thereby supplying a solution based on the fundamental principle of public determination established by George Washington and those associated with him in the framing of the Constitution of the United States, and will extend in proportion to the desire of the people to participate in it.

6. It improves the national morale by providing permanent antidotes against national concern and collective worry over contingencies, by supplying assurances for the employment of possible surplus labor and utilization of possible surpluses of industries in all of the 48 States, 3,072 counties, and 16,598 municipalities of the United States.

7. It affords a plan that can be adopted and endorsed without fear by every Government official and Member of Congress, irrespective of political parties, and can be participated in by people of all classes, conditions, creeds, political affiliations, anywhere and wherever they may be.

8. The plan provides for benefiting all parts of the United States alike, on the equitable basis of population distribution, affording self-determining means of distribution of the funds according to the judgment of those elected by the people to administer established institutions in the 48 States, 3,072 counties, and 16,598 municipalities of the United States.

9. Will provide a medium for temporary or permanent investment of idle funds affording the assurance to the investor that his funds, made available through the Federal Government, will be employed for the broadest form of national welfare, aiding all the established financial and industrial institutions.

10. It will not disturb existing investments, as the funds are quickly put into circulation, and will return to the banks within from 10 to 30 days after the payments, so that there will never be large sums outstanding.

11. Provides an economic system that may be used henceforth for reducing property and wide economic inequalities and prevent their recurrence.

12. Provides funds for State, county, and municipal, civic, and social improvements that have suffered heretofore from inability on the part of States, counties, and municipalities to obtain appropriations or to borrow for such purposes.

13. Provides for utilization of idle resources of the Nation to solve national problems of unemployment.

14. Will increase buying power of all classes throughout the Nation and benefit all industries and professions.

15. Relieves the United States of necessity of resorting to paying dole to the unemployed, as England, Germany, and other countries have been obliged to do to prevent social, economic, and political evils that may arise from allowing millions to face total destitution without actual relief.

16. Provides an elastic institution for taking care of unemployment caused by seasonal depression, industrial readjustments, etc.

17. Supplies a means for people to save themselves from destitution by working.

18. Stimulates national prosperity by placing and keeping capital in circulation geographically and through all the units of economic and social fabric of the United States.

19. It is capable of being extended in volume by public subscriptions, increased Federal appropriations, or by contributions by the States, counties, cities, organizations, corporations, and individuals, either as investments or as donations.

20. The plan is a constructive one, simple and capable of immediate application, since the States, the counties, and the municipalities are duly organized and can act instantly.

21. It is entirely nonpolitical and does not create political preferments or political distinctions.

22. It is operated through established institutions, thereby avoiding objectionable features of widespread bureaucracy, or similar evils arising from abuses of power.

23. It does not add to the evils that have arisen from overstimulating competitive activities, as there will not be any competition except in excelling in beautifying and improving States, counties, and cities, solving social and economic problems, and removing vast economic inequalities.

24. While solving problems that perplex classes of people and sections of the country, it avoids the evils of class or sectional legislation.

25. Relieves the established channels of trade and commerce of such obstructions as unemployment, surplus stock in hand, etc., by putting the unemployed to work and making them consumers of products.

26. It provides self-regulating means for the equitable distribution of the funds throughout the United States.
27. Is free of the objectionable features of "pork-barrel" measures.
28. Will aid all businesses in every part of the country by creating consumption of commodities and necessities.
29. It avoids the abuses that crop up through arbitrary withdrawing or granting of support to favored sections or friends of officials in charge of Federal or State of administration of funds and awarding of contracts by providing for the widest geographic distribution according to population.
30. Aids in maintaining the high standard of living that has prevailed in the United States.
31. Removes the conditions that have threatened the lowering of the high standard of living.
32. Avoids the possibility of decreasing prices by artificial stimulation of production that would come if the measure provided for the employment of the millions of unemployed in producing goods.
33. Avoids the evil of employing the unemployed in increasing exportable surpluses at a time when the world is burdened by surpluses.
34. It affords the opportunity of concentrating on activities requiring the maximum employment of labor when labor is most plentiful, and to shift to activities requiring minimum amount of labor when it is scarce.
35. It makes possible the concentration of efforts in activities that are facilitated by seasonal advantages.
36. Will serve as a check on factors that artificially cause the rise or lowering of cost of living, with the attendant evils.
37. Will avoid affecting artificial increases in prices by creating sudden artificial demand.
38. Will not bring about artificial or damaging alterations in the cost of living.
39. Will not affect or be affected by possible tariff changes and will not require protection by tariff measures, as no foreign products may be bought with such funds.
40. Supplies an organization that may employ the youth of the Nation that must work its way through college or school, thereby repairing some of the damages to general education caused by the depression.
41. It will be beneficial to this and the next generation, who will share in paying the costs of the damages wrought by depression, thereby avoiding the burdening of one generation to benefit another.
42. Does not produce marketable goods, therefore does not compete for market advantages.
43. Relieves millions from worry and sickness caused by worry, deprivation, idleness, and misery.
44. Does not provide for charitable reliefs, but lifts the needy out of requiring charitable relief.
45. Does not interfere with established institutions for the control and distribution of exports and imports.
46. Is beyond the reach of speculators.
47. Is unaffected by changing conditions.
48. Is unaffected by seasonal fluctuations.
49. Is capable of adjusting itself to expansion when seasonal depressions increase unemployment and contraction when seasonal occupations decrease it.
50. Stimulates patriotism.
51. Stimulates thrift.
52. Cannot be used to cause fluctuations in prices or to benefit hidden operators.
53. It can employ, in its National, State, and civic execution, the patriotic, social, philanthropic, trade, professional, artistic, literary, historic agencies and organizations that have aided in the past and are interested in aiding to improve conditions.
54. The bonds or other securities that may be sold to finance this plan afford a sound financial investment besides bringing the collective benefits of solving the problems at hand and the satisfaction of contributing to such a good cause.
55. It converts poorhouses into community centers.
56. Does not permit monopolies.
57. Avoids and checks the disturbing effect of wide emigrations of capital and labor by affording employment of labor and capital in all the States, counties, and municipalities at the same time.
58. Is free of possibility of profiteering, waste, and excess middleman profits.

59. Does not require the enactment of legislation by States or ordinances by counties and municipalities for their participation in the distribution.

60. Does not infringe or prejudice in any way any of the established institutions; on the contrary, it aims to solve problems affecting them all.

61. Does not involve any compulsory requirements.

62. Does not contravene constitutional, State, or other statutory provisions.

63. Does not invade State rights or county or municipal prerogatives.

64. Does not involve price fixing and its attendant evils as most relief measures propose.

65. It avoids all antidumping evils.

66. Will not tend to supply the people of foreign countries with cheaper food and cheaper commodities at the expense of American industries, as most relief measures have proposed.

67. Does not give aid to foreign competitors at the expense of American taxpayers.

68. It is strictly American in its application, therefore does not involve consultations with foreign nations, modifying existing treaties, negotiating new treaties, or any foreign considerations.

69. Nevertheless, it tends to benefit the world by making greater distribution of money which has been accumulated during the past few years of economic upsets, so that a larger number of Americans, who are notorious spenders, may have more funds to spend in travel and purchases than ever before.

70. Does not exclude, but is open to a participation by the people of all countries, who may be desirous of sharing by investing their funds in the United States, or by copying the plan.

71. The plan will supply a pattern for the nations of the world, who will welcome the opportunity of applying it to solve the problems that have been darkening their national and individual horizons.

72. It will be a protective force to the United States in the event that groups of international bankers who represent resources aggregating upward of \$50,000,000 should attempt to precipitate a financial crisis in the United States by making sudden, concerted runs on the United States, as they did on the United States in September to December 1929; on Germany in June 1931; and on England in July and August 1931; and on the United States since.

73. It will remove the business and financial systems of the United States from their present dangerous position of close connection to the nervous economic systems of Europe, which results in the United States suffering from depressing fluctuations whenever the meanest and smallest parts of the European systems are caused to shiver by causes which would not otherwise affect the United States.

74. It will fortify the United States against being again severally affected by foreign panics, political upheavals, struggles for the control of vast economic resources, destructive competitions, international animosities, and similar causes.

75. Being based on the plans made by George Washington to solve problems similar to the problems that perplex the nations of the world today, and being capable of providing greater benefits, on account of the greatly increased resources of the United States, it is reasonable to expect that the statesmen of foreign countries will find it as beneficial as Washington's original plan.

Although Washington's resources were limited, he made the youthful United States such a paragon of safety and prosperity among the nations that the British Prime Minister, the Earl of Shelbourne (afterward Marquess of Lansdowne), in writing to him, in 1794, introducing no less a personage than the famous French statesman, Talleyrand, hailed Washington in the following words:

"In the present situation in Europe, he has nowhere to look for an asylum except in that country which is happy enough to preserve its peace and its happiness under your auspices, to which we may be all of us in our turn obliged to look up, if some bounds are not speedily put to the opposite storms of anarchy and despotism, which threaten Europe with desolation."

AMENDMENT PROPOSED BY HENRY WOODHOUSE TO PROVIDE A COORDINATOR

There is hereby created a Federal labor coordinating bureau which shall be administered under the direction of a Federal coordinator (referred to in this act as the "coordinator") to be appointed by the President, by and with the advice and consent of the Senate.

The coordinator shall receive a salary to be fixed by the President and necessary traveling and subsistence expenses within the limitations prescribed by law for civilian employees in the executive branch of the Government.

It shall be the duty of the coordinator to—

1. Prepare and maintain a list or lists of possible sources of employment, covering the 48 States, 3,072 counties, 16,598 municipalities, and the subdivisions and agencies thereof, now listed in the Census Report of the population of the United States.
2. To prepare and maintain surveys and charts giving comprehensive statistics of the geographical and seasonal distribution of work.
3. To prepare and maintain surveys and charts giving accurate statistics of the percentage of workers employed in the various industries, professions, and occupations over a period of 20 years, to facilitate estimating possible work for different branches of human endeavor on a regular normal, balanced schedule.
4. To prepare and maintain surveys and charts giving accurate statistics of seasonal requirements of labor of different industries in different geographical divisions.
5. To prepare and maintain surveys and charts giving accurate statistics of the economic dislocation wrought in recent years by floods, earthquakes, droughts, and other catastrophes, particularly as they affected homes and home owners, and indicating the measure of relief which would have restored the areas affected to their normal status and prevented the laws of diminishing return from operating to the disadvantage of the Nation as a whole.

LETTER SENT TO MEMBERS OF CONGRESS BY HENRY WOODHOUSE POINTING OUT THAT 12,000,000 UNEMPLOYED COULD BE PUT TO WORK IN 60 DAYS

After the discovery of the evidence that the national income of the United States had been over \$400,000,000,000 per year instead of one tenth that amount, as had been reported, I wrote to the Members of Congress pointing out how 12,000,000 unemployed might be put to work in 60 days by employing a portion of the newly discovered vast assets.

Following is one of my letters to the Members of Congress, which brought requests for additional information and popularized the plan to provide direct relief to relieve unemployment and distress:

DEAR CONGRESSMAN: 1. Please find enclosed the outline of a plan that shows how the 11,900,000 unemployed can be put to work in 60 days, at one half the cost of feeding a small percentage by the charity and bread-line process.

2. As it is a simple plan, and there are (a) the work to be done, (b) the money with which to pay for the work, (c) the 12,000,000 unemployed crying for work, and (d) the Nation waiting for the destitutes to be restored to the ranks of purchasers, I hope that you will take immediate steps to resolve the plan into legislation, so the Nation may start on its way to recovery before the miseries of winter drive the millions of destitutes to despair.

3. This plan is backed by an extensive economic survey which will answer, I believe, every question that may occur to you on the subject. Appreciating the importance of supplying such data quickly, I shall stay in Washington as long as necessary to aid in meeting the national emergency. Please address me at the Willard Hotel, Washington, D.C.

4. Do not hesitate to send me as long a list of questions as you wish me to answer. I had as big a task, you recall, during the World War, when I made the first scientific survey of the United States economic resources. In the midst of it President Wilson asked Mr. Eugene Meyer (the present Governor of the Federal Reserve Board) to have a survey of national scope made. I was selected to make that survey and completed it in 2 weeks.

5. It was then that those of us who were designated as "scientific economists" urged the Government to provide to make annual estimates of gross national income instead of merely figuring the taxable income. As you know, that was never done, and the Nation has been run on the erroneous notion expressed by the unfounded formula that the exports represent 10 percent of the gross receipts of the United States.

6. It is shown by the records that for a number of years I have pointed out to the leaders of Congress that the accepted formula by which the national income was estimated, which was to the effect that the exports represented 10 percent of the gross receipts, was wrong by over \$300,000,000,000 per year, and that the exports did not represent 2 percent of the gross income.

7. Finally, at the last session of Congress Senate Resolution 220 was adopted, requiring the Secretary of Commerce to transmit to the Senate an estimate of

the national incomes for 1929, 1930, 1931. But the Secretary stated that it was an enormous task, and he was given until December 15, 1933, to present that estimate.

8. You will be glad to know that you and other leaders of Congress will not have to wait until December 15, 1933, for the Secretary of Commerce to report on the estimated national income of the United States as required by Senate Resolution 220.

9. Appreciating that such estimates are of vital importance for planning national recovery, relief, taxation, National Budget, and to deal with other national and international questions, I decided to prepare such estimates.

Having had 20 years of experience as "scientific economist", and owning the world's largest collection of historic documents and records, which give the vital statistics since the founding of the United States, I had the basic data.

The Governor of the Federal Reserve Board, and the Secretary of the Treasury, and other officials, cooperated cordially by supplying much of the data I asked for, for use in completing the estimates.

10. As a result I can now supply accurate estimates of the gross national income of the United States, and can show from these that—

(a) The national gross income has been and is over 400 billions per year larger than had been estimated. Therefore, our national resources are greater.

(b) The gross income from exports has been less than 2 percent of the national gross income, therefore the United States is not dependent on Europe for its economic independence.

(c) The people of the United States can consume the entire production of the United States, and we are, therefore, not dependent upon foreign nations.

After reading the foregoing, please let me know the data you desire to see, ask any questions you wish me to answer, and advise when you will have time to confer with me on the subject.

Cordially yours,

HENRY WOODHOUSE,
Chairman National Recovery Council.

NATION'S CREDIT RESOURCES CAN EASILY FINANCE PROSPERITY PLAN

(By Henry Woodhouse)

The Nation's credit resources can easily finance the plan to restore prosperity by making the loans to the States, counties, and municipalities. Convincing evidence that such is the case is shown by the following statistics.

1. The Comptroller of the Treasury for 1932 shows that 19,163 banks in the United States reported having deposits aggregating \$45,390,000,000, and resources aggregating \$57,245,000,000.

2. That \$45,390,000,000 represents 29,197,561 different deposit accounts. That had been overlooked when it was surmised that there was a general hoarding. It is now evident that if each depositor had only drawn \$200, it would have required a total of \$5,839,412,200 of currency, in addition to the currency required by the balance of the population and the reserve of cash required for the conduct of the Nation's business.

3. The Treasury shows that the highest aggregate of currency in circulation before the national bank holiday was declared was only \$6,545,617,000, at the end of February. That was only an increase of \$942,000,000 of currency in circulation for the year, and only represents a per capita of \$52.23.

4. That indicates clearly that if \$5,000,000,000 had been invested for work for the unemployed there would easily have been that additional amount of currency in circulation, while there would have been also less inducement for people to want currency, as they would have had an opportunity to acquire \$5,000,000,000 in Government bonds, to hold in place of currency.

5. The records of the Treasury show that the gold in circulation on February 28 was only \$92,000,000 more than the month before and only represented an increase of \$109,000,000 for the year, the total in circulation being \$571,337,000.

6. The insignificance of the increase of gold in circulation is shown by the fact that when England needed gold, the Federal Reserve Bank of New York promptly arranged with New York banks to loan \$200,000,000 in gold to the British Government.

7. That comparatively small increase in demand for gold might not have existed at all if the increase in circulation that would have followed the adoption of the \$5,000,000,000 bond issue had taken place.

8. The eagerness of the public and banks to invest in United States Government securities is shown by the Treasury records. Every offering made by the United States Treasury of notes or certificates has been oversubscribed, although some only paid interest as low as three fourths of 1 percent, and long-term notes (5 years) only pay 2½-percent interest.

8. The oversubscription to Treasury offerings since July 1932 have been: The July offering was oversubscribed by \$4,850,000,000, the September offering by \$6,135,350,000, the October offering by \$8,368,343,000, the December offering was oversubscribed by the stupendous sum of \$10,449,000,000—or over twice the amount required for \$5,000,000,000 relief-work program. The January offering of \$250,000,000 5-year 2½-percent notes was oversubscribed by \$7,802,000,000.

9. Funds paid to workers are spent largely in necessities and in commodities and find their way into banks within from 1 week to 1 month. Therefore, there is hardly any increase in currency circulation, the speed in circulation taking care of the need for currency.

10. Likewise there are no large amounts of outstanding bank funds when the banks subscribe to United States Government bonds, notes, certificates, or Treasury bills for such purposes as financing anything that employs a large number of persons.

11. When I pointed out that fact before the large financing of the World War supplies people were skeptical, but they soon found that I had been correct in my calculations. Wage money was spent or deposited almost as fast as it was paid out, and the banks were ever ready to subscribe anew for Liberty bonds.

RECOVERY PLAN MAY ADD \$20,000,000,000 TO VALUE OF SECURITIES AND BONDS LISTED ON STOCK EXCHANGE, BESIDES HOLDING THE GAIN OF \$14,868,501,628 MADE IN JULY AND AUGUST 1932

The combined buying power of millions of newly employed who will resume the status of buyers of commodities as a result of the recovery plan, added to the increased buying of the Nation's 1,500,000 retail stores whose business will be stimulated by the buying of the millions of newly employed, will soon be reflected in the earnings of the Nation's large industrials.

Increased earnings will soon be reflected by increased market value and dividends of the securities which are held by hundreds of thousands of people and banks, trusts, insurance companies, and other institutions.

Considering the advance of the market value of securities by \$14,868,501,628 in July and August 1932, it may not be excessive to expect an increase in the market value of the securities of up to \$20,000,000,000, in addition to holding the gains made.

During the month of July 1932 the shares listed on the stock exchange gained a value of \$4,861,279,888, and the bonds listed gained \$1,261,999,683.

During the month of August a new gain was made by the shares listed aggregating \$7,287,742,341. The bonds registered a gain of \$1,457,499,716, making a total gain for the 2 months of \$14,868,501,628.

Nevertheless, the total value of the shares listed on the stock exchange on September 1, 1932, was only \$27,782,501,806, which is less than one third of the market value of the shares listed on September 1, 1929, which was \$89,668,276,854.

The bonds listed on the exchange on September 1, 1932, were valued at \$40,072,839,336, as against the value of the bonds listed on September 1, 1929, which aggregated close to \$47,000,000,000. Their depreciation has been much less than the stocks. After dropping below \$15,000,000,000, the listed stock issues recovered, and during the month of April, 1933, they appreciated by \$6,901,216,000, and had a market value on May 1, 1933, of \$26,815,110,054 for 1,221 issues aggregating 1,293,545,655 shares.

HOW THE RECOVERY ACT WITH AMENDMENTS WOULD AID THE RELIEF OF THE FARMERS

The farmers' problem is essentially one of finding people to consume his products, or to find work at other occupations when there are no consumers for his surplus.

The amendments which I have proposed do both; they create a larger consumption and create work at other occupations for the farmer.

A study of the crops grown in the United States since 1899 shows the necessity of solving the problem from both standpoints:

Crops of the United States

Year	Corn	Wheat	Oats	Barley	Rye	Cotton
	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bales</i>
1932.....	2,908,045,000	728,831,000	1,242,437,000	229,950,000	39,855,000	12,727,000
1931.....	2,567,306,000	900,219,000	1,117,970,000	198,389,000	32,026,000	17,096,000
1930.....	2,081,048,000	850,965,000	1,402,026,000	325,893,000	50,234,000	14,243,000
1929.....	2,622,189,000	806,508,000	1,238,654,000	307,105,000	40,269,000	14,919,000
1928.....	2,839,959,000	902,749,000	1,449,931,000	356,868,000	41,776,000	14,373,000
1927.....	2,786,288,000	871,601,000	1,195,006,000	265,577,000	58,572,000	12,789,000
1926.....	2,645,030,000	832,305,000	1,253,739,000	191,182,000	40,024,000	17,877,874
1925.....	2,900,581,000	669,365,000	1,501,909,000	218,002,000	43,696,000	16,104,000
1924.....	2,436,006,000	872,673,000	1,541,900,000	187,875,000	63,446,000	13,628,000
1923.....	3,054,395,000	875,741,000	1,299,823,000	198,185,000	63,023,000	10,681,000
1922.....	2,906,020,000	867,598,000	1,215,803,000	182,068,000	103,362,000	10,911,000
1921.....	3,081,251,000	794,893,000	1,060,837,000	151,187,000	57,918,000	7,964,000
1920.....	3,232,367,000	789,878,000	1,524,055,000	202,024,000	69,318,000	13,440,000
1919.....	2,816,318,000	968,279,000	1,184,030,000	147,608,000	75,542,000	11,420,000
1918.....	2,786,814,000	917,100,000	1,538,359,000	256,375,000	89,103,000	11,360,000
1917.....	3,065,233,000	936,655,000	1,582,740,000	211,759,000	62,933,000	11,865,000
1916.....	2,588,241,000	639,886,000	1,251,992,000	180,927,000	47,383,000	12,737,000
1915.....	2,994,793,000	1,026,801,000	1,540,030,000	228,851,000	54,050,000	12,862,000
1914.....	2,672,804,000	891,017,000	1,141,060,000	194,963,000	42,778,000	15,136,000
1913.....	2,446,988,000	763,380,000	1,121,768,000	178,189,000	41,381,000	16,101,000
1912.....	3,124,746,000	730,267,000	1,418,377,000	223,824,000	35,664,000	14,552,000
1911.....	2,531,488,000	621,328,000	922,298,000	160,240,000	33,119,000	14,104,000
1910.....	2,886,260,000	635,121,000	1,186,341,000	173,832,000	34,897,000	12,075,000
1909.....	2,552,190,000	683,350,000	1,007,129,000	173,321,000	29,520,000	10,513,000
1908.....	2,668,651,000	664,062,000	807,156,000	166,756,000	31,851,000	13,817,000
1907.....	2,592,320,000	634,087,000	751,443,000	153,318,000	31,506,000	11,441,000
1906.....	9,227,416,160	735,260,970	964,904,522	178,916,480	33,374,833	13,540,000
1905.....	2,707,993,540	692,979,486	963,216,197	136,651,020	28,485,952	11,234,000
1904.....	2,467,480,934	552,399,517	894,595,563	139,748,958	27,241,515	13,654,000
1903.....	2,244,176,925	637,821,835	784,094,199	131,861,391	29,363,419	10,002,000
1902.....	2,523,648,312	670,063,008	987,842,712	134,954,023	33,630,592	10,674,000
1901.....	1,522,519,891	748,400,218	736,808,724	109,933,904	30,344,900	10,768,000
1900.....	2,105,102,516	522,229,505	809,125,989	58,925,833	23,995,927	10,339,000
1899.....	2,078,143,933	547,303,846	796,177,713	73,381,563	23,961,741	9,422,000

TWENTY TARIFF BARRIERS OBSTRUCTING WORLD TRADE

The problem of establishing the value of imports for duty purposes is one of the greatest problems obstructing the flow of world trade. But even more difficult is the task of establishing uniform tariffs.

To expect the nations of the world to agree on a principal of tariff equality is equivalent to expecting social equality irrespective of family ties or obligations of existing contracts. Without tariff equality the Governments of the world are, collectively, faced by the problems created by these tariffs:

1. Tariff by fixed valuation of products for duty purposes.
2. Tariff by arbitrary valuations for duty purposes.
3. Tariffs on products that are restricted in volume by quota regulations.
4. Tariffs on products from depreciated currency countries.
5. Tariffs on products from countries that have controlled exchange rates.
6. Tariffs on products from subsidizing countries.
7. Tariffs on products from countries having reciprocal "most favored nations" treaties.
8. Emergency tariffs applicable to prevent dumping when slump in value of currency of importing nation enables importers to pay duty in depreciated currency.
9. Tariffs on noncompeting manufactured products.
10. Tariffs on competing manufactured products.
11. Tariffs on noncompeting raw materials.
12. Tariff on competing raw materials.
13. Tariff on noncompeting processed materials.
14. Tariff on competing processed materials.
15. Tariff on products wholly or partially of territorial or colonial origin.
16. Tariffs on products from contiguous countries.
17. Tariffs on manufactured products made up partly with materials bought from the importing country.
18. Tariffs on products transported on national ships.

19. Tariffs on products transported on foreign ships.

20. Tariffs on products from politically competing countries.

Each of the foregoing supplies a basis for argument against uniform rates and tariff equality.

\$400,000,000,000 DISCREPANCY SHOWN BETWEEN REPORTS OF NATIONAL INCOME FOR 1929

In support of the statement I made that there is greater borrowing power than has been reported, the fact is that the Federal Government has never tabulated the gross income shown by the income tax returns of the individual taxpayers.

The Bureau of Internal Revenue of the United States Treasury has, however, tabulated the gross incomes of the corporations that have made tax returns, and have shown that, for instance, in 1929, with 509,000 corporations making returns had a gross of \$160,621,000,000, with a net of \$11,653,886.

Applying the same ratio of net to gross, for the \$24,800,735,000 net shown by the individual income tax returns for the 4,044,327 individuals who reported in 1929, the gross income of those individuals would figure out at about \$300,000,000,000, with a net "dividend" of over 8 percent on the \$300,000,000,000.

Likewise we find that the total gross income of the 509,000 corporations and the 4,044,327 individuals aggregated \$460,621,000,000, with a net of \$36,454,621,000, with a generous 8 percent net dividend.

The 4,044,327 individuals represented less than 4 percent of the population of the United States in 1929.

The balance of the population also had an income, but we do not know what that was. We only know that 48,000,000 were reported in the census of 1929 as being gainfully employed, and that there may have been hundreds of thousands not gainfully employed living on dividends from investments in corporations.

The gross income of only the less than 4 percent of the population and the corporations aggregates \$400,000,000,000 over the gross income of the entire United States accepted generally in the formula that "10 percent of the national income came from exports."

The exports for 1929 aggregated \$5,241,000,000. That included the exports to the Philippines, Hawaii, and other American possessions.

Ten times \$5,241,000,000 is \$52,410,000,000. That sum is \$408,211,000,000 less than the estimated income of less than 4 percent of the population of the United States and the 509,000 corporations.

That mistake of over \$400,000,000,000 in 1 year in estimating the national income has caused Nation-wide hardships for a number of years.

It led people to believe that the \$4,000,000,000 Federal Budget represented 10 percent of the national income, whereas it represents less than 1 percent of the income of less than 4 percent of the population.

It led the officials, bankers, and business executives to reduce operations until such time as the Nation could recover the mythical 10 percent exports—which could never happen, since the exports have never amounted to as much as 1 percent of the national income.

NUMBER OF INCOME TAX RETURNS MADE BY INDIVIDUALS IN THE YEARS 1913-32, AND NET INCOME SHOWN BY THEM

Owing to the fact that the gross income shown by the income tax returns of individuals have never been tabulated by the United States Treasury, only the net income can be given. The 1931-32 returns are not final. An equitable way of converting net into gross is to figure it on the 6 percent basis. The \$18,000,000,000 net of 1930 becomes gross of \$300,000,000,000.

Year	Number of returns	Net income
Total 1931 returns filed to Aug. 31, 1932.....	3, 116, 317	\$13, 231, 353, 042
Total 1930 returns filed to Aug. 31, 1931.....	3, 376, 552	17, 220, 763, 620
1930.....	3, 707, 509	18, 118, 634, 941
1929.....	4, 044, 327	24, 800, 735, 564
1928.....	4, 070, 851	25, 226, 326, 912
1927.....	4, 101, 547	22, 545, 090, 563
1926.....	4, 138, 092	21, 958, 505, 649
1925.....	4, 171, 051	21, 894, 575, 403
1924.....	7, 369, 788	25, 056, 153, 464

Year	Number of returns	Net income
1923.....	7,698,321	\$24,777,466,658
1922.....	6,787,481	21,336,212,530
1921.....	6,662,176	19,577,212,528
1920.....	7,259,944	23,735,629,183
1919.....	5,332,780	19,859,491,448
1918.....	4,425,114	15,924,639,355
1917.....	3,472,590	13,652,383,207
1916.....	437,036	6,295,577,620
1915.....	336,652	4,600,000,000
1914.....	357,515	4,000,000,000
1913 (10 months).....	357,598	3,900,000,000
Total.....	81,123,491	348,313,740,667

Gross income of corporations which made Federal income tax returns

Year	Number of corporations	Gross income	Net income
1931.....	493,293	\$92,923,024,000	\$5,627,312,095
1930.....	518,736	138,312,059,000	6,428,812,710
1929.....	509,436	159,621,508,000	11,653,886,002
1928.....	495,892	147,770,514,000	10,617,741,157
1927.....	475,031	144,398,351,446	8,981,884,261
1926.....	465,320	142,129,852,857	9,073,402,889
1925.....	430,072	134,290,120,720	9,583,683,697
1924.....	417,421	119,238,493,887	7,586,052,292
1923.....	398,933	118,663,663,076	8,321,529,134
1922.....	382,683	100,920,514,514	6,963,811,143
1921.....	350,397	91,249,273,532	4,336,047,813
Total.....	4,033,414	1,389,387,375,632	89,774,764,093

It will be noted that, with the exception of the year 1930, the net was always over 5 percent of the gross, notwithstanding the fact that the law allows the corporations to deduct dividends as well as salaries, taxes, and all other expenses.

HOW A LOSS OF \$200,000,000,000 WAS CAUSED BY FAILURE TO CHECK DEPRESSION BY CREATING GREATER PURCHASING POWER

A loss of upwards of \$200,000,000,000 has been suffered by the people of the United States since October 1, 1929.

The loss was caused by failure to apply the proper remedies when the Wall Street crash of 1929 took place. The failure was due largely to lack of knowledge of the fact that the national income of the United States was greater by over \$400,000,000,000 per year than had been reported.

Taking only the major items, the losses have been as follows:

1. The corporations which filed Federal income tax reports showed a reduction of gross income from \$154,701,907,831 for 1928 to \$150,621,509,181 for 1929, and a drop to \$120,291,710,677 for 1930. Their gross income for 1931 and 1932 is estimated at less than \$100,000,000,000, or \$54,000,000,000 per year less than the year 1928.

2. The income of individuals being over three times that of the corporations, it may be assumed that their losses were in the same proportions.

The gross incomes of the 38,053,000 men and 10,778,000 women who have been reported as being gainfully employed by the 1930 census of the United States has never been estimated.

Out of this number those who reported taxable incomes have ranged from 7,259,944 in 1920, to 3,376,552 in 1930, which represented the lowest number of individual tax returns filed in 10 years. In 1928 they numbered 4,070,851, in 1929 they dropped to 4,044,327.

The gross incomes of the individual returns have never been tabulated by the Treasury Department or any other Government agency. An idea may be had by comparing the net income of the individuals with the net income of the corporations.

The corporations reported a net of \$10,617,741,157 in 1928, \$11,653,886,002 in 1929, and \$5,627,312,996 in 1930. The individuals reported a net of \$25,226,326,912 for 1928, \$24,294,609,739 for 1929, \$17,220,753,630 for 1930.

An analysis of the individual taxpayers and of the operators of the Nation's business has shown a large percentage of individually owned businesses.

It appears conservative to estimate that the individual gross income of the 48,832 gainfully employed and those not employed has been in excess of \$300,000,000,000 per year, and that it has suffered a reduction similar to the reduction suffered by the corporations. That would mean, in round figures, a total loss since 1929 of not less than \$150,000,000,000.

3. The value of merchandise, raw materials and other products in hand and produced since 1929 has been depreciated by lack of demand and acceptance of the reports that there was no market for same. A depreciation of \$50,000,000,000 is conservative.

4. The value of the Nation's buildings, factories, real properties, and machinery has depreciated by upward of \$50,000,000,000 since 1929. The banks have, in fact, made it a rule to allow less than 20 percent of the 1929 value when considering mortgages.

5. The market value of the shares listed on the New York Stock Exchange on October 1, 1929, was \$87,073,630,423. On October 1, 1932, the shares listed had a market value of \$25,734,828,668, or a loss of over \$60,000,000,000. The bonds depreciated in excess of \$5,000,000,000.

These items bring the total to the huge sum of \$457,000,000,000. Items of lesser importance might be added to make over \$500,000,000,000.

Let us be conservative and assume that only one half could have been saved by knowledge of the greater national income, we have the huge loss of \$250,000,000,000. That sum would pay \$4 per day for 6 days of each week to 10,000,000 unemployed, or \$12,480,000,000 per year for 19 years.

It is a larger sum than the total sum expended by the Government of the United States for all purposes from 1789, when George Washington became first President of the United States, to 1932, including the expenditures in connection with the 32 wars in which the United States have been engaged since April 19, 1775, the beginning of the Revolution.

Since its inception, in 1789, the Federal Government spent, to the end of 1931, the total sum of \$233,158,428,795. The total cost of government for the total span of life of the Nation has not been as large as the loss suffered from 1929 to 1932.

The taxpayers of the United States paid less in the 143 years since the advent of the Federal Government than they have lost since 1929. The taxes, duties, and all other receipts of the Federal Government from 1789 to 1931 have aggregated \$233,400,547,483.

It will be clearly seen that the loss of \$6,000,000,000 in exports since 1929 could not have been the cause of the foregoing enormous loss. As will be shown in a forthcoming article, the newly discovered statistics disclose that the claims that the reduction in exports was the cause of the depression are not founded on fact.

When I appeared before the Senate Committee on Banking and Currency, in connection with the National Securities Act, I brought to the attention of the committee that I had discovered a discrepancy of over \$400,000,000,000 between the reported and the actual national income of the United States, and six possible new sources of revenue which have not been used, which might result in the Federal Government collecting from two to four billion dollars per year and increasing the gold reserves by \$500,000,000 a year.

That was in addition to the statistics and data which I supplied showing, among other things, that the national income of the United States for 1929, as shown by the actual income tax returns of 4 percent of the population of the United States and 25 percent of the business establishments, was over \$600,000,000,000 gross, and \$36,454,621,000, or over 10 times the amount that had been reported.

I also submitted the evidence that the income of the nations of Europe had also been much greater than they had reported at the time of the negotiations for the funding of the war debts, and that the bank deposits of the debtor nations had been and were more than double the amount they had before the World War, and they kept increasing, and the increase was large enough for the nations to pay the entire debt to the United States, principal and interest.

The committee suggested that I reserve for your committee the data about financing, and that I bring it to your attention.

Before presenting the data I shall state briefly the source, how I obtained it, and how I discovered the discrepancies of over \$400,000,000,000 in the reports of

the national income, and the sources of new revenue of from \$2,000,000,000 to \$4,000,000,000 per year, and the possible increase of the gold stock of the United States by \$500,000,000 per year.

Some of you gentlemen may recall that I, through my three magazines, two monthlies and a weekly, and through articles published in the press and magazines, started the national defense movement in 1912, and led that movement until the United States entered into the World War. There are a number of books and magazine articles that establish that fact, as well as Government records and statements in the Congressional Record.

To finance national defense we had to solve the problems of getting the funds, without precedent as to the borrowing capacity of the United States Government. Every time that we asked for funds for national defense we were asked where the funds could be had, and it was my task to find and suggest possible sources.

And as an outcome, I wrote many articles on national economic questions and established a research bureau for the purpose of obtaining original records, and collected data for a book entitled "The Financial Constitution of the United States." That led me to obtain practically the Nation's total knowledge of the subject.

(Thereupon, at 12:45 p.m., the committee took a recess until 2 p.m.)

AFTER RECESS

(The hearing was resumed at 2:40 p.m. pursuant to recess.)

The CHAIRMAN. The committee will come to order. We will hear first from Mr. Hahn, who appears on a different subject matter. He has asked for 5 minutes.

STATEMENT OF LEW HAHN, PRESIDENT NATIONAL RETAIL DRYGOODS ASSOCIATION

Mr. HAHN. I would like to speak on just one feature of this industry bill. I might say at the start that this is not a bill which, so far as I know, the will and wishes of the trade I represent would be likely to come here and ask for.

We were raised under the old competitive system where it was a matter of everybody looking out for himself, and the devil take the hindmost, but I do recognize, as general business recognizes, we are facing a great emergency, and if I may express a personal opinion, I think business has done a bad job in not showing some type of leadership that would give the unemployed work. So, it seems to me the only thing to do is to cooperate wholeheartedly in an effort to put this legislation over and make it achieve its purpose.

But it does seem to me it would not hurt anybody if we could induce you men to approve of a slight amendment. On page 3, section 3, line 20. This is the section which provides that various industries may set up codes of fair competition which, when they have received the approval of the President, become, as it were, the working law within that industry or branch of industry.

It is a fact that industries and branches of industries are very closely integrated. That is, the manufacturer, the producer and the wholesaler, and so on, so that there is an overlapping of interest, and it seems to me it would be wise and fair if, after the word "title" in line 20, it were possible to insert, and I do not attempt to dictate the verbiage, something like the following:

(3) *Provided*, That such code or codes affect the service and welfare of those engaged in other steps of the economic process, nothing in this section shall deprive such others of the right to be heard prior to approval by the President of such code or codes.

That is our complete suggestion.

The CHAIRMAN. First on this list is Mr. Titus. You want 5 minutes, Mr. Titus?

Mr. TITUS. I think I can finish within 5 minutes or perhaps 2 or 3 minutes more than that, with your permission.

The CHAIRMAN. All right.

STATEMENT OF LOUIS TITUS, REPRESENTING THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

Mr. TITUS. Mr. Chairman, and gentlemen of the committee——

The CHAIRMAN. You are an attorney here in the city of Washington?

Mr. TITUS. I am an attorney, and represent the Independent Petroleum Association of America.

Senator CONNALLY. Which one of them?

Mr. TITUS. The one by that particular name. There is another that adds to that "For the Prevention of Monopoly." I do not represent that one.

Senator CONNALLY. Who is the head of your organization?

Mr. TITUS. Mr. Wirt Franklin is the head.

I propose not to discuss the general features of the bill, Mr. Chairman, because other people will do that, but to confine my remarks to one point which was raised by a very pertinent question of some member of the committee this morning, as to whether the oil industry needs a separate treatment, why it needs separate treatment, and why it cannot secure adequate relief under the general provisions of the industrial recovery bill. The question is, of course, very pertinent and the answer is comparatively simple. It arises out of the nature and physical characteristics of oil and the methods by which oil is produced. The fundamental trouble in the oil industry today is overproduction of oil. This is true, perhaps, with regard to many other industries, that they are overproducing, but the difference is this: The ordinary manufacturer, manufacturing any article, automobiles or shoes, or anything else you may think of, may, if he chooses, shut down his factory for a time and resume again when prices get better, or he may cut down his output. Of course, it causes him undoubtedly some loss through his overhead, insurance, and the like, but the oil man cannot shut without one of two things happening. He is either in the field of small production, what Mr. Marland described as stripper wells this morning, and if he is in such a field, he cannot shut down the stripper wells at all for any considerable length of time without his property being destroyed, and the loss is, of course, not only to the oil producer but to the Nation at large.

Senator REED. What is a stripper well?

Mr. TITUS. A stripper well is a well that produces 5 barrels a day or less, or maybe 7 barrels a day or less, a very small well. It produces very little oil, but there are 300,000 such wells in the United States.

Senator CONNALLY. Strictly speaking, it is one that has been flushed in flush periods past that now has to be pumped out in small production?

Senator REED. We have a lot of them in the Pennsylvania fields. I thought the record ought to show just what you meant by that.

Mr. TITUS. They are scattered over all the oil fields of the United States. Every field finally becomes a stripper field. So, if he is in that kind of field, he cannot shut down his production, because if he does, he loses his well. If, on the other hand, he is in a field of flush production, where the wells are large and the gas pressure is high, he cannot shut down his wells unless his neighboring owners in the same pool do likewise. The reason is from the very nature of oil. If one producer shuts down his well and his neighbor continues to run the gas pressure draws the oil to the well that is open and it will ultimately get all the oil, so that as a practical proposition, no oil man can shut down his well or restrain its output unless his neighbors do likewise. Otherwise he loses his fair proportion of the oil.

No such thing as that exists in any other industry. No such thing as that exists in the coal industry. A coal miner may shut down his mine and his neighbor may continue, and if he shuts down for 20 years his coal is where he left it. Not a ton has gone over the hill to his neighbor's property. There may be other losses in connection with it, but his property is not destroyed.

So, in the very nature of oil it requires separate treatment.

I am not going to argue to this committee about the necessity for conservation of oil. I think everybody must agree that conservation is advisable. It is a necessity. It has been presented to you perhaps many times and no doubt you are all more familiar with it than I am, so we will assume that conservation of oil for the future necessities of the Nation is good policy for the National Government. That means control of production. Overproduction of oil as it is going on today creates waste.

In consequence, unthinkable amounts, as Mr. Marland pointed out this morning, with this cheap price of oil—it is now 25 cents a barrel through the great oil-producing section of the interior of this country when the cost of production in most fields is certainly less than \$1 per barrel. We all know as a matter of common sense that no oil producer can continue to produce oil below the cost of production for any length of time. Sooner or later he bows to the inevitable and ceases business. That means destruction of such vast regions of oil in the United States that it approaches a national disaster.

Senator REED. Is drilling pretty well suspended now?

Mr. TITUS. Right at the moment drilling is not entirely suspended, but it is proceeding with nothing like the rapidity with which it was going on some time ago. There are still wells being drilled in Texas and in East Texas, too.

Senator CLARK. Senator McAdoo stated this morning they were still drilling a lot of wells in California.

Mr. TITUS. They are.

Senator REED. Why do they drill them?

Mr. TITUS. Well, they are optimists. They hope the price of oil will advance to a reasonable price later on. Or, because somebody else requires them, because they may have an offset well there and be losing oil. That is so in Texas. Many wells are being drilled today because a neighbor is getting that well's share of the oil.

The only control over production in the national industrial recovery act is through the control of unfair competition. That is the only control in that bill. Unfair competition is not an unknown term. You have dealt with it in many different acts which the Congress

has passed. But unfair competition as defined by Congress and as it has always been understood, has to do with fraud, with deception, with oppression. It applies, for example, to mislabeling of articles, to false advertising.

Senator REED. Do you think that is all this bill does for other types of industry?

Mr. TITUS. Pardon me?

Senator REED. Do you think this bill does no more than recommend the elimination of unfair competition?

Mr. TITUS. That is what it says. It says that the President may, with an industry, a committee, or by himself set up what are called codes of fair competition.

Senator GEORGE. But it specifies what they may cover. They may cover almost anything.

Mr. TITUS. They cover hours of labor, working conditions——

Senator GEORGE. And production.

Mr. TITUS. Minimum wages and production.

Senator GEORGE. That is right.

Senator CLARK. In any business.

Senator REED. And may include selling prices.

Mr. TITUS. Pardon me?

Senator REED. And it may include selling prices, and it practically abolishes the antitrust laws.

Mr. TITUS. So far as the antitrust laws are concerned, I presume it does modify them materially, but it is all connected up with unfair competition.

Senator GEORGE. But it is a new definition of unfair competition that is being constructed here.

Mr. TITUS. That may be, that the bill undertakes to extend the term, unfair competition. That may be true, because it provides this code of fair competition may be set up and anything that violates that code is unfair competition. But it never has occurred to me that they can reach out at the amount of production, or say whether a factory can build on a wing and increase its production, or whether a man can be required to lower his production, provided he was complying in every respect with what is known as fair competition.

It was testified to by a witness this morning that there were some instances of sweatshop methods of production and that those were what really came within the purview of unfair competition. There are many conditions of that kind that exist, but to control production, apply that to the oil business, I do not think would work out. Here is a man in the east Texas field producing several thousand barrels of oil per day. He is going it perfectly honestly. He is violating no law, we will say. He is misleading nobody. He is not deceiving anybody. He is not doing a single thing that is dishonorable, and yet he, in connection with 10,000 other operators all over the United States, is producing an amount of oil which in the aggregate is so much more than the market will take that it produces this tremendous and inevitable waste.

Senator CONNALLY. Let me ask you, Mr. Titus, is this true, that as soon as the storage is filled up they are going to quit producing, they are not going to turn it off and let it run down the creek?

Mr. TITUS. There is always more storage to be built, and then we have what we used to have, earthen storage.

Senator CONNALLY. What is the difference between having it in storage on top of the ground and having it in storage under the ground?

Mr. TITUS. The difference is very marked.

Senator CONNALLY. Because you say it is going to evaporate at the rate of 4 percent this year?

Mr. TITUS. That is one answer.

Senator CONNALLY. What is the other?

Mr. TITUS. Because storage oil always costs a great deal of money, first for the storage, second, the capital invested in it, insurance. The charges on storage are so high that no company can afford to buy oil and put it in storage for any number of years and pay any considerable price for it. They must get it below cost of production in order to justify them putting it in storage.

Even if you figure that by having fair methods of competition by statutes and control production, which does not seem to be possible to do, so long as the production is otherwise fair, how can you pick out one man and say that he is guilty of unfair competition? You would have to take everybody in the oil business, because all of them are contributing to that aggregate. Every man, whether producing one barrel or a quarter of a million barrels a day, every one of them is contributing to that aggregate which makes for overproduction.

The State has made sporadic efforts to control it, but they have not controlled it, and today there are seven or eight hundred thousand barrels of oil per day being produced which the market will not take.

There is another reason why we must have some separate treatment, unless you can do it by adding something to this bill. One of the troubles in the oil business in the past has been the importation of oil. Of course, they can't import very much oil into this country at the present price of oil here now, but there is no provision in the industrial general bill for regulating or the limitation of importation.

Senator REED. Amendments are pending which will be offered to correct that. I don't know whether they will be accepted or not.

Mr. TITUS. That is reassuring.

Senator GORE. What point was that; I didn't get that?

Senator REED. Empowering the President to limit or prevent the importation of goods.

Mr. TITUS. It is reassuring to know an amendment will be presented, but it is not in the bill now.

Senator CLARK. What you are really in favor of now is an embargo on oil?

Mr. TITUS. I wouldn't like to say so. I think it might be a good thing. It might conflict with some national policies I do not know anything about. I wouldn't want to urge an embargo, but I would like to urge a strict regulation of imports.

I can't conceive that unfair competition will control imports, Senator, so there must be some special provision for that. Otherwise there will be no control.

Senator REED. Obviously, if we are going to raise wages, reduce hours of labor, and thereby increase the cost of manufacture and production in the United States, there ought to be some correlative protection in the United States against foreign countries that have not increased their costs.

Senator GORE. Either that or a world dictatorship.

Senator REED. That might be a good plan.

Mr. TITUS. Another special feature of this Marland plan, which I find very appropriate, applies to something which Senator McAdoo this morning referred to, the power of the major countries to lower the price of oil or raise it, as he stated, practically at will. I don't know whether it is true or not, I don't know enough about the mechanics of the whole oil situation, to know whether the major companies arbitrarily have reduced the price of oil from \$1.25 per barrel down to its present price of 25 cents. It may be true, but whether it be true or not—

Senator REED. If it is true, it is not doing them much good, is it? They seem to be losing money about as fast as the little independent company.

Mr. TITUS. I was not thinking about the effect on the major companies, but about the national effect. It is a disaster to the Nation. If they have the power to do it, or they do it because they can't help themselves, the result is the same either way so far as the independent producer is concerned. He will be eliminated by the low-priced oil, and it is immaterial what is the cause of it. Whether the major companies do it arbitrarily or whether they do it because they can't help themselves, the result is the same, the independent operator must be eliminated. It is only a question of time as to how long he can stand it.

This Marland bill provides that the Secretary of the Interior, in order to prevent the abandonment of these so-called stripper wells, may fix a minimum price for oil.

The CHAIRMAN. Have you analyzed the amendment that is offered by the Solicitor of the Interior Department?

Mr. TITUS. Yes.

The CHAIRMAN. When you speak of the Marland bill, you are speaking of the separate proposal?

Mr. TITUS. The two bills, so far as everything I am talking about, are identical in words, and there is very little difference between the two. Much of the language has been taken out of the Marland bill. I see that there is an important change, instead of this being referred to the Secretary of the Interior with all these powers, the President can appoint an administrator.

Senator REED. He could fix minimum prices?

Mr. TITUS. He could fix minimum prices.

Senator REED. Could he force those refiners to buy?

Mr. TITUS. Of course he couldn't do that, but when he limits production, then obviously he will limit production until they will pay that price. He may not force anybody to buy oil against their will, of course. They may refuse to buy altogether.

Senator REED. Won't they do just that?

Mr. TITUS. No; they won't do that, because there will be a profit in buying oil at the price fixed by the Secretary. They can go on and refine their oil, make their gasoline and sell their product at a profit.

Senator CLARK. Why don't you give this director the power to compel them to buy?

Mr. TITUS. I haven't any objection.

Senator CLARK. It is as constitutional as anything else in the bill.

Senator GORE. If you can make them pay minimum wages, you ought to be able to make them pay a minimum price.

Mr. TITUS. Also the power is given in order to prevent the exploitation of the public to fix maximum prices. If production is to be controlled, and it must be controlled, it seems to me the next part of that is some control on price, both to prevent what is called in the bill the exploitation of the public, and also to prevent the destruction of the smaller wells.

Senator GEORGE. Why don't you just go to a State monopoly to start with, and regulate the whole thing?

Mr. TITUS. Well, perhaps we are drifting in that direction. I don't know.

Senator CLARK. We are drifting pretty fast.

Senator REED. We are not drifting, we are galloping.

Mr. TITUS. I would like to leave this thought with you, unless we get national control there really is a disaster coming to the oil industry, because the States either cannot or will not do it. This is not a State question; it is a national question. The Nation as a nation is interested in the oil resources of this country.

Senator REED. You will pardon an interruption?

Mr. TITUS. Surely.

Senator REED. It seems to me it was a national misfortune and that this oil proration scheme could not be better enforced, that we could not get better teamwork among the States. Wouldn't it meet all the necessities of the situation if we had a Federal official appointed to coordinate these prorating efforts in the different States?

Mr. TITUS. Not unless you give him power.

Senator REED. Well, give him power to do it then.

Mr. TITUS. I don't care what form that bill takes——

Senator REED. But when you go through there and begin to fix a minimum price and all that sort of thing your effect on the public is not going to be as pretty as some people think.

Mr. TITUS. I am quite sure, Senator, the oil industry is not interested in the details of the bill if you will give the adequate control that will prevent this flow of oil being poured out and wasted. If you do that, I am sure that will satisfy the oil industry.

I thank you.

STATEMENT OF RUSSELL BROWN, REPRESENTING THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

Senator REED. Is this Mr. Franklin's concern?

Mr. BROWN. Yes, sir.

Gentlemen, I come to you representing the Independent Petroleum Association, and I also want to bring in to your hearing the action of the general group that met here about a month ago, of which I was secretary, and I am coming to you more in the plea for something to be done, and the why of it I will try to make as clear to you as I can.

For the past 2 or 3 years our situation has been getting worse, every day just a little worse. I should explain that my organization has been primarily interested in stopping imports. We have asked for a tariff. We didn't get that. We asked for a tax and we did get part of that, and that has helped some, in that it has given us a considerable additional market, but it has not stopped imports and we

recognize that it is going to be impossible to correct all of our domestic troubles unless there is some definite limitation on imports.

In the latter part of March the President, through the Secretary of the Interior, indicated a willingness to hear the oil problem in an effort to find a remedy for our situation. At the time there was a meeting called here by the President of the Independent Petroleum Association, through telegrams to all of the oil associations throughout the country, asking them to meet here in Washington to discuss a plan on which we could all agree and then go to the Government with that plan in an effort to see if we could not find something that would work out. Unfortunately that meeting was not attended by all the people, but it was by a large representative group. That group largely agreed on a program, but not altogether. Some few did not agree on that. That program was carried into a formulative basis for legislation. Mr. Marland introduced a bill embodying largely the ideas growing out of that representative group that met here in Washington at that time.

The unfortunate part of that is, like we have been about everything else, just as soon as we got something that we were agreeing on, there was a part of them that began to disagree, until, gentlemen, our trouble today is the fact that we are too large to agree, or there are some of us who are not willing to reach an agreement, or the complications of our industry are so intricate it is impossible to reach an agreement.

Anyway, the final summary is we have not and apparent, are not able to agree on a program we can put through by ourselves.

Senator REED. What proportion of your members are in favor of the Marland bill?

Mr. BROWN. Well, of our members I would say nearly 98 percent, but of the entire industry it would be difficult to say, except I should say the large, and very great majority.

Senator REED. Of the operators?

Mr. BROWN. Of all the operators, particularly the producing end. I will say this, that after we reached what was thought was an agreement, and I am going to ask permission to file with the committee before I leave, the results of that meeting so that it will be here if the committee cares to refer to it.

Senator REED. Without objection, that will be put in the record at this point.

(The paper referred to is as follows:)

APRIL 3, 1933.

The President has written to the governors of the various States named below, as follows: Arkansas, California, Colorado, Illinois, Kansas, Kentucky, Louisiana, Montana, New York, New Mexico, Ohio, Oklahoma, Pennsylvania, Rhode Island, Texas, West Virginia, Wyoming.

"MY DEAR GOVERNOR: I am sending you herewith for your consideration a report submitted to the Secretary of the Interior as the result of a 3 days' conference held in Washington the early part of this week on the oil situation and participated in by representatives of the governors of 17 of the oil-producing States. There were also present at the conference representatives of the independents in the industry as well as of the major oil- and gas-producing agencies. The main report was drafted and unanimously adopted by a committee of 15, composed in equal parts of representatives of the Governors, of the major oil industries, and of the independents. When this report was finally submitted to the full conference, it received the affirmative votes of all the representatives of the Governors and of those representatives of the oil industries voting as set forth on page 4 of the report.

"Together with the majority report just referred to, I inclose also for your information, a minority report adopted by a group of independents and subscribed by them in the name of 'Independent Petroleum Association Opposed to Monopoly.'

"I further inclose a resolution adopted by the representatives of the Governors after the main report already referred to had been ratified.

"To complete the record, I am sending also a final correction to the recommendations made by the Committee of Fifteen, which was handed to the Secretary of the Interior yesterday.

"I especially direct your attention to paragraphs A-1 and A-2 of the recommendations of the Committee of Fifteen. It is obvious that the action proposed to be taken in these paragraphs is within the sole authority and jurisdiction of the interested States. The President of the United States has no authority to declare a moratorium such as is proposed and he might be regarded as infringing on the sovereignty of the States if he should make the suggestion contained in paragraph A-2.

"There seems to be a widespread feeling that an emergency exists in the oil industry calling for action and it is hoped that the Governors of the States affected, after consultation with each other, will take action appropriate to meet it.

"The Committee of Fifteen in paragraphs A-3 and A-4 recommend certain action on the part of the Federal Government. I am of the opinion that the suggestion that the Congress pass legislation prohibiting the transportation in interstate and foreign commerce of any oil or the products thereof produced or manufactured in any State in violation of the laws thereof, is well considered. I am prepared to recommend such legislation to Congress as a contribution on the part of the National Government toward the solution of the difficulties in which the oil industry finds itself.

"I also approve of the recommendation in paragraph A-4 of this report.

"The report of the Independent Petroleum Association Opposed to Monopoly recommends 'the enactment of emergency legislation by Congress divorcing oil pipe lines engaged in interstate commerce from other branches of the oil industry.' I am of the opinion that this is a reasonable request and that such legislation should be enacted at as early a date as possible.

"There are other suggestions and recommendations made to the Secretary of the Interior as a result of the deliberations of the oil conference that on their face are fair and reasonable but which do not require immediate action. These recommendations can be taken up at a later date, perhaps after further conferences between the representatives of the States and of the industry and of the National Government.

"Very sincerely yours,

—————"

Each of the Governors above listed was sent a copy of the letter addressed to Secretary Ickes on March 29 by the Independent Petroleum Association Opposed to Monopoly; a letter to the Secretary of the Interior of the same date signed by the various associations participating in the oil conference, containing their recommendations to the Secretary, copies of the resolution adopted by the conference, etc., all of which were made public by the Department of the Interior.

WASHINGTON, D.C., March 29, 1933.

THE SECRETARY OF THE INTERIOR.

DEAR MR. SECRETARY: The three committees respectively representing (1) the Governors of the oil-producing States or their duly authorized delegates; (2) the oil and gas associations representing independent producers of oil and gas in the United States; and (3) the major oil- and gas-producing and importing companies, after conferring together, have unanimously agreed to recommend the following program to you, in order to meet the existing emergency in the oil and gas industry and to provide the basis for conservation and scientific future development of the oil and gas resources of our country:

(A) To meet the existing emergency, the committees unanimously recommend:

1. That the President of the United States be requested to transmit this report to the Governors of California, Kansas, Oklahoma, Texas, and New Mexico, and to call upon them immediately to close all flush pools in their respective States until the 15th day of April next, excepting wells producing more than 10 percent of water, which would be damaged irreparably by a complete shutdown.

2. That the President of the United States be requested to call upon the Governors and legislatures of the principal oil-producing States which have no

adequate or no general conservancy statute to adopt such a statute immediately in order to further the conservation and scientific and more orderly development of the oil and gas resources of such States and in order to enable full cooperation toward those ends between all the principal producing States.

3. That the President of the United States be requested immediately to recommend to Congress the adoption of a law prohibiting the transportation in interstate and foreign commerce of any oil or the products thereof produced or manufactured in any State in violation of the laws thereof, and providing adequate penalties for violations of the said law.

4. That the President of the United States be requested (a) to require strict enforcement of the Federal gasoline tax and pipe-line tax and vigorous prosecution of evaders thereof, so long as the said taxes remain in effect, and (b) to instruct the Bureau of Internal Revenue to ascertain, at the time of collecting the tax, the consignor, consignee, destination and quantity being shipped by each refinery, and (c) to instruct the said Bureau to transmit the said information to the tax-collecting authorities of those States into which the gasoline is to be moved.

5. That the President of the United States be requested fully to endorse the recommendations made herein and to appeal to the States, and to all those engaged in the oil and gas industry, faithfully to cooperate in the enforcement and observance of the said recommendations and in the limitation of production in harmony with a fair allocation of the national consumptive demand.

6. We further recommend that the President submit to Congress a request for emergency legislation authorizing him to appoint a personal representative to cooperate with the duly constituted authorities of the several oil producing States in bringing about a compliance on the part of said States with the program covered by these recommendations, and to advise and cooperate with the industry in complying with that portion of the program recommended for action by the industry; such act of Congress to be effective during the emergency only, and whenever in the opinion of the President of the United States the emergency in the oil industry has passed, thereupon, by proclamation, the President may declare the emergency ended and the office, thereby created, abolished.

(B) To provide a basis for conservation of the oil and gas resources of the United States and the scientific future development of the oil and gas industry therein, the committees are unanimously of the opinion:

1. That the Government of the United States can aid and assist in the following respects:

(a) By initiating a comprehensive and scientific study of the entire subject and publishing, as soon as possible, a report of the facts found, conclusions reached, and recommendations made with reference thereto.

(b) By imposing an adequate competitive tariff on crude petroleum and the products thereof.

(c) By eliminating the tax on domestic refined products and the Federal pipe-line tax.

(d) By vigorous prosecution for evasion of the Federal gasoline tax and pipe-line tax if such taxes are to be continued.

(e) By permitting drilling on the public lands to be delayed.

(f) By limiting imports to the average for the last 6 months of 1932.

(g) By continuing the Federal Oil Conservation Board as an advisory body.

2. That the producing States can aid and assist in the following respects:

(a) By the enactment, where necessary, of adequate State laws under which conservation can be enforced.

(b) By the issuance of valid orders under such conservation statutes.

(c) By strict enforcement of the orders issued.

(d) By the equitable allocation of the allowed production as between pools.

(e) By limiting production of crude oil to the requirements of the consumer of refined products, or crude petroleum as such.

(f) By reaching an agreement with each other on the total market demand for crude petroleum and a proper allocation of this demand as between the producing States.

Pending a more complete study of the subject, the production in the United States should for the time being be limited to 2,000,000 barrels per day, allocated as follows:

	<i>Barrels</i>
Texas.....	786, 242
Oklahoma.....	417, 690
Kansas.....	93, 366
California.....	432, 432
All other States.....	270, 270

(g) By rigidly enforcing the gasoline tax laws so as to prevent tax evasion, by preventing the diversion of the tax from highway uses, and by a reduction of the tax wherever at all possible.

(h) By encouraging permissive unit operation under voluntary agreements.

3. That the industry can aid and assist in the following respects:

(a) By actively supporting governmental agencies in their efforts to make and enforce valid orders.

(b) By refraining from producing oil unlawfully and refusing to transport or purchase oil unlawfully produced.

(c) By marketing arrangements with limited areas conforming to the principle announced by the Supreme Court in the Appalachian Coals case.

(d) By diligent efforts to promote permissive unit operation under voluntary agreements.

(e) By avoiding excessive withdrawals from storage.

(f) By limiting drilling to the absolute minimum.

(g) By limiting imports to the average for the last 6 months of 1932.

(C) If the foregoing conservation program is to succeed, the committees respectfully submit that it must be based on a price for crude oil which will allow a margin of profit to the producer and a price for the refined products which will allow a margin of profit for the refinery and the retail dealer.

Respectfully submitted.

Alfred M. Landon, chairman' (Kansas); Wm. H. Colley (California); I. C. Grimm (Ohio); C. C. McDonald (Texas); Cicero I. Murray (Oklahoma); T. H. Barton; W. J. Brundred; W. N. Davis; Wirt Franklin; Chas. F. Roeser; C. B. Ames; R. C. Holmes; K. R. Kingsbury; D. J. Moran; W. C. Teable, committee of 15, representing governors' conference and major and independent oil producers.

On Monday morning, March 27, 1933, before the organization of the said committees and before the emergency measures recommended in subdivision A hereof were proposed, the representatives of oil and gas associations adopted, in meeting assembled, the principles and recommendations covered by subdivisions B and C hereof. The vote was as follows:

California Oil & Gas Association, not voting.

Central Pennsylvania District Oil & Gas Association, yes.

East Texas Land Association, yes.

East Texas Producers & Royalty Owners Association, yes.

General Mid-Continent Oil & Gas Association, yes.

Independent Petroleum Association of America, yes.

Independent Petroleum Association of Arkansas, yes.

Independent Petroleum Association of California, not present.

Independent Petroleum Association of Texas, no.

Mid-Continent Oil & Gas Association, Kansas-Oklahoma division, yes.

Mid-Continent Oil & Gas Association, Louisiana-Arkansas division, yes.

Mid-Continent Oil & Gas Association, Texas division, yes.

North Texas Oil & Gas Association, yes.

Oil Producers Sales Agency of California, yes.

Southeastern Ohio Oil & Gas Association, yes.

Texas Oil & Gas Conservation Association, yes.

West Central Texas Oil & Gas Association, yes.

West Virginia Oil & Gas Association, yes.

Middle District Producers Association (Pennsylvania), yes.

American Petroleum Institute, yes.

RESOLUTION

The conference of the Governors of the oil-producing States, or their representatives (16 States being represented), held at Washington, D.C., on March 27, 28, and 29, 1933, upon the call of the Hon. Harold L. Ickes, Secretary of the Interior, to consider problems affecting the conservation of the petroleum natural resources of the Nation and of the States, recommends action of the general character as follows, but subject to the reservations made by the delegates from Texas and Arkansas:

1. We approve the action of our Committee of Five in joining in the resolutions adopted by the so-called Committee of Fifteen, a copy of which is hereto attached.

2. We recommend to each Governor of the oil-producing States the appointment of one or more representatives who, under some name selected by them-

selves, shall continue the work of this conference, and who, to the extent desired by the representatives appointed by the President of the United States, shall cooperate with, or act jointly with, the said representative of the United States. We believe strongly in the policy of continuous cooperation between the Federal and State Governments in the conservation of the petroleum resources of the Nation and States, with the purpose that neither the Federal Government nor the States shall surrender or lose any of their powers, but that each shall so exercise its power as to further a common policy of conservation. The first meeting of said body should be held at Washington, D.C., as soon as authority from said Governors can be obtained.

3. We urge an immediate personal conference between the Governors of Oklahoma, Texas, California, Kansas, and Louisiana, to which may be invited the Governors of the other oil-producing States or their representatives, and the members of the conservancy bodies of such States, with the purpose of coordinating action by such States.

4. We urge frequent conferences between the responsible officials of the oil-producing States for the purpose of discussing policies affecting common problems.

Texas: C. C. McDonald, Wichita Falls; T. L. Wynn, Athens; D. J. Harrison, Houston, Tex., Gulf Building.

New York: David H. Newland, state geologist, Albany.

California: William H. Cooley, Bakersfield, Calif., chairman, California State Oil Compact body; Ralph B. Lloyd, president, Independent Oil Producers Association, 5410 Wiltshire Boulevard.

Ohio: Ivre C. Grimm, Woodsfield.

West Virginia: A. S. Heck, Spencer.

Oklahoma: Col. Cicero I. Murray, Perrine Building, Oklahoma City.

Illinois: State Senator R. M. Shaw, Lawrenceville.

Kansas: Gov. Alfred M. Landon, Topeka.

Rhode Island: Lewis D. Pierce, Warwick.

Louisiana: Scott Heywood, Jennings.

Wyoming: Hon. John B. Kendrick, United State Senate; Joseph O'Mahoney, First Assistant Postmaster General, Washington.

Pennsylvania: Ralph T. Zook, Bradford.

New Mexico: J. D. Atwood, Roswell; William J. Barker, Santa Fe; Albert T. Woods, Artesia.

Colorado: Warwick M. Downing, Equitable Building, Denver.

Arkansas: John W. Olvey, Eldorado.

Montana: Thomas S. Hogan, Midland, Tex.

WASHINGTON, D.C., March 29, 1933.

Hon. HAROLD ICKES,
Secretary of the Interior, Washington, D.C.

MY DEAR SIR: The petroleum industry of the United States is in a more healthy condition than industry generally. It suffers, however, from certain ills, chief among which are monopolistic control, agreements in restraint of trade, price-fixing agreements, unfair practices, burdensome taxation, false propaganda, and excessive governmental regulation.

There is no overproduction of petroleum in the United States today.

True conservation of petroleum resources is desired. The duty and right of conserving the petroleum resources is a function of government exclusively vested in the several sovereign States. It can only be done through a reasonable exercise of the police power which was reserved to the States and never delegated to the National Government.

To the end that a more wholesome condition of the industry, with the resultant good to the American people, may be brought about, we respectfully recommend the speedy accomplishment of the following definite measures of relief:

1. That appropriate action be taken to require the Interstate Commerce Commission to fix and enforce fair and reasonable rates to be charged by pipe line common carriers engaged in the transportation of petroleum in interstate commerce.

2. The enactment of emergency legislation by Congress divorcing oil pipe lines engaged in interstate commerce from other branches of the oil industry.

3. That the Department of Justice be required immediately to investigate and vigorously prosecute violations of the antitrust laws to the end that combinations and agreements in restraint of trade, price fixing and other unfair practices affecting the petroleum industry may be effectively stopped.

4. The immediate enactment of laws by Congress making it unlawful for any person, firm, or corporation wilfully to disseminate false information designed to influence public opinion.

5. That the Federal Oil Conservation Board be abolished.

6. That the American producer not only be permitted to, but be assisted by the agencies of the Government, in capturing all of the world market for petroleum and its products possible.

7. That American oil companies be discouraged in the present practice of developing unregulated and uncontrolled foreign oil fields with cheap foreign labor which compete with regulated and controlled American production.

8. That Congress protect the American market from the importation of foreign oils by the imposition of a competitive tariff.

9. That the Federal Government respect and not infringe upon the rights and duties of the sovereign States to regulate the production of petroleum within their respective borders.

Respectfully submitted.

INDEPENDENT PETROLEUM ASSOCIATION OPPOSED TO MONOPOLY.

PHILADELPHIA, PA., March 30, 1935.

HON. HAROLD ICKES,
Secretary of the Interior Department,
Washington, D.C.

DEAR SIR: You will remember during the last conference you had with the Committee of Fifteen representing (1) the governors or their authorized delegates from oil-producing States, (2) oil and gas associations of independent producers, (3) major oil and gas producing and importing companies, it was suggested by this committee that its original recommendations should be submitted to President Roosevelt, owing solely to the question as to whether the many duties of the Secretary of the Interior would permit his giving the time necessary to make completely effective the various recommendations of the committee.

In the haste to get the complete report before the conference, paragraph 4 of the original recommendations of the Committee of Fifteen, and approved by the governors or their authorized delegates, was inadvertently left out. This omission was not noticed at the time the complete report was read by Governor Landon before the entire conference.

The paragraph to which I refer reads as follows:

"(4) (a) As a measure of true conservation it shall be recognized that the oil reserve in the settled production areas of the country shall be preserved."

This paragraph was accepted by the committee as a principle and affects approximately 275,000 or 300,000 of the 340,000 wells in the United States and is a vital part, therefore, of the recommendations.

I ask, therefore, that this explanatory letter, together with the original draft of the recommendations of the Committee of Fifteen be attached and made a part of the record.

Yours very truly,

W. J. BRUNDRED, *Oil City, Pa.*

Mr. BROWN. I might add this: after that meeting there was a few of the large ones who were not able to agree with us on the Marland bill, and there were a few of the small ones also, but all of that only goes to show the extreme necessity for the very thing we are asking for. It is impossible for us to reach a complete agreement.

Senator REED. Have conditions gotten any better since the 1st of March, the bank holiday?

Mr. BROWN. In the oil industry they have not. The reason for that, as I believe, is because the increased production—we have had an unnatural increase in production in the last 2 or 3 months, due to the fact that State control has broken down in many places.

After we failed originally to reach any definite understanding among ourselves, we had gone to the various States and asked them to pass State laws that would enable us to work out our problem. In some States that has been fairly satisfactory but in others it has not.

Senator GORE. Which States have been satisfactory, and which not?

Mr. BROWN. California has not passed a law, but the people themselves have made it fairly satisfactory up until lately. They are getting into some difficulties now.

Senator REED. They are shipping large quantities to New York, aren't they?

Mr. BROWN. They are exceeding what would normally be expected in their production. Some of the smaller States—Kansas has had a very satisfactory result from their law. Oklahoma has had constant trouble; Texas has had constant trouble. All of it only emphasizes the fact that we are not able to work this out for ourselves, and we are coming to you people because we feel that if we don't do something, don't have some definite control, that a great majority of the oil industry, which is the producing end, and the thousands and hundreds of thousands of men that are engaged in the industry, who have not the financial background to weather the various storms that come up, are seriously afraid that a few at the top—and by "at the top" I mean the large ones—and possibly a few thoughtless ones at the bottom, may wreck the entire industry.

We are coming to you not with any definite thing on which we can say "This line must be here", but so that we can get a program through.

Personally I would like to see all the imports shut out, but when we came to Congress we recognized there were people in Congress of different views, that did not believe in that, and for that reason we agreed on a bill that is a compromise. It is not the ideal of any one group. It certainly makes the approval of the larger portion of it, but there are things in there some of us do not like, but we are willing to concede them in order to reach a point where maybe we can work it out.

The CHAIRMAN. What percent of the people who are interested in oil production, both the independents and the other folks, favor this proposition?

Mr. BROWN. I would say, Senator, a considerable majority. I wouldn't want to use any figure, but I would guess from 80 to 90 percent.

Senator REED. By independents you mean those producers who do not own pipe lines and refineries?

Mr. BROWN. That is the general interpretation of it. Our special interpretation is those who are integrated and who are not importers.

The CHAIRMAN. How do those feel who own pipe lines?

Mr. BROWN. Some are in favor; some have not been able to agree. I might say this, we asked the American Petroleum Institute, that was one of the signers to this agreement a month ago, to endorse the Marland bill, but they did not do it. They could not agree on it. And there are some of the smaller ones that have not agreed with us. So I say it is not an ideal situation, but it is the best we could work out.

We have worked patiently for 7 or 8 weeks trying to get into this bill the things that we think would effect relief.

The CHAIRMAN. May I ask you specifically, how does the Gulf feel about it?

Mr. BROWN. My understanding is, from some of their men, although I have no official expression, that they do not want any control or interference from the Government at all.

The CHAIRMAN. How is the Standard?

Mr. BROWN. As to the Standard of New Jersey, I wouldn't want to say just what, but my understanding is they believe the general industry bill would be sufficient.

The CHAIRMAN. And the Dutch Shell?

Mr. BROWN. I think that is their policy, that they believe the general industry bill will be sufficient.

Our view is, while we realize the bill would help us, and we are not against it—we are for anything that will help us some—but we feel from the very nature of things, the administration of as large a program as that contained in the general industries bill, it is perfectly natural that they would go to the heads of the big groups to get a man to administer it, and there is, unfortunately, a lack of confidence among a great portion of our smaller men and some of the men at the top, and we are afraid that that might cause further difficulty.

We are trying our best to find a way to avoid that thing, and we feel that one agency in which we all agree we would have honest administration is that of the Government. So, whether we like Government control or not is not the question, but whether we have the best way of getting at it.

Senator REED. Why have you such confidence that the law will be fairly administered? Nobody knows who is going to be President of these United States 4 years from now.

Mr. BROWN. Quite true.

Senator REED. It may be very unfairly administered.

Mr. BROWN. Quite true, Senator, but the point is this, no matter who you select to administer it, if we elect one of our own group, they might have reason to be personally or selfishly interested, but if the Government, which is representative of the people as a whole—and this is a representative Government, nominally, and I think actually—does it, we feel that representative of the Government is responsible to the people, and they would not do radical things to destroy a great group of its people, and there is a great group of people interested in oil.

Senator REED. You haven't had much contact with some of these bureaucrats here, I guess.

Mr. BROWN. That may be true. We ask that this bill be limited to two—

Senator REED. What do you think of a Government policy of giving a bureaucrat in Washington the power to make it a crime for you to produce your own oil because of the necessities of your case; produce your own oil from your own property and sell it in the market?

Mr. BROWN. I think, Senator, in the first place, any thought of that kind is not agreeable.

Senator REED. That is what this bill does.

Mr. BROWN. I appreciate it, and we would never have come here if we could have worked this thing out for ourselves. We all have a horror of coming to the Government and asking them to take charge of it. If we could have figured it out for ourselves we would not have been here, but we figure it is better to use the Government as an agency than to let this thing go down and down. Today many are going broke. One man who should have been here today cannot be here because he is trying to keep his company out of receivership.

Senator REED. That is going on all over the world. That is not limited to this country.

Mr. BROWN. I appreciate that, but we are trying to find a remedy.

Senator REED. This is awful strong medicine you are taking for your disease.

Mr. BROWN. We are taking it only after a long and careful thought about it. I agree it is strong. We are asking it be limited to 2 years, so that if it is unsatisfactory we may then come out of it.

Senator GORE. This Federal legislation—the Federal Administrator, doesn't that presuppose proration on the part of the States, and isn't it predicted on that?

Mr. BROWN. Yes; that is the basis of it.

The CHAIRMAN. You say that has broken down in pretty much all the States. I believe you said it had in Kansas. Can this policy be made to work in the absence of State proration and State control?

Mr. BROWN. The law is still there, Senator. Here is the trouble with most of the State laws. In most of the States—take the States of California and Texas—a great portion of the people are not interested in the actual production and the sale of oil, and as a result they are not concerned directly with our problem, being concerned with their own problem and they are easily swayed for political purposes to go one way or another in regard to the oil bill. If they were all producers of oil, or if a very great majority of them were producers of oil, then we might hope to have the State act in accordance with the oil men's point of view, and probably work it out.

Senator GORE. I can see how the Federal Government might step in and help the States enforce their law, particularly by invoking the Interstate Commerce clause, to prohibit the shipment of contraband oil, but I don't think, in the absence of State regulation, or State prohibition, the Federal Government could run the business within a State.

Mr. BROWN. Nearly every State has some form of law. It is the breaking down of these laws which caused the trouble. If the State fixes the allowable, then that allowable may be adopted by the Federal Administrator or Coordinator, or whatever we see fit to call him.

Senator GORE. It is conceivable to me it would work with State laws as the basis.

Mr. BROWN. That is the basis of this law, Senator, although we have gone further than that in some instances. But the basis of that is to aid the States in enforcing and coordinating their laws. It is obviously unfair if one State makes a law that gives it a larger proportion of the market than its just share. No other State can work that out with them, but the Federal Coordinator must. That is what we hope to have in this case.

Senator CLARK. What you are primarily interested in, Mr. Brown, is to secure an embargo on oil as an incident to this dictatorship; isn't that correct?

Mr. BROWN. No, no; it is not.

Senator CLARK. I understood you to make that statement when you started out here, that you were primarily interested in an embargo on oil.

Mr. BROWN. I said our association had for years——

Senator CLARK. When I said you, I referred to your association.

Mr. BROWN. I said for years its primary efforts had been to stop imports, which is true, but at the same time it would be folly for us to just stop imports and quit. We might as well drown in foreign oil as our own if we are going to be drowned. We believe there must be a coordinated effort.

Senator CLARK. But you do want an embargo as an incident to this bill?

Mr. BROWN. I would like to have it, but we haven't asked for it.

Senator CLARK. It has been repeatedly stated here that the question of unfair competition had nothing to do with the oil industry. Don't you think it is unfair competition when the same company controls the production and transportation and refining and distribution of oil? Doesn't the question of unfair competition begin to enter very largely into the situation at that point?

Mr. BROWN. I think it could very easily enter into it.

Senator CLARK. Well, doesn't it?

Mr. BROWN. And often does, that is so. It is for that that we come to you people in the hope that out of this bill you will give us something with which we can go back and work out our situation. I believe it was you who asked this morning the amount of imports, or perhaps it was Senator McAdoo.

Senator CLARK. It was Senator McAdoo.

Mr. BROWN. Imports at the present time are running at the rate of 140,000 barrels a day since the first of the year. The last 6 months of last year it was 108,000 barrels.

Senator CLARK. Out of a consumption of how much?

Mr. BROWN. Approximately 2,000,000.

Senator CLARK. I thought Mr. Marland stated this morning it was two million and a half.

Mr. MARLAND. Domestic production plus imports, nearly two million and a half.

Senator GORE. Mr. Brown, has your attention been called to the system of pooling oil royalties that has grown up amongst the farmers out West?

Mr. BROWN. Yes; I know something of it.

Senator GORE. I think that amendment will be proposed here. Your organization has no objection to that?

Mr. BROWN. None at all. As I understand the amendment that I have seen, it looks like an amendment to the R.F.C. law. Just so it doesn't cause any conflict in the passage of this.

Senator GORE. It is in operation in Oklahoma and Kansas and Texas and those Western States.

Senator CLARK. It will be all right if you can get the consent of the oil dictator.

Senator GORE. I am trying to get under his wing now.

Mr. TITUS. May I correct one statement, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. TITUS. The national industry recovery bill provides for a code of competition. According to the wording of the bill as I read it, is limited merely to labor conditions and nothing else. It doesn't mention production, doesn't mention prices or anything about working conditions. I can't read it any other way.

Senator CONNALLY. Mr. Chairman, do you think we ought to have all on one side first and then some on the other? Wouldn't it be better to switch them and let them answer these arguments back and forth?

The CHAIRMAN. I understand there are some gentlemen opposed to it. Mr. Blalock and some gentlemen from California who didn't get here, and they were to get together and see who was to represent them, and I had in mind that perhaps we would not get to them this afternoon but would take them on Monday, probably.

Mr. BLALOCK. Anything that is suitable to the committee will be agreeable to us.

STATEMENT OF CHARLES F. ROUSER, PRESIDENT TEXAS OIL & GAS CONSERVATION ASSOCIATION

Mr. ROUSER. I might say that I am also vice president of the American Petroleum Institute, but I do not speak for them in that capacity today.

Mr. Chairman and gentlemen of the committee, my appearance here today is caused by the failure of the oil industry, through inability to adjust itself to present conditions, and recently through the failure of the State of Texas to conserve its oil on a basis that is best for the national policy, and I will try to explain that in as few words as possible.

The market for Texas oil in the last 3 years has been approximately 300,000,000 barrels a year. That is all the market would absorb. We also have in Texas a law which calls upon the regulatory body to restrict production in that State to its current consumption requirements. It has been found by the Federal Government and other agencies that have investigated the demand in the United States that the consumption of crude at this time approximates 2,200,000 barrels a day. The regulatory body in Texas on April 3 called a hearing in the east Texas field, which today is causing most of our trouble, and in sending out notices for that hearing they sent a questionnaire to all producers of crude throughout the State as to what their requirements would be for the four months April, May, June, and July. The total market demand for those producers was 350,000 barrels a day.

Senator REED. That is over and above their own production?

Mr. ROUSER. That included their own production. Their demand from that particular pool.

Senator GORE. That is the east Texas pool?

Mr. ROUSER. The east Texas pool alone.

Senator COUZENS. Was that for consumption only in the State of Texas?

Mr. ROUSER. That is the demand from that one particular pool.

Senator COUZENS. What one? What area?

Mr. ROUSER. The east Texas pool. That covers an area 40 miles long and 80 miles wide.

Senator CONNALLY. You mean for what area of market?

Senator COUZENS. Yes.

Mr. ROUSER. Some goes to the Atlantic coast, some to the Central States—all over the United States.

Senator COUZENS. I wondered how you got at that number of barrels for the market. How do you find what the market is for particular oil?

Mr. ROUSER. The commissioner sent a questionnaire to the refiner or producer and said to them, "How much oil do you need to adequately conduct your business for the next four months"?

Senator COUZENS. That oil from that particular district?

Mr. ROUSER. That oil from that particular district, yes. I am referring to that district because it really is the seat of our trouble in proration.

Senator CONNALLY. When you say "purchase" do you mean pipeline people and refiners?

Mr. ROUSER. Not necessarily pipe line. The independent oil in east Texas, or the pipe line, too.

Senator REED. What are the runs from east Texas right now, how much per day?

Mr. ROUSER. That is what I was leading to, Senator. The run at the present time, under the order of the railroad commission, totals 807,000 barrels a day. It is estimated that in excess of that those producers who are violating the orders of the commission run approximately a hundred to a hundred and fifty thousand barrels a day.

Senator CONNALLY. I thought the order of the Railroad Commission said 150,000 barrels.

Mr. ROUSER. It totals 807,000, Senator. It has been reported in the papers from 750,000 to 800,000, but when they actually made the allocation under the order it was 807,000.

Senator REED. Do you mean to say a half million barrels a day are going into storage?

Mr. ROUSER. That is exactly what I am telling you, and I can give it to you in detail.

Now, then, your market demand was 351,000 barrels a day. Petroleum engineers of unquestioned ability were on the stand and 9 out of 10 of those engineers have said that underground physical waste would exist if you produced more than 325,000 barrels a day. By that I mean, if you dissipate your reservoir pressure through rapid water encroachment or excessive gas ratios; that you would not produce over 325,000 barrels a day. Nine out of ten engineers gave that testimony and the Bureau of Mines will substantiate them, I believe, in that stand.

The commission wrote this order involving 807,000 barrels a day when the companies only wanted 350,000 barrels. The prices immediately broke overnight. Mr. Holmes' Texas Co. cut the price from 50 cents to 10 cents overnight. Why? Because the producers did not want the oil. We have got today 588,000,000 barrels of oil above ground of overall stocks. We have been working for three solid years to reduce the storage of oil above ground. Why? Because storage of oil above ground is waste. East Texas oil evaporates 4 percent the first year.

Now, writing that order is forcing into the market, a market that will not absorb the oil, 450,000 barrels a day.

Senator CONNALLY. Isn't it true that the commission had theretofore fixed a 375,000-barrel proration order, and it had been held invalid by the Federal court?

Mr. ROUSER. Senator, I am not a lawyer, but my opinion is the order was held invalid because of the method of allocation.

Senator CONNALLY. That may be, but I just wanted to get before the committee clearly that the Texas commission was not wedded to the 750,000 barrels a day. At one time it fixed an allowable of 375,000 barrels, and the Federal court set it aside, and at another time it fixed the allowable at 290,000 barrels, and another Federal court set that aside.

Mr. ROUSER. But if you will permit me, the concensus of opinion of the majority of lawyers is that that was set aside on account of the method of allocation, from this standpoint, that in Texas they have insisted on giving a man with a well on 1 acre as much as a man with a well on 20 acres, when the commission had a 20-acre restriction, that is, you could not drill more than one well on 20 acres. That has been since reduced to 10 acres.

Senator CONNALLY. I don't care to go into that. I was just interested in showing the committee they really desired to prorate that field if it could be done.

Mr. ROUSER. On the matter of nominations, the Empire Oil & Refining Co. nominated 14,000 barrels. This present order gives them 42,000.

The Shell Petroleum nominated 23,000 and this present order gives them 51,000.

The Tidewater Oil nominated 15,000, and this present order gives them 46,000.

The Sun Oil Co. nominated 22,000, and this present order gives them 65,000.

The Humble Oil & Refining Co. nominated 44,000 barrels and this present order gives them 150,000. One hundred and six thousand barrels in excess of requirements.

Senator REED. Are they running all that oil up to the limit?

Mr. ROUSER. Are they now?

Senator REED. Yes.

Mr. ROUSER. I will say that the major oil companies with quite a degree of complacency are taking this oil into the storage, because they have the empty storage, and they are glad to get it at 25 cents a barrel.

The Atlantic Oil Co. nominated 29,000 barrels, and this present order gives them 51,000.

The Sinclair-Prairie nominated 21,000, and this present order gives them 50,000.

The Gulf nominated 25,000, and this present order gives them 74,000.

The regulatory body of Texas has thrown into the market 450,000 barrels a day more than the market can absorb, and the only reason they are taking it is because they have this empty storage. But we have been in distress in perfecting this in the last 3 years. We took 150,000,000 barrels out in 3 years, and they are going to put that back in 5 months unless the Federal Government stops it.

In addition to that, it has been testified by the engineers that the present allowable for the east Texas field of 851,000 barrels a day will reduce the ultimate recovery of the east Texas field 500,000,000 barrels. Your Bureau of Mines will concur in that.

Senator REED. Do you think we can compel the State authorities of Texas to cut down the amount of the order they have made?

Mr. ROUSER. I think you could have a very, very persuasive effect on them, and if they don't cut the Texas production down to the allocation made by whoever is administrator of this industry, Texas will drown in its own oil, and if we don't want to play good neighbor with the rest of the States, we should drown in our own oil.

Senator GORE. How much of this daily production goes out of the State, on the average?

Mr. ROUSER. Texas consumes only 5 percent of the Nation's total. They consume about 100,000 barrels a day, and they are producing 800,000 barrels a day.

Senator GORE. If an order were passed confining this oil produced in Texas within the limits of Texas, they would drown in their own oil; is that right?

Mr. ROUSER. Yes, sir; they would drown in their own oil, and every one of us independent producers in the State of Texas would be bankrupt in 6 months. But I do not believe any regulatory body will go that far. Under the order the total production of Texas today is 400,000 barrels a day.

Senator GORE. The whole State?

Mr. ROUSER. The whole State. Sixty percent of the Nation's total consumption requirements. We only consume 5 percent. That is not playing fair with Oklahoma and these other States. It is not right.

When I hold out to you that 500,000,000 barrels of oil will be left in the ground and cannot be recovered under that order, what does that do? It adds on to the next million barrels taken out of that field an additional cost of 40 cents a barrel, because it would have to be produced and pumped, rather than produced as flowing oil. That 40 cents per barrel is going to be paid by whom? By the consumer. So therefore the consumer has a real place in this picture from the standpoint of the excessive cost of producing that oil.

Another thing that has been done under State regulations, in my opinion there were 6,000 unnecessary wells drilled in that field at a cost of \$100,000,000. I mean by that that 4,000 wells could have produced the same amount of oil as 10,000. Who does that extra cost fall upon, for that unnecessary drilling? The consumer. What has gone on in Texas today has placed a burden on the consumer of \$400,000,000, under the present program, of unnecessary investment that should have been saved and could have been saved under proper regulation.

That is the reason I am for this Capper-Marland bill. I believe we can get it quick; possibly we can get it under the general industries bill, but under the Marland-Capper bill the mechanics of the thing can be set up immediately. The secretary, or whoever is the coordinator, might do that in 2 weeks. He could call a hearing in 10 days and could adopt a code of control, and that control will go to Texas and stay there, because the sentiment in Texas, from your banks and business interests down to 90 percent of the industry, is absolutely for conservation.

Senator REED. What kind of a man should the coordinator be? A man experienced in the oil business?

Mr. ROUSER. My opinion is he should be a man experienced in the oil business. There are possibly men in business life who could fill the job, but my idea is he should be a man that is versed in the oil industry. He is taking over oil production, oil refining, and marketing. Whoever that man is is really going to have control over four industries under this bill.

The **CHAIRMAN.** The committee thanks you.

Mr. Bush is here from Ohio. We will hear him for 5 minutes on another subject.

STATEMENT OF SAMUEL P. BUSH, COLUMBUS, OHIO

Senator REED. Whom do you represent, Mr. Bush?

Mr. BUSH. Nobody but myself, sir. I am a retired industrialist.

Senator GORE. Do you want to be put under a dictator, Mr. Bush?

Mr. BUSH. Sir?

Senator GORE. Do you want to be put under a dictator?

Mr. BUSH. I think it is necessary at this time.

Senator GORE. I thought, being one man, maybe you could dictate your own business. Go ahead. Pardon me.

Mr. BUSH. I have had a long experience in industry, and I would like to address myself to section 7, if you please, on page 7 of this bill, which refers to the rights of employees to organize and bargain collectively, and so forth. It is not necessary to take up the time of the committee to read all these provisions. I appreciate the purpose fully of provisions of that kind in the interest of labor have had a great deal to do; in fact, most of my life I was associated with labor and labor problems, and having had the direction of all kinds of labor, union and nonunion. I am thoroughly familiar with the course of events in the past.

I just want to call attention to the fact that unless there is something else put into this bill in this section to effect a balance that you are likely to run into a great many very ugly situations. I will just describe one. You are an employer; you may have 5,000 men or 10,000 or 1,000 men, and your employees decide to organize a trade union. They call in a union officer of some kind. He comes to you and he says he wants you to raise the wages, perhaps change certain other conditions of work. The relationship between yourself and your employees is gone. If you are in Cleveland, operating in Cleveland, a man from Chicago may come down and take charge of your relations with your employees. That is not a matter of theory; that is a matter of actual experience and practice in my own experience.

I never hesitated for a moment to confer with any labor leader that ever came to see me, but when I had affairs to settle with my own employees I wanted my employees to know the facts as I stated them, to have them see me when I was stating them, and to have them understand everything I said, and I think if you are going to have favorable relationship between employer and employee that that is essential, that you are going to lose that to a great extent with these provisions that are in here.

If you are going to keep these provisions in here, there has to be one thing I can see that you can add to effect a balance and that is

to establish, to state in this measure, that the Administrator, the President of the United States, shall establish certain wage principles.

What I mean is this: I have had experience and have had full knowledge of most of the arbitrations and mediations that have gone on in this country to any extent, railroad and coal and all that sort of thing. They have always been conducted on a horse-trade basis, and under conditions which are prevailing today, and which are likely to prevail in the future for a long time to come, that negotiating on a horse-trading basis is all out of place.

This measure is to apply for 2 years. The Government is to fix minimum prices and minimum wages. Some governmental agency is going to do that. While that is being done there ought to be some wage principles, because there will be times when wages ought to go up and there will be other times when wages ought to go down.

I feel that in addition to this text as it appears here now, in order to eliminate the dangers, that it would be very essential to put into this an amendment which would provide for the establishment of some wage principles.

Here we have a situation today where you are, on the one hand, trying to get agricultural commodity prices up, because in relation to industrial commodity prices agricultural prices have been low. Under this new set-up of industrial control these minimum prices will have to be established on the basis of cost. It is going to be essential to get at costs, and you may include the costs probably or possibly a small percentage of the values that are invested, the capital investment in the enterprise, those that are essential, not those that are not essential. Now, if you go on raising wages and putting them into the costs, you are going to get industrial costs out of balance again with agricultural prices. Therefore, under this new situation which you are trying to bring about of economic balance between one group and another, the question of establishing economic balance and wages is a great factor in the whole thing, 60 percent, usually, of the cost of manufacture—it is such a large factor that in order to avoid a lot of conflict and to maintain some balance, I suggest to your committee that a provision which will aim toward suitable wage principles be incorporated.

It is just like the Constitution of the United States. You come here to enact laws, statutory enactments, but they have got to be enacted so as to be in conformity with the principle of the Constitution of the United States.

The CHAIRMAN. Thank you very much.

Senator CLARK. Mr. Bush, if you had a dictator of industry and did not have some such provision as in section 7 here, you have pure regimentation of labor, don't you?

Mr. BUSH. No, not necessarily at all. We all know there are some very foolish industrialists, and there are some very intelligent industrialists too. The great mass of them are all right, and the great mass of labor is all right, too.

Senator CLARK. I am in accord with that, but if you don't give the laboring class the right to collective bargaining—

Mr. BUSH. He has got that right now.

Senator CLARK. Not if this bill is passed and we have a dictatorship. He won't have unless you put it in the act. You will then have pure regimentation of labor.

Mr. BUSH. I don't understand that this act takes away the ability of labor to speak for itself.

Senator CLARK. It does unless you put it in there.

Mr. BUSH. I don't understand that at all.

Senator CLARK. That is the way I understand it. You set up a dictatorship.

Mr. BUSH. I understand that the Government through some agency is going to establish a minimum wage and that labor will have the same opportunity it has always had to ask for more than that minimum if the conditions are propitious.

The CHAIRMAN. Thank you very much, Mr. Bush.

STATEMENT OF JACK BLALOCK, REPRESENTING THE INDEPENDENT PETROLEUM ASSOCIATION OPPOSED TO MONOPOLY AND THE INDEPENDENT PETROLEUM ASSOCIATION OF TEXAS

Mr. BLALOCK. My name is Jack Blalock, Marshall, Tex., attorney at law, and independent producer, representing the Independent Petroleum Association opposed to monopoly, and the Independent Petroleum Association of Texas.

Senator CLARK. Mr. Blalock, you stated a while ago there were three of these independent associations.

Mr. BLALOCK. Yes, sir.

Senator CLARK. Would you mind stating what they are?

Mr. BLALOCK. Independent Petroleum Association of Texas is a group of independent oil men living in Texas who have production in Texas, with approximately 3,000 members. They have a potential production of approximately 7½ million barrels per day. There is written into the charter and bylaws of the organization a provision that the major oil companies cannot belong to this organization and cannot contribute, either directly or indirectly, any funds for its support.

The Independent Petroleum Association—

Senator GORE. What is the distinguishing mark of a major company? Can you state that in a word?

Mr. BLALOCK. By that we mean integrated companies, companies that are associated and have control of production, transportation, refining, and marketing.

Senator GORE. Yes.

Mr. BLALOCK. This kind of an organization cannot belong.

Senator GORE. And that without reference to capitalization or bulk of the concern?

Mr. BLALOCK. That is correct. However, I might say to you, sir, that none of what is called the very large companies, because all of them are integrated companies, belong to this association.

Senator GORE. And most that are integrated are in large concerns?

Mr. BLALOCK. That is correct.

The Independent Petroleum Association Opposed to Monopoly was formed here in Washington during the recent so-called "Governors' Oil Conference." There was a meeting of the independents and the major companies in this town. A program was devised to which certain independents could not subscribe. They formed this organization at that time. It is comprised of producers from California,

Oklahoma, Texas, and one or two other States that I cannot give you off the record now.

Mr. Chairman and gentlemen of the committee, I take it that all American citizens are fundamentally opposed to Federal dictatorship or any other kind of dictatorship, that the only reason that could possibly be advanced for leaving that principle of our Government would be a real and genuine emergency.

There are many others who do not believe that it would be wise, even under those conditions. However, I desire to point out to this Committee that there is no emergency in the oil business today. The oil industry is in better position than any other industry in America. I say to you with all earnestness and sincerity that the vast majority of the people who are now engaged in the oil industry are making money, are making a profit.

You have heard much today about overproduction of oil being the real emergency. Let us check the figures and find whether that is the case, whether that is the cause of this controversy here today. I will not quote from the Oil and Gas Journal, which is a publication supported and sponsored principally by the Standard Oil Co. of New Jersey, but I will give you the figures for the United States Bureau of Mines for the year 1932 in this country.

The average daily demand for crude petroleum in the United States for the year 1932 was 2,554,000 barrels per day; the average daily production for the same period of time was 2,247,000 barrels, an actual underproduction of 317,000 barrels of crude petroleum per day.

These are the figures from the United States Bureau of Mines. I submit to you that that does not show an emergency as the result of overproduction.

Where did the difference between production and consumption come from? This more than 300,000 barrels per day? It had to come from one of two sources or both; withdrawals from storage or imports of foreign oil, and in that connection, may I call your attention to the fact that 13 major oil companies own 92 percent of all the storage in the United States of America, and that three oil companies import 92 percent of all of the oil that is imported into this country.

Now, gentlemen, there is the issue. This program that was advanced in Washington 2 months ago—

Senator CLARK. Who are the three, Mr. Blalock?

Mr. BLALOCK. The Gulf, the Shell, and the Standard of Jersey. This program that was advanced in Washington 2 months ago in an effort to persuade the National Congress and this administration that an emergency existed went further than that. It put out the figures that the actual consumption of crude petroleum was 2,000,000 barrels per day, when as a matter of fact the consumption, according to the United States Bureau of Mines was 2,554,000, and they asked at that time that production in this country be held down to 2,000,000 barrels in order to guarantee to 13 companies a monopoly upon 500,000 barrels of market per day, to make it unlawful, if you please, for the independent producer of crude petroleum in this country to even attempt to get any part of that market.

Gentlemen, I say to you in all earnestness that does not present to me a picture of an emergency as the result of overproduction.

When the program that was adopted by the Conference of Fifteen—and it was written by a committee of five, and of that committee of

five—this is the so-called Governors' Conference I am talking about, gentlemen—Mr. Walter Teagle, president of the Standard Oil Co. of New Jersey was one, Mr. R. C. Holmes, then president of the Texas Co., was one; Mr. C. B. Ames, president of the American Petroleum Institute was one, none of them representing any governor in this country; a Mr. Grimm from Ohio was one, and Governor Landon, of Kansas was the other.

They drafted the document that Mr. Brown introduced into the record in this case, and it was accepted by that organization of majors, so-called "independents", and Governors' representatives. It was carried to the President of the United States. The Independent Petroleum Association, opposed to monopoly, which I represent, also drafted its recommendations and carried them to the President of the United States. He took both matters under advisement and he wrote his recommendations to the Governors of oil-producing States in this Nation, and what did he say?

I especially direct your attention to paragraphs A-1 and A-2 of the recommendations of the Committee of Fifteen—

Senator GORE. This is the President's communication?

Mr. BLALOCK. Yes, sir; to the Governors of the oil-producing States. It was made public—

I especially direct your attention to paragraphs A-1 and A-2 of the recommendations of the Committee of Fifteen. It is obvious that the action proposed to be taken in these paragraphs is within the sole authority and jurisdiction of the interested States. The President of the United States has no authority to declare a moratorium such as is proposed and he might be regarded as infringing on the sovereignty of the States if he should make the request contained in paragraph A-2.

Let us see what these paragraphs were.

Paragraph Z-1: To meet the existing emergency, the committee unanimously recommends:

That the President of the United States be requested to transmit this report to the Governors of California, Kansas, Oklahoma, Texas, and New Mexico, and to call upon them immediately to close all flush pools in their respective States until the 15th day of April next, excepting wells producing more than 10 percent of water, which would be damaged irreparably by a complete shut-down.

A-2. That the President of the United States be requested to call upon the Governors and legislatures of the principal oil-producing States which have no adequate or no general conservancy statute to adopt such a statute immediately in order to further the conservation and scientific and more orderly development of the oil and gas resources of such States and in order to enable full cooperation toward those ends between all the principal producing States.

That last paragraph, A-2, is incorporated in the Marland bill and the Capper bill before this committee now.

This recommendation to declare a moratorium upon production the President of the United States said he had no authority to do, and it would be an infringement upon the sovereignty of the several interested States. If it would be an infringement upon the sovereignty of the several interested States to declare a moratorium upon flush pools in order to keep down production within market demands, then I respectfully submit to this committee that it would be equally an infringement upon that State's sovereignty to appoint a Federal oil dictator to do the same thing.

Senator REED. What would happen to you if one of that Committee of Five was appointed Federal oil dictator?

Mr. BLALOCK. Well, sir, I feel that inasmuch as—although they are honorable men, personally—

Senator REED. Of course.

Mr. BLALOCK. That inasmuch as they subscribe to the theories which have been advanced here, that it would mean the complete, speedy, and absolute elimination of every independent oil man on the North American Continent.

I point these things out in order to show that no emergency exists. Let us go further, still quoting from the President's message of April 4:

There seems to be a wide-spread feeling that an emergency exists in the oil industry calling for action and it is hoped that the governors of the States affected, after consultation with each other, will take action appropriate to meet it.

The Committee of Fifteen in paragraphs A-3 and A-4 recommends certain action on the part of the Federal Government. I am of the opinion that the suggestion that the Congress pass legislation prohibiting the transportation in interstate and foreign commerce of any oil or the products thereof produced or manufactured in any State in violation of the laws thereof, is well considered.

Not the orders of a regulatory body, but the laws thereof.

I am prepared to recommend such legislation to Congress as the contribution on the part of the National Government toward the solution of the difficulties in which the oil industry finds itself.

And may I say to you, gentlemen of the committee, that my organization also subscribes to that proposition.

Senator CONNALLY. You mean by that a statute prohibiting the interstate shipment of oil produced in violation of any State law?

Mr. BLALOCK. Yes; in violation of any State law.

Senator CONNALLY. How about a regulatory body under the State law?

Mr. BLALOCK. The bill as written provides any violation of a State law or regulatory body or officer, or of the Federal agency which it purports to set up.

Senator CONNALLY. I understand that, but I am talking about the attitude of your group.

Mr. BLALOCK. We would not be opposed to it, sir.

Senator CLARK. You mean if anybody produced in excess of their allowable it should be excluded from interstate commerce and the authority of the Federal Government should be used to enforce that?

Mr. BLALOCK. Correct, sir; that is, interstate commerce in the true sense of the word.

Senator GORE. I can go that far.

Senator CLARK. So can I go that far.

Mr. BLALOCK. And so, gentlemen, all reports, telegrams, and rumors to the contrary notwithstanding, the independent oil men of this Nation, whom I have the honor to represent, stand for true conservation of the natural resources. True conservation. That does not mean price fixing, that does not mean allocation to the producing States of this Nation based upon market demand. That means the prevention of physical waste, and the only case that has gone to the United States Supreme Court in that case is the Champlain case for Oklahoma, and the United States Supreme Court upheld that particular order of the Corporation Commission of Oklahoma for the sole and exclusive reason that it showed that production in excess of the

market demand would go into earthen storage and that it would create waste. No court anywhere in this land has ever held that any governmental agency, any governmental organization, has the right to limit production to equal the existing or the guessed-at market demand.

Senator REED. Do you think the Federal Government could do it within the separate States?

Mr. BLALOCK. You mean as provided in this bill?

Senator REED. Yes.

Mr. BLALOCK. My personal opinion, sir, is that they cannot.

Senator CONNALLY. Let me ask you, in the case of the Railroad Commission of Texas, in these two formal orders fixing it one time at 375,000 and the other time at 290,000—

Mr. BLALOCK. I would like to explain that, sir.

Senator CONNALLY. Was it true that the court held these orders invalid because they claimed they did take into consideration the market demand?

Mr. BLALOCK. Let me give you a little of that history. It is somewhat complicated.

Senator CONNALLY. I don't want to interject it.

Mr. BLALOCK. It is very important, because it was brought up by the speaker who preceded me. The first one was known as the "People's Producers case." There were a great number of people who brought the action in the Federal court to enjoin the enforcement of the commission's order. That order called for a total field allowable of 375,000 barrels in east Texas. It distributed that allowable almost upon a per well basis. Gentlemen, don't be confused by the meaning of per well. By this per well designation that I am making, means giving each well in the field regardless of where it was located on the structure, approximately the same amount of oil.

Senator GORE. You mean the same amount or the same percentage?

Mr. BLALOCK. The same amount. We hadn't come to the potential that we have now in east Texas.

Senator GORE. Flat?

Mr. BLALOCK. Flat allowable, to all intents and purposes. There were some other features taken into consideration, but the court held that was what it amounted to. The court struck that order down for two reasons. It struck it down because the allocation between the wells did not give to the well more favorably located upon the structure its advantage which its natural situation entitled it to, and second, because the court said express in language a flat allowable of 375,000 barrels is too low and confiscatory.

That was before we had the market demand statute in Texas. The legislature rushed together and passed the market demand statute, and then the nominations which Mr. Rouser talked about were made to the railroad commission, and they fixed the allowable at 290,000 barrels.

Senator GORE. Made it less than the other?

Mr. BLALOCK. Made it less than the other, because of these so-called nominations for the purchases of crude oil.

Senator GORE. Notwithstanding the court had held that 375,000 was confiscatory?

Mr. BLALOCK. Yes; insufficient confiscatory.

Senator CONNALLY. There was another act introduced?

Mr. BLALOCK. They passed a new law, and we were told that under market demand we could just cut it right on down.

Senator REED. When you speak of nominations, you mean estimates of consumption?

Mr. BLALOCK. By that I mean the purchaser of crude consumption comes before the regulatory body and tells them how much he thinks he will buy in the next 3 months, and if this nomination is followed it delivers body and soul the amount of oil that can be produced in any field or State or Nation into the hands of the purchasers of crude oil.

Senator REED. Then, if they want to use oil that they have in storage and suppress independent production, all they have to do is estimate low?

Mr. BLALOCK. Exactly.

Mr. CLARK. Suppose they came in and said they didn't want any?

Mr. BLALOCK. Then you couldn't produce any.

Senator GORE. At that point, what is the amount of oil in storage now?

Mr. BLALOCK. Senator, I can't give it to you. I can say to you that in the three years prior to this one storage was reduced in this country more than 100,000,000 barrels. Coupled with the imports of oil it proves the statement that I have made that there is bound to have been an underproduction.

Senator GORE. I want someone to put in the record the amount of storage the 1st of January and the 1st of July for the last 3 years.

Mr. BLALOCK. I will furnish that to you on Monday.

Now, then, after the 3-judge Federal court had stricken down this order and they wrote the 290,000-barrel order, I find in my file a copy of the opinion of the court, and that [indicating] is all the space they gave it, and here is what they said, and it is really in point on this bill.

This case represented another effort on the part of certain owners of oil-producing property in east Texas oil fields to obtain relief against the orders of the railroad commission. Their petition asserts that the orders complained of * * * are in fact and in legal effect the same as those which in *The People's Petroleum Producers v. Smith* were held to be confiscatory and illegal and ordered enjoined. Practically, the order complained of here is more drastic than the one enjoined. They limited the production of the field to 375,000 barrels per day, and plaintiff's wells to around 40. This order limits the total production from the field to 290,000 barrels and production from the plaintiff's wells to around 27 to 31 barrels.

As to the actual physical waste, either under or above ground, the evidence on this hearing is not different from that on the former.

In other words, the court said, although Texas has been permitted to limit production under a market demand statute, since they have attempted to do it, they can't confiscate a man's property, and this order is worse than the other, and they struck it down.

Senator GORE. Because the amount allowed altogether was less than in the previous case?

Mr. BLALOCK. Correct.

Senator GORE. Now, then, wouldn't that reasoning of the court stand against that limitation no matter by what authority passed?

Mr. BLALOCK. I think it would. In other words, I subscribe to your theory that no governmental authority, that no legislature, can take a man's property any more than the Railroad Commission could take it.

Senator GORE. The Federal Government cannot take property without due process of law or without paying the value of it any more than a State can?

Mr. BLALOCK. Exactly.

Senator GORE. Did these cases go up?

Mr. BLALOCK. No, sir; they did not. Those orders were stricken down and immediately the Railroad Commission promulgated a new one. What happened after that? I will bring here Monday and put into the record, if I may be permitted, a copy of that first opinion, for the reason that it points out to the Railroad Commission how to prorate east Texas, if they can do it at all, and it tells them in express language that the way to do it is to put it upon a well potential basis, permitting each well in the field to produce the same percentage of its capacity to produce.

Senator CLARK. And it is then constitutional, on the conservation theory?

Mr. BLALOCK. I don't quite follow you on that.

Senator CLARK. It is then constitutional, on the conservation theory?

Mr. BLALOCK. That is right, if any proration is constitutional.

Senator CLARK. Where the demand theory does not come within the conservation theory at all?

Mr. BLALOCK. Correct.

Senator CLARK. You limit a well that is high on the structure as well as the one on the edge, and by so doing you are confiscating his property?

Mr. BLALOCK. Exactly. The Federal court used almost those exact words, and says that this order takes away from the man more favorably located on the structure his oil and gives it to the man less favorably located, which is taking from one without due process of law and giving it to another, and cannot stand.

Further, the Federal court cited the Railroad Commission of Texas for contempt and told them if they put out another order of 375,000 or 400,000 barrels they would put them in jail. It cited them to appear on a certain day for trying to hold this production down in that great field to what the American Petroleum Institute conceived to be the market demand.

All right. The next great task that devolved on that very efficient commission was to find out how much each well could produce, so it issued an order and said, "We will open each well in the field through a 2-inch choke for 1 hour," and the Federal court enjoined them, because they said it would produce so much oil they couldn't get it out of the field. Then they went back and the Federal court modified that injunction and told them to do this: Take 1 square mile and take a well on each corner and one in the center and measure those, and it would be at least a relative gage of its ability to produce, and they did it, and do you know what the potential production of the east Texas oil fields was? Better than 120,000,000 barrels per day. Now, then, we think of 800,000 barrels of oil as being a lot of oil.

Senator GORE. Are you right about that?

Mr. BLALOCK. Yes, sir.

Senator GORE. 120,000,000?

Mr. BLALOCK. According to that potential test, per day.

Senator GORE. 120,000,000 barrels per day?

Mr. BLALOCK. Yes, sir. The East Texas oil field according to that potential test can produce more oil than all of the other flush fields in the United States of America combined.

Senator GORE. Well, that is 40 times what we do produce.

Mr. BLALOCK. All right, sir. What have we done to remedy it? Talk about 'Texas not trying to solve this problem. We have cut the production in East Texas, under an order that is under attack in the Federal court yesterday and today in Fort Worth, to six tenths of 1 percent of its ability to produce. Cut it down 99.4 percent. No other oil field on the face of the earth has ever before attempted to do such a thing.

Senator GORE. They had some of the wells in Oklahoma set down to about 1 percent.

Mr. BLALOCK. This is six tenths of 1 percent, of each well in the field.

Gentlemen, that occurs to me as being a rather determined effort on the part of the sovereign State of Texas to cooperate in this situation, and the Federal court told them if they cut it any lower, when it was at 400,000, they would put them in jail. And I don't know but what they should.

Senator GORE. There wasn't any proposal made to pump this oil back into these wells out of storage, was there?

Mr. BLALOCK. No, sir.

Now, then, let us see about these nominations and market demand. This computation that they testified they would buy 290,000 barrels—every one of them put a proviso on it, provided the Railroad Commission of Texas issued what "in my opinion" is a valid and reasonable order. So read by the president of the Humble Oil & Refining Co. All right, they threw out some 100,000 barrels of nominations. Put it at 290,000, and the same nominators, some of them, testified there was a market demand for a million barrels if you took price into consideration. In other words, it was a price-fixing scheme. Of course, we know there is a greater demand for oil at 10 cents than there is at \$2 or at 50 cents. Therefore, when you come to the question of market demand, then you have got to take into consideration what price you are buying it for, what oil are you getting and from where, what gravity; east Texas crude, Yates crude, Oklahoma City, California, Kettleman, or what? They are different. You can't just write into the law a proposition on an intricate question like that, market demand to be fixed by one man, and then divide it up between the oil-producing States of the nation.

It does violence to every principle of a free people. The President of the United States, in that same message of April 4, on the report of the Independent Petroleum Association opposing the monopoly, recommended the enactment of emergency legislation by Congress divorcing oil pipe lines engaged in interstate commerce from other branches of the oil industry. He said:

I am convinced that this is a reasonable request and that legislation should be enacted at as early date as possible.

Gentlemen, on the question of divorcement of pipe lines, you are all familiar with the great national scandal that confronted this country 60 years ago when Mr. Rockefeller was building the Stand-

ard Co., and when his contracts with the railroads provided for rebates on every barrel of oil he shipped over those railroads and a drawback on every barrel of oil his competitors shipped. It created a national scandal and Congress investigated it. The Supreme Court held it unconstitutional and it was stopped. I say to you, in all honesty and sincerity, that those same rebates, those same drawbacks are in effect today in a more pernicious and aggravated form than they were then. Why? Because the pipe lines have taken the place of the railroads as a transportation agency of crude petroleum. Those transportation agencies are owned by the very men who produce the oil, ship it through them, refine it and market it. They get 100 percent rebate on every barrel of oil they ship and 100 percent drawback on every barrel of oil that their competitors ship.

I submit to you that not long can a free people exist under such a system. It was a national scandal 60 years ago and it is a national disgrace today.

Senator REED. Who can take over those pipe lines?

Mr. BLALOCK. I submit to you that can be handled in the same way that the railroads and the coal situation was handled. In the first place, the Government can make it unlawful to own them and as soon as this is done they will get rid of them. But if you want a solution, here it is. At least it will start things. Understand this. Take the Humble Line for example. The Humble Pipe Line Co., 100 percent of its stock, according to my information, is owned by the parent company, the Humble Oil Co. The ultimate owners of that pipe-line stock are the stockholders in the Humble Co. Take the pipe-line stock and distribute it among those ultimate stockholders and tell them to do it in 6 months or 30 days, and then give the stockholders 18 months to get rid of it, one stock or the other. Provide in your divorcement, which is an amendment to the Interstate Commerce Act—Senator McAdoo has already introduced it in the Senate—that there cannot be any interlocking directorates. What will be the practical effect of it? I say you will take this 400 percent profit they are making, some of them, and distribute it among these people over the country instead of dumping it into the treasury of the parent company, and I do not believe that those citizens out in the country, when they get that money, will come around and put it into the Humble Oil Co. to drill more wells to break down the prices.

There is the scheme. Why will it not work? It has worked in other instances.

Senator GORE. Have you lost hope of regulating pipe lines effectively?

Mr. BLALOCK. No, sir; I think immediately after the divorcement takes place, then the rates should be regulated and held down to a reasonable profit on their investment.

Senator REED. Why not regulate them now?

Mr. BLALOCK. All right; but let us get rid of the pipe lines.

Senator REED. I am thinking of the next field of discovery. Who is going to build the pipe lines for it, if you do not allow the present owners or producers to do it?

Mr. BLALOCK. There will be plenty of them to do it. Who built the railroads?

Senator REED. They have quit building them.

Mr. BLALOCK. All right. We have more pipe lines than we need today.

Senator GORE. Did the law divorcing the coal mines from the railroads help any? I helped to draw that act.

Mr. BLALOCK. I think it did. It took off of the open market the coal produced by the railroads, shipped by it in competition with others in the coal business.

Senator GORE. I think if there is any industry in the country worse off than the oil business it is the coal business.

Mr. BLALOCK. I say to you that every industry is worse off than the oil industry. We are in better shape than any of them.

Senator GORE. I thought a good deal about divorcing the pipe lines from the companies, but I have not been able, in my own mind, to see how it will effect the result. If the Government had the power to bring about the result—I do not see how you can follow the stock around the world and keep it from getting gack into the hands of the people that want to own it for selfish reasons.

Mr. BLALOCK. It certainly comes closer to being the policy of this Nation than the other provisions of this bill.

Senator GORE. That is not the point. It is a practical thing whether the Government can do it, whether you can divorce these pipe lines from these oil companies with any assurance of the result you are seeking following. I do not see how you can tag the stock in the pipe lines, no matter what you do, and prevent the companies that want to operate it as their own, and leave the pipe line to serve the producers or refining companies. I do not see how you can do it.

Mr. BLALOCK. I think you can do it. I think we have done it in the coal business.

Senator GORE. We passed the law, but I am not certain it answered the hopes.

Mr. BLALOCK. It answered them to a very large extent, but that is regulation of the interstate commerce under the provisions of the Federal Constitution. That is a proper function of the National Government, as I see it.

Senator REED. The Supreme Court said we can do it.

Senator GORE. I am not questioning the power of Congress to do it. I concede that, but the economic effect, whether they can control that and keep the companies that want to control these pipe lines, in the last analysis, for selfish purposes, from doing so.

Mr. BLALOCK. I submit if Congress has the power to do it and it is constitutional, then they can put a penalty there that will be such that it will be enforced.

Senator GORE. I am not sure that you can follow the stock in pipe lines and keep that stock from drifting into the hands of people that have a community of interest with the oil companies, or that own the refineries and the oil wells, and that want to dominate this transportation.

Mr. BLALOCK. They have set up the plea that the pipe line is a plant facility. I do not so regard it, in my opinion.

Senator GORE. I agree with you there. That is not quite the point I am driving at. But whether or not any government has the power to pursue this stock and keep it out of the hands of those who will

cooperate and wink and nod with people who want to perpetuate a monopoly and make them do it.

Senator CONNALLY. Do you mean by that when they are divorced and the stock is scattered there is nothing to keep that stock from drifting right back into the hands of anybody who can buy it?

Senator GORE. Anybody that can buy it. It will be secret, but now everybody knows who owns them and you can regulate them.

Mr. BLALOCK. I grant you, sir, you cannot prevent men from entering into conspiracies. However, when the ill effects, if they do it to the extent that it will create the same trouble we have now, become apparent, as they will, you can prevent that by preventing the interlocking directorates and interlocking officers of the two organizations.

Senator GORE. I do not have much faith in that. I get your point. That assumes that John Doe is on two directorates. We will say John Doe is on one and Richard Roe is on the other, and they meet and have a glass or two of 3.2 and go away with a very kindly feeling and a gentlemen's agreement. I do not see how you can stop it. My point is, I want to try regulating the rates first.

Mr. BLALOCK. We can at least make it unlawful and make them sneak around in the dead of night when they do this thing instead of coming out wide open like they do and crushing competition to the point that they cannot survive.

Senator GORE. That brings us back to the point of regulating the sale of beer and stopping the bootlegger.

Mr. BLALOCK. I am not certain if given the power but that we can keep in pretty close touch.

Senator CLARK. The effect of this amendment is, if passed, to abolish competition.

Mr. BLALOCK. I understand that. That is why I am opposed to the attachment of this bill to the general industries bill. I submit this, that in view of the facts that have been given, that at least it has become doubtful whether such a great emergency exists in the oil business. If one does exist, I submit that the recommendations of the President which prevent the transportation of oil in interstate commerce that is produced in violation of the laws of the various States, coupled with the divorcement of the pipe lines, will cure that emergency. That will stop 95 percent of the ills of the oil business.

Senator GORE. State that again.

Mr. BLALOCK. To adopt the two recommendations made by the President as to the prevention of running any excess oil in interstate commerce production in violation of the laws and orders of the various States, coupled with the divorcement of the pipe lines from the other integrated units of the industry will, in my opinion and in the opinion of those whom I represent, cure 90 percent of the ills of the oil industry, both real and imaginary.

Senator REED. It is half past four. How much longer do you want to take?

Mr. BLALOCK. I have not had an opportunity to really take up that bill itself. There are four or five things in that bill, if it were to be considered the policy of this committee to be attached to the general industries bill, we think must come out, or should come out, in the interest of the right to do business of the independents, and four or five things that ought to go in it.

Senator REED. Maybe you had better conclude on Monday morning.

Mr. BLALOCK. That suits me fine, if it suits the committee.

Mr. BROWN. Here are some extensions of remarks of my own, and also statements by Mr. Charles F. Roeser, Mr. Joseph S. Bridwell, Mr. J. D. Sanders, Jr., Mr. W. W. Warner, Mr. Sherman Hunt, which we would like to have go into the record.

Mr. REED. All right, hand them to the reporter.

STATEMENT OF RUSSELL B. BROWN, COUNSEL INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

The American petroleum industry through representatives of every phase of its activities, has spent 8 weeks in cooperation with members of the administration and Members of both branches of Congress endeavoring to formulate a code for the recovery of this phase of the Nation's business. Beginning with a conference of Governors of the oil States, members of the independent branch of the petroleum industry, and the larger companies, held under the auspices of the administration, and continued through repeated meetings of representatives of all the different shades of thought on the industry's problems, the best thought available upon this question has been mobilized for 2 months in this city. The result of this work and careful study has been the development of many legislative proposals, the net result of which are embraced in the Federal oil control bill.

We do not believe that any association or organization, formed under the general industries bill can arrive at any clearer solution of our problems. The most difficult question we face is involved in lodging sufficient power in some Federal authority to control and direct the operations of this code for the industry. The Secretary of the Interior is given that power under the Federal oil-control bill. No method is proposed in the general industries act by which similar authority can be conferred upon any official. Without that clear statement of responsibility and of power, there can be no certainty that any code sufficiently detailed to meet the unique problems of the petroleum industry could ever be effectuated.

The Federal oil-control bill is very clear in its statement of the different steps to be taken to stop the present demoralization of the industry and to enable it to recover. There is not a single important phase of our problems whose solution is not set forth in plain language in this proposed measure. In contrast with this clarity we might point out that there is nothing definite proposed in the general industries bill. In fact, the only definite provision is that agreements, etc., made by the organizations functioning under that bill shall be exempt from the provisions of the Federal antitrust acts. Very large sections of the American petroleum industry fear such exemptions. They have reason for that fear. Those reasons are written large in the economic history of the country and in the records of our courts.

For years the American petroleum industry operated under what was practically a code of practices proclaimed, not by some association but by the will of a few individuals. That code remained in effect until the adoption of the Federal antitrust acts gave freedom to the industry at large. Many of the independents in this industry look upon the Federal antitrust acts as their Magna Carta, their declaration of independence, their only assurance against the development of monopoly.

The American petroleum industry today has a code of practices such as is proposed in the general industries bill. It too, has been adopted by an organization. It has been approved by the Federal Trade Commission. It is probably as good a code of practices as might be devised by any business organization. It has meant nothing in either preventing the evils which are today demoralizing the industry or even in curing the evils that existed when that code was formulated.

What the industry needs is not a code, but a director. It needs someone who can coordinate the jarring elements in the industry. It requires some authority who shall take a national and not a limited view of the questions involved. The American petroleum industry concerns not merely those in that industry, but it concerns also and equally the economic welfare of this Nation for many years to come, the systematic development of at least 20 States of the Union, the reconstruction of the business life of those States, and the development of their purchasing power, which is fundamentally necessary to the prosperity of the industrial States of the Union.

Because of these national aspects of our industry and because the character of petroleum, its production, processing, transportation, and distribution are unlike any other, it is most important that the provisions for recovery of this industry shall be so clearly and positively fixed that there can be no misunderstanding. That definition is obtained in the Federal oil-control measure.

The present demoralization of the American petroleum industry is well known. That a serious emergency exists is recognized by the industry itself, by the Federal administration, and by all concerned in our economic life. The distress in this industry is largely due to artificial causes. These causes, however, cannot be met either by private agreement or by the legislative action of a single State.

The necessity for proper control of the oil industry is clear. Such control is not new. We already have State control. What the industry needs today is coordination of control legislation. This can only be obtained through Federal action.

The control of the American petroleum industry should be either by a special bill, clearly covering the peculiar problems of the oil industry or through the incorporation of the provisions of such a bill in a separate section of the national industries act, which should then exclude the petroleum industry from the general application of that measure.

The petroleum industry is unlike any other. The market for its products is easily determined. That market cannot be appreciably extended. The amount of our export trade is small compared with domestic consumption. This market could be fully supplied by the output of any one of several of the new great oil fields already developed and possibly by some of the newer fields which may soon enter upon the production stage. If these fields produce at any large degree of their possibilities, immense quantities of petroleum can find no market. This means that the oil produced above market demand must go into storage. The volatile nature of the most valuable elements in petroleum requires a costly type of storage, unless these elements are to be largely if not entirely dissipated. Only large and rich corporations can afford these expensive storage facilities. Smaller producers are forced to rely upon such cheap expedients as may be devised. Often hundreds of thousands of barrels of oil are run into gullies which have been dammed at the ends to form reservoirs to contain petroleum for which there is no present market. A heavy rain storm may sweep these hundreds of thousands of barrels of irreplaceable oil down a stream where it is forever lost. A factory can produce shoes or hats or chairs or other manufactured goods in excess of the immediate market demand, and hold this over-production until such time as the market may absorb it. Petroleum cannot be stored thus. Its normal course is from the well to the pipe line to the refiner to the distributor to the consumer.

Attempts to meet this situation have been made by various oil-producing States. Attempts have even been made to correlate the limitation regulations of the various States. Such attempts have failed. It is only natural that a State having large flush areas should desire the largest possible production. Any suggestion that one State should limit the production in order that oil fields in another State might have a fair opportunity at the market has been unsuccessful. A suicidal production race has resulted. New fields, with lowest production costs, have taken the market from older fields, until still newer fields have entered this race.

The inevitable followed. Excessive quantities of petroleum have been spasmodically produced. The price in a glutted market naturally fell. It is today so low that oil from some of the newer fields can be bought far below the production cost of the older fields. If this continues, older wells of settled production must suspend operations, since they cannot continue at a constant loss. This involves a staggering loss to the entire Nation. There are over 300,000 of these older wells. The oil reserves they touch are greater than the expected production from the newer fields with which they are forced to compete. Viewing the situation solely from the standpoint of conservation of an irreplaceable national resource, the abandonment of flush areas would mean less of a loss to the Nation than the abandonment of these 300,000 wells. Furthermore, the flush areas themselves will not long be free producing. It was stated recently at a hearing in Texas that the great east Texas field would soon go on the pump. Because of the open production from the 10,000 wells in this field, such damage has been done that it is now expected that only about 1,140,000,000 barrels of oil will be ultimately recovered out of the expected 1,800,000,000 barrels. This represents a tremendous loss, not only to the various owners of the field or to the oil industry, but to the American people.

uations like this cannot be met by any system or set of rules or regulations which might apply to a factory industry. It cannot even be met by a system which might have application to other natural resources. Special provisions must be made for determination of the market demand for petroleum, for the definite allocation of that demand to the oil-producing States and the equitable distribution of a State's quota among various fields, pools, and common sources of oil within a State. Furthermore, care must be taken in the interest of conservation of this national resource, so important in our economic life, to prevent the premature abandonment of wells of settled production. This involves the establishment of a minimum price not less than the average operating cost of such wells. Equally important is the establishment of a maximum price in order to prevent the exploitation of the consuming public.

Then, too, the limitation of imports is a vital part of any practical program to stabilize the American petroleum situation. Unless the American producer can definitely know the quantity of foreign oil which may be imported into our market, no program can be developed to balance production with demand. Furthermore, the unlimited importation of cheap foreign oil is a constant threat to any attempt to maintain price stability, upon which the future of the industry, involving the purchasing power of over 20,000,000 people, depends.

These problems are peculiar to the petroleum industry. If their determination is left to an organization set up under the industrial recovery bill, and made dependent upon the adoption of a "code of fair competition", a door for endless debate will be open. The formation of an industrial association, under section 3 of the industrial recovery bill, presents stupendous difficulties. Here again the petroleum industry is unlike any other industry. Many thousands of producers would be concerned in such an industrial association. Many of these are very small producers. While the total amount of money involved in the operations of some small producers might seem insignificant when compared with the investments of great oil corporations, it does not seem insignificant to these men themselves. Nor is the grand total of the investment of these smaller producers an insignificant total. These men would be entitled to representation in the industrial association proposed in section 3 of the bill mentioned. Unfortunately, they could not afford to give their personal attention to such an association. They would be forced to delegate their representation. Larger or richer producing concerns would, naturally, have a marked advantage in that a vice president or other official might continuously represent such a company in the proposed association.

Under the Federal oil control bill, the Secretary of the Interior is directed to make a thorough investigation of the whole industry, to estimate the easily ascertainable market demand, to allocate this to the oil States, and, where this is necessary, provide for the distribution of that allocation to the pools, etc., in the State. Under such a procedure, there would be little if any opportunity for any groups obtaining undue advantage through their affiliation with other groups in a trade or industrial association. Conversely, the smallest producer would be assured of justice and his fair proportion of the production to meet the market demand, without the employment of expensive representatives to fight for his interests in some trade association.

The weakening of the Federal antitrust acts involved in the general industries bill is feared by many of the independent petroleum producers of the Nation. This does not accompany the provisions of the Federal Oil Control Act.

The Federal oil control bill offers a guarantee of State rights. If it should become the law, the oil industry in Montana, in Wyoming, in Pennsylvania, in Ohio, in Louisiana, or in Mississippi, would be assured of its equitable proportion of the Nation's petroleum production, just as much as the industry in Oklahoma, Texas, or California, whose present fields are larger and whose production is tremendous.

Codes of practice, adopted under section 3 of the general industries bill, might be revised frequently and at short notice by a majority of these joining in such an association. This would continue that uncertainty which is today one of the causes preventing the orderly development of the petroleum industry. Investments in that industry are too likely to be regarded as highly speculative unless there can be provided a substantial basis for continuous operations. Such a basis is afforded in the Federal Oil Control Act. It is not assured under the general terms of the other measure.

The petroleum industry in general has accepted the program set forth in the Federal Oil Control Act. While that acceptance has not been completely unanimous, it is much more nearly unanimous than any agreement which could be reached through an association formed under section 3 of the general industries

bill. Neither those interested in imports nor those hoping to take advantage of large flush production would have any special advantages under the definite provisions of this bill. Those who have been profiting by violation of laws or regulations intended to prevent unlimited production of unmarketable oil may be expected to object to any program which restrains them.

In addition to these groups who may offer some protest, there may also be a few who regret the necessity for any control measure of any kind. Whether measured numerically, by acreage holdings, by potential production, or by any other standard, all of these constitute a very small portion of the industry. Opposed to them and in favor of the oil control bill, whether as a separate measure or as a special section in the general industries bill, is the great body of the American petroleum industry. Those independents for whom I may especially speak believe that this bill will stabilize the industry, will make possible even justice for the smallest as well as the largest, will promote employment, will steady the whole financial structure of the Southwest, will restore lost purchasing power to 20,000,000 people, and will be one of the most significant steps toward general economic recovery.

STATEMENT OF CHARLES F. ROESER OF FORT WORTH, TEX.

Your attention has already been called to the present demoralization of the oil industry. I feel called upon to give you the facts and reasons for same.

For the past several years the great majority of those engaged in the oil industry have felt that the production of oil should be held to correct consumption requirements, in order to bring about stabilization of the industry. Through cooperation with the industry and through cooperation with State regulatory bodies, the industry has been more or less successful in obtaining this end. However, recent developments in the State of Texas where the production today amounts to approximately 1,600,000 barrels per day, being 700,000 barrels per day in excess of market requirements, has caused a complete breakdown in the price structure for crude oil and fortunately brings to the attention of the administration in Washington that both voluntary cooperation in the industry and State regulation has completely broken down. This has been caused by a very small minority refusing to be good neighbors to the extent of accepting fair and equitable allocation of production in the States and within the individual pools in the State. You can readily realize that for one or two operators in a great pool like east Texas, to refuse to obey the orders of a regulatory body, can affect every other producer in that pool.

Conservation of oil is vital to the Nation's interest. The present program in Texas, if allowed to continue, will reduce the ultimate yield of the east Texas field alone by 500,000,000 barrels, this evidence has been introduced by competent engineers in a hearing held by the Railroad Commission of Texas on April 3 of this year. This causes an unnecessary physical waste of a very valuable product. In addition, the cost of producing the oil from the East Texas field will be greater by 30 cents per barrel than if held under restrictions. The public at large is interested from the standpoint of low cost of production, as this undoubtedly has influence on keeping down the cost of refined products to the consumer.

The east Texas field, under proper drilling regulations, could have saved at least \$100,000,000 in investment in unnecessary drilling, again it being in the public interest to see the proper drilling regulations are enforced as lessened cost investments react to the benefit of the consumer in the end.

The present low price for crude oil in Texas is causing a daily loss in revenue to the oil producers and citizens of the State of approximately \$400,000 per day. The State's revenue from gross production taxes and ad valorem taxes has decreased approximately \$4,000,000 a year. In addition, the income to the State University has decreased from approximately \$1,500,000 a year to about \$300,000. It is unnecessary to say that the present low price for crude oil also affects adversely both the banking interests in the State and general business as a whole. In addition, conditions in Texas are having a direct bearing on the national stabilization program now under consideration.

The failure of the industry itself and the State regulatory body makes it imperative that we have Federal intervention at this time. If this is not done, the oil industry as a whole will be facing a very serious situation not only from the standpoint of bankruptcy to the producers themselves but by the throwing out of employment thousands of men, who are wholly dependent on the oil industry for the support of themselves and their families.

While I appreciate the fact that the oil industry would probably be benefited under the general industries bill, I am afraid it will not give the quick relief that the industry must have. The inclusion of the Capper-Marland bill as a section of the general industries bill invests in the Secretary of the Interior the authority to immediately start the rehabilitation of the oil industry, which could be accomplished in a very short period of time under the said bill.

The Texas Oil & Gas Conservation Association, of which I am president, has a membership of 5,200 persons engaged in the oil business comprising major companies, independent operators, land and royalty owners, and others employed in the oil industry, so that I feel that this association, more than any other active association, is a cross section of the oil industry as a whole.

STATEMENT OF JOSEPH S. BRIDWELL, PRESIDENT OF THE NORTH TEXAS OIL & GAS ASSOCIATION

I appear before your honorable committee as a citizen of Texas, an independent oil producer in north Texas, east Texas, and Oklahoma, and as president of the North Texas Oil & Gas Association which has gone on record as favoring government control, and representative of the Oklahoma Stripper Well Association and the Kansas Stripper Well Association.

The north Texas district comprising some 15,000 wells was originally discovered about 1904 and has gradually developed to its present total of about 15,000 wells, which naturally makes oil a principal resource of that district. The present chaotic condition in the oil industry is occasioned by the excessive production in Texas where there is a market for approximately 800,000 barrels of oil and where there is now a production of more than 1,500,000 barrels, causing a surplus of more than 700,000 barrels which has demoralized the market to the extent that we are now only receiving 25 cents per barrel for our oil. The north Texas district is producing approximately 3 barrels per well, or a total of 46,000 barrels from approximately 15,000 wells, which necessarily, with the present price, means the absolute abandonment of most of the wells in this district unless action is taken by Congress.

Our association, as well as the other associations I represent, has gone on record favoring the Marland-Capper bill as we are convinced by our experience in Texas that the law should be as explicit as possible in covering the many intricate details in the oil industry. The Marland-Capper bill definitely regulates imports as well as oil to come out of storage which is very essential to the small independent producer who necessarily must produce his oil to a market as he is dependent upon selling it immediately in order to take care of his operating costs and paying his labor.

The present chaotic condition has compelled a great reduction in salaries in the oil field in our district during the last 30 days as we are dependent upon the revenues from this oil to take care of our operating expenses. If the present condition prevails, thousands of wells will be plugged and thousands of men will necessarily be laid off and be without employment. This alone with the waste that naturally would result from the plugging of these wells is certainly reason enough for Congress to take a definite hand in regulating the production of America to the market requirement.

We have no hope of relief from the railroad commission of Texas inasmuch as they have placed the allowable at practically double the market requirements even though they have a law permitting them to reduce it to the market requirements. We earnestly request your consideration of this matter in order that we might expect immediate relief from this chaotic condition.

I attach hereto copy of resolution passed in Oklahoma City on May 24 by the Stripper Well Association of Kansas, the Stripper Well Association of Oklahoma, and the North Texas Oil & Gas Association of Wichita Falls, Tex.

Whereas the delegates to the stripper well conference, composed of representatives of oil and gas associations from the States of Kansas, Texas, and Oklahoma, convened in the city of Oklahoma City, Okla., on the date of May 24, 1933, and acting as a committee of the whole adopted the following resolutions:

Whereas, because of ruthless and uneconomic overproduction of crude oil, the price structure has collapsed and thousands of wells of the stripper class, numbering more than 500,000, are on the threshold of being abandoned; and

Whereas there is pending before the Congress of the United States a bill known as the Marland-Capper bill, the purpose of which is the conservation of crude

petroleum and to preserve the same as a natural resource, not only for the future welfare of the Nation, but as a very vital item in national defense; and

Whereas Federal intervention is welcomed as a means toward correcting the evils and corrupt practices which have driven the oil industry from a secure and profitable business into a state of chaos and bankruptcy; and

Whereas the failure to delay the imposition of Federal control at this critical period will render definite and certain the loss of a valuable natural resource in the form of the stripper well production, essential to the future welfare, and property of many individuals, cities, and towns, and State governments who are directly or indirectly dependent on the prosperity of the petroleum industry; now, therefore, be it

Resolved, That the stripper well congress go on record in an affirmative manner, endorsing the Marland-Capper bill in its entirety; and be it further

Resolved, That copies of this resolution be forwarded to the Secretary of the Interior, Secretary of War, to United States Senators and Representatives of the States wherein petroleum is produced, and to the chairman of the House Ways and Means Committee, and to the press for publication, with the admonition to all that the vigorous administration of the bill, if enacted into law, will elevate the industry from bankruptcy to peace and prosperity, and contribute in a large degree to the general recovery of all business in the entire Nation.

Resolution offered by Smith of Ardmore, Southern Oklahoma Oil & Gas Association, seconded by Mr. Weiner, Kansas Stripper Well Association.

STATEMENT OF J. D. SANDEFER, JR., PRESIDENT OF THE WEST CENTRAL OIL & GAS ASSOCIATION

I appear before you as an independent oil operator of Texas and as president of the West Central Texas Oil & Gas Association with a membership of 300. We do not have a representative of any major company or purchaser of oil in our association. This association covers 16 central west Texas counties with 8,127 wells, averaging approximately 3½ barrels per day. A great number of the wells in our district have been shut down at this time due to the chaotic conditions which exist. We are unable to produce these small wells on the present price of oil, which is 25 cents per barrel.

Our association has gone on record as favoring Government control with the belief that the Marland-Capper bill has the necessary stipulations to give us relief. We are especially interested in the preservation of the small wells, of which our district consists, and also are especially interested in the limitation of imports. We feel that every business establishment, as well as every individual in our 16 counties is affected by the condition that exists at this time caused by the low price of crude oil. In fact many of our wells will have to be abandoned in the very near future and many of our operators will be completely bankrupt unless the price of oil is such that it will enable us to lift our oil and have a profit therefrom, which is impossible at this time.

We urge immediate action by Congress, feeling that is our only relief in our section of the State of Texas since the Texas authorities have proven to us that they are unable to cope with the situation. As an independent oil producer of the State of Texas and as a citizen thereof, feeling that I represent the sentiments of every oil operator as well as taxpayer in the 16 counties which I represent, we urge that we have immediate Government control as outlined in the Marland-Capper bill.

STATEMENT OF W. W. WARNER, PRESIDENT OF THE OKLAHOMA STRIPPER WELLS ASSOCIATION

The Oklahoma Stripper Well Association of which I am president and the stripper well associations of Kansas and Texas present, through me, their request that the Federal oil control bill be added to the general industries act and that the American petroleum industry be exempted from the provisions of that measure.

The stripper wells of the Nation, which constitute one of our most valuable natural resources, must close unless there is some positive certainty that the present condition in the industry will be so remedied that they can operate profitably. That certainty can be obtained only through the specific provisions set forth in the Federal oil control bill. The general industries bill, however appro-

appropriate it might be to industry in general, necessarily cannot cover the peculiar needs of the petroleum industry. Furthermore, the interests of various influential sections of the American petroleum industry are so antagonistic to other interests that it will be difficult to secure any practical working plan through an industrial organization, subject to the natural competition between these opposing groups.

The rivalries, opposing interests, and antagonistic aims of the many sections of the petroleum industry make it improbable that any existing organization or any that might be formed could arrive at any reasonably unanimous agreement on a practical code of ethics, although nearly the whole industry is willing to accept the decisions of the Secretary of the Interior.

A disinterested Cabinet officer will be more generally trusted in estimating the petroleum market demand and in distributing this demand among the States than any interested group of producers themselves.

Many thousands of independent operators, especially the stripper well owners, could not afford to give the personal attention necessary in order to have continuous and adequate representation in any industrial association charged with formulating any codes or agreements to govern the whole industry.

The thousands of independent producers would not have sufficient influence in any such association to prevent adoption of an industrial program which would ruin them.

The past history of some of the larger and richer companies convinces many independent producers that the largest companies will profit from any code or agreement they may help to draw, to the damage of the smaller ones.

Only a Federal official can make production allocations to the oil-producing States.

The unexpected discovery of new flush fields may wreck any program set up under the general industries act.

The Federal oil control bill authorizes the Secretary of the Interior to alter his estimates and allocations to most changing conditions; this ensures immediate action in case of the discovery of new and great flush areas, which could not so quickly or certainly be obtained under the general industries act.

No limitation of imports of foreign oil can be assured under the general industries act, although without such definite limitation no stabilization of production is possible.

The exemptions from the antitrust acts provided in the general industries act is dreaded by the small or independent producer who has not forgotten the protection these acts have afforded him.

Preservation of "stripper" wells, involving enormous future recoveries of petroleum, is directed in the Federal oil control bill.

The interests of the general public outside of the oil States and of the Federal Government itself in the conservation of the Nation's oil reserves are too great for these to be left to any self-selected members of any industrial organization.

In behalf of the Oklahoma Stripper Well Association, of which I am president, and of like associations of stripper well owners in Kansas and Texas who join with us for this purpose, I urge that the demoralized petroleum industry be given its chance to recover under the carefully drawn and definite provisions of the Federal oil control bill, rather than under some general plan which may be ideal for other industries, but which does not consider the unique problems of the production, processing, transportation, and distribution of petroleum products.

The stripper wells are the older wells of the industry. Some of them are 50 years old. They have been called "the backbone of the industry." The present flush wells will be the stripper wells of the future. Abandonment of these wells will mean the complete loss of one of the Nation's most valuable sources of wealth. That abandonment will be prevented by the Federal oil control bill.

Having been in charge of the distribution of Government flour through the Red Cross, I personally know how entire communities and many districts in the stripper-well section are today suffering acutely, since their livelihood depends upon the production through stripper wells, which can only be assured through definite provisions such as are included in the Federal oil-control bill. Work for all the unemployed in the stripped-well sections is awaiting stabilization through that act.

I would like to present to the committee the accompanying resolutions, adopted by the stripper-well conference, and copies of telegrams addressed by our association, in conjunction with other associations, to President Roosevelt and to Mr. J. S. Bridwell.

Whereas the delegates to the stripper-well conference, composed of representatives of oil and gas associations from the States of Kansas, Texas, and Oklahoma, convened in the city of Oklahoma City, Okla., on the date of May 24, 1933, and acting as a committee of the whole adopted the following resolutions:

"Whereas because of the ruthless and uneconomic overproduction of crude oil, the price structure has collapsed and thousands of wells of the stripper class, numbering more than 300,000, are on the threshold of being abandoned; and,

"Whereas there is pending before the Congress of the United States a bill known as the Marland-Capper bill, the purpose of which is the conservation of crude petroleum and to preserve the same as a natural resource, not only for the future welfare of the Nation, but as a very vital item in national defense; and

"Whereas Federal intervention is welcomed as a means toward correcting the evils and corrupt practices which have driven the oil industry from a secure and profitable business into a state of chaos and bankruptcy; and

"Whereas the failure to delay the imposition of Federal control at this critical period will render definite and certain the loss of a valuable natural resource in the form of the stripper well production, essential to the future welfare, and property of many individuals, cities, and towns, and State governments who are directly or indirectly dependent on the prosperity of the petroleum industry; and now therefore be it

Resolved, That the Stripper Well Congress go on record in an affirmative manner, endorsing the Marland-Capper bill in its entirety; and be it further

Resolved, That copies of this resolution be forwarded to the Secretary of the Interior, Secretary of War, to United States Senators and Representatives in the States wherein petroleum is produced, and to the Chairman of the House Ways and Means Committee, and to the press for publication, with the admonition to all that the vigorous administration of the bill, if enacted into law, will elevate the industry from bankruptcy to peace and prosperity, and contribute in a large degree to the general recovery of all business in the entire Nation."

Resolution offered by Smith, of Armore, Southern Oklahoma Oil & Gas Association.

Seconded by Mr. Weiner, Kansas Stripper Well Association.

President FRANKLIN D. ROOSEVELT,
White House, Washington, D.C.

Hon. HAROLD ICKES,
Washington, D.C.

Congressman E. W. MARLAND,
Washington, D.C.

Senator CAPPER,
Washington, D.C.:

We heartily approve of the Capper-Marland bill and urge that it be attached to the general industries bill as we feel that this will expedite its passage.

THE NORTH TEXAS OIL & GAS ASSOCIATION,
KANSAS STRIPPER WELL ASSOCIATION,
OKLAHOMA STRIPPER WELL ASSOCIATION,
In Joint Meeting at Oklahoma City.

President FRANKLIN D. ROOSEVELT,
White House, Washington, D.C.:

We, the North Texas Oil & Gas Association, the Oklahoma Stripper Well Association, and the Kansas Stripper Well Association in joint meeting in Oklahoma City respectfully urge that you issue a proclamation to Congress recommending that the Capper-Marland bill be passed as a part of the general industries bill.

BRUCE MARTIN, *Meeting Chairman.*

J. S. BRIDWELL,
W. W. WARNER,
Washington, D.C.:

The North Texas Oil & Gas Association, the Oklahoma Stripper Well Association, and the Kansas Stripper Well Association hereby authorize you as their representative to work with the authors of the Capper-Marland bill endeavoring

to pass same in the best method possible and are forwarding you herewith copy of a wire sent to these gentlemen.

BRICE MARTIN, *Chairman Meeting.*

STATEMENT OF SHERMAN HUNT OF TYLER, TEX.

The American petroleum industry needs an umpire, not a mass meeting, to solve its problems. Such an umpire is provided in the Secretary of the Interior, in the Federal oil control bill. However helpful the general industries bill might be to the various branches of American business, it does not promise any solution to the unusual problems which have resulted in the demoralization of the American petroleum industry.

The most important questions which must be settled before there can be any stability given to this basic industry are not likely to find their solution through any organization within the industry itself. Many of these questions are proper only for a Federal office or for the Congress of the United States. Among these I might mention the coordination of State consideration measures governing the production of petroleum. It would be manifestly improper for any industrial group to dictate to a sovereign State the nullification of existing laws on this or any other question. Furthermore, a private organization such as is contemplated in the general industries act, even though formed under governmental sanction, would be subject to the laws of any State in which it operated. It could not assume, merely by virtue of agreement between the members of an interstate association, the right to prescribe the petroleum production of that State.

I represent 241 owners of property and members of an association of property owners and royalty owners whose holdings cover practically the entire east Texas field whose operations are responsible for much of the present demoralization of the petroleum industry.

Our members are strongly in favor of the adoption of the Marland-Capper Federal oil control bill either as a separate measure or as a part of the general industries bill. We believe that the program set forth in that bill will immediately and adequately remedy the disaster which has overwhelmed the petroleum industry. While we are in full accord with the general provisions of this Marland bill, we especially favor those portions of it which will establish a control of production and will bar from interstate commerce oil produced in violation of the attempts to limit production to the actual market demand.

The owners of the land beneath which these oil reserves exist are losing enormous sums of money through the overproduction in violation of the orders of the Texas Railroad Commission. Since no records are kept of the amount of oil run in violation of these States orders, no royalties upon this oil is being paid to the owners of the property. This has resulted in many suits in an attempt to recover money due the property owners. The inability to produce satisfactory evidence in regard to the exact amount of oil illegally produced has prevented the success of many of these suits.

The overproduction of oil from our properties has made it necessary to put much of this oil in storage. Most of the property owners have contracts which provide that royalties are not paid upon oil in storage until that oil has been sold. The excessive rate of production has so filled storage that withdrawals are small. This means that the oil remains a long time in storage until, in many cases, the storage rates equal the price ultimately paid for this oil to the still further impoverishment of the royalty owners.

Oil produced in violation of State law and clandestinely marketed pays no taxes to the State. This means that additional tax burdens must be carried by those whose business is based upon different ethical standards.

The continued wide-open production of the east Texas field means the early exhaustion of that field, means the installation of costly pumping equipment and also means the eventual failure to recover quantities of petroleum which may be utterly lost. This will involve the loss of many millions of dollars to members of our organization.

The Marland Federal oil control bill, whether passed as a separate law or made a part of the general industries bill, will remedy this situation which I am using as an illustration. It will also meet practically all the other pressing problems of the petroleum industry. It will do so immediately. It will bring to this attempt to regulate the petroleum industry the prestige of a Federal act and the

authority of a national Cabinet officer. We do not believe the same result can be achieved either so quickly, so thoroughly, or so surely through the provisions of the general industries act which is better adapted to other types of business. While the independent group of the petroleum industry recognize that eventually some program for the oil industry might be worked out under the general industries act, they feel that unusual advantages would be given to larger companies and that the interest of the property holder, the royalty owners, the small producer and the small refiner would not have that full recognition which is explicitly set forth in the Marland bill.

(Thereupon, at 4:45 o'clock p.m., the committee adjourned until Monday, May 29, 1933, at 10 o'clock a.m.)

NATIONAL INDUSTRIAL RECOVERY

MONDAY, MAY 29, 1933

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to adjournment, at 10 a.m., in room 312, Senate Office Building, Senator Pat Harrison presiding.

Present: Senator Harrison (chairman), George, Barkley, Connally, Gore, McAdoo, Keyes, Metcalf, Walcott.

The CHAIRMAN. The committee will come to order. Who are to be heard with reference to this oil proposition further? Mr. Blalock, how much more time do you want?

Mr. BLALOCK. I was testifying at the conclusion of the hearing on Friday, and the committee suggested I return this morning to conclude my testimony and to make it as brief as possible.

The CHAIRMAN. I would say, gentlemen, of course the House has already passed this bill. The oil proposition is a separate amendment, which the committee should pass on as to whether or not it shall go in, and the committee from now on cannot take up all the time dealing with just the oil proposition, because when we have finished this hearing and all the facts therein we will have to go into executive session and report the bill.

I hope everybody will be as considerate as possible. We want to hear representatives of these groups who appear and give them as much time as possible, but we have to get through, and I would ask that the witnesses who expect to be heard get in touch with the clerk on the question of the time they will need.

We are going to hold hearings this morning and this afternoon. We want to finish the hearings on Wednesday so that the committee can then go into executive session to consider the bill.

Senator McAdoo. Mr. Chairman, I simply want to say that there are some gentlemen here from California who have come all the way to present their views to the committee.

The CHAIRMAN. We will hear them this morning.

Senator McAdoo. They will be as brief as possible. I think not more than three of them will want to be heard.

The CHAIRMAN. I understand that Mr. Robert J. Cottrell wants to put a statement in the record.

STATEMENT OF ROBERT J. COTTRELL, EXECUTIVE SECRETARY WASHINGTON BOARD OF TRADE

Mr. COTTRELL. H.R. 5755, known as the public works bill, and entitled as a bill "to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain

useful public works, and for other purposes," does not, as it passed the House of Representatives on May 26, 1933, provide for the distribution of any portion of the \$400,000,000 to the District of Columbia under the provisions of section 204 and the several subdivisions thereunder as amended, and it is respectfully urged, for the reasons hereinafter stated, that the District of Columbia be included as a beneficiary of the distribution of the \$400,000,000 to be allocated upon the basis of one fourth according to area, one fourth according to mileage, and one fourth according to population, as embodied in an amendment adopted by the House of Representatives on May 26, 1933, changing the distribution as originally proposed under the Federal Highway Act of 1916 as amended by the act of November 9, 1921, and the supplementary acts amendatory thereof, namely, one third on the basis of area, one third on the basis of mileage, and one third on the basis of population.

It is urged that section 204, subdivision (b), on page 17, and line 11, and before the word "and" be amended and insert the following:

Which said act, as amended and supplemented, is hereby further amended to include the District of Columbia.

So that the subdivision (b) would read as follows:

Any amounts allocated by the President for grants under subsection (a) of this section shall be apportioned among the several States in accordance with the provisions of section 21 of the Federal Highway Act, approved November 9, 1921, as amended and supplemented, which said act, as amended and supplemented, is hereby further amended to include the District of Columbia, and shall be available on July 1, 1933, and shall remain available until expended; but no part of the funds apportioned to any State need be matched by the State or the District of Columbia.

Section 204 (a) was amended by the House of Representatives as follows:

For the purpose of providing for emergency construction of public highways and related projects, the President is authorized to make grants to the several States in an aggregate amount of \$400,000,000, to be expended in accordance with the provisions of the Federal Highway Act, approved November 9, 1921, as amended and supplemented, except as provided in this title, as follows—

It is urged that the amendment adopted be further amended, and after the word "States" insert "including the District of Columbia", so that the amendment would read as follows:

For the purpose of providing for emergency construction of public highways and related projects, the President is authorized to make grants to the several States, including the District of Columbia, in an aggregate amount of \$400,000,000, to be expended in accordance with the provisions of the Federal Highway Act, as amended and supplemented.

It is further urged that H.R. 5755, as it passed the House of Representatives on May 26, 1933, and in subdivision (e) be amended by striking out the period at the end of the sentence terminating with the word "Hawaii" and adding after the word "Hawaii" "including the District of Columbia."

The reasons which impel the Washington Board of Trade, in cooperation with the officials of the District of Columbia, to urge the inclusion of the District of Columbia and to place that municipality in the same category with the 48 States and the Territory of Hawaii are forcefully set forth in the memorandum attached hereto. By reference to this memorandum it will be noted that upon the basis of

internal revenue receipts for the fiscal year ending June 30, 1929, the States of Alabama, Arizona, Arkansas, Colorado, Georgia, Idaho, Iowa, Louisiana, Maine, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Oregon, Rhode Island, South Carolina, South Dakota, Utah, Vermont, Washington, West Virginia, and Wyoming paid less Federal taxes than the citizens of the District of Columbia.

The States of Arizona, Idaho, Mississippi, Nevada, New Mexico, North Dakota, South Dakota, Utah, Vermont, and Wyoming paid in the aggregate less United States revenue for the fiscal year which ended on June 30, 1929, than was paid by the citizens of the District of Columbia.

The District of Columbia collects approximately \$2,000,000 a year on its 2-cent gasoline tax. The Federal tax of 1 cent on gasoline means that an additional \$1,000,000 goes into the Federal Treasury from the District of Columbia. It is estimated that under the 1-cent Federal gas tax passed on the gallons which were taxed during 1931, the District of Columbia paid a larger tax on this commodity into the Federal Treasury than 13 States of the Union.

There are 1,125 miles of street mileage based upon a 20-foot width within the District of Columbia. A number of these streets are designated as thoroughfares, and are, therefore, arterial highways leading into the States of Virginia and Maryland; besides, there passes through the District of Columbia, from the adjoining States of Maryland and Virginia, several main Federal-aid highway routes, all the routes so passing through terminate at the zero mile stone south of the White House.

H.R. 5755, in section 204, subdivision (a), and paragraph (1) provides:

For the expenditure in emergency construction on the Federal aid highway system and extensions thereof into and through municipalities.

Unless the District of Columbia is included in the provisions of the proposed legislation, the city of Washington, the Capital of the Nation and the District of Columbia, would be the only jurisdiction within the continental area of the United States (excluding the Territory of Alaska) which would be excluded from the provisions of the bill.

The Washington Board of Trade is not aware of any valid reason why the District of Columbia was not included together with the 48 States and the Territory of Hawaii as a beneficiary under the proposed legislation, except that the Federal highway act, as originally passed and subsequently amended from time to time, has not included the District of Columbia. We are not aware of why it has been excluded from participation in sharing with the several States and the Territory of Hawaii in the distribution of the road mileage contribution by the Federal Government.

In conclusion, we wish to state that the District of Columbia has a greater population than 7 of the States of the Union and within 100,000 of 4 additional States.

For the reasons herein stated, and in the light of the attached statement, we earnestly request, in fairness to the citizens of the District of Columbia who will contribute their proportionate share

of the increased taxes which will be levied to provide \$220,000,000 annually for the purpose of amortizing the loan of \$3,500,000 and paying the interest installments thereon, that the District of Columbia should be included in the distribution of the \$400,000,000 as provided in the bill.

The District of Columbia contributes nearly two and one half times as much Federal money through Federal taxes as it receives in Federal money through the present lump sum (\$7,775,000). The District contributed in Federal taxes in 1929, \$17,094,719. It contributes more in Federal taxes than any 1 of 25 of the 48 States in the Union. It receives less in proportion to what it contributes than many of these States. Five of the States receive more from the Federal Government in bounties and subventions than they contribute through their Federal taxes.

Based upon internal-revenue receipts for the fiscal year ended June 30, 1929, the following States pay less in Federal taxes than the District of Columbia: Alabama, Arizona, Arkansas, Colorado, Georgia, Idaho, Iowa, Louisiana, Maine, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Oregon, Rhode Island, South Carolina, South Dakota, Utah, Vermont, Washington, West Virginia, and Wyoming.

The following 10 States paid in the aggregate less United States internal revenue in the fiscal year ended June 30, 1929, than paid by the District of Columbia: Arizona, Idaho, Mississippi, Nevada, New Hampshire, New Mexico, North Dakota, Oregon, Rhode Island, South Carolina, South Dakota, Utah, Vermont, Washington, West Virginia, and Wyoming.

The following 10 States paid in the aggregate less United States internal revenue in the fiscal year ended June 30, 1929, than paid by the District of Columbia: Arizona, Idaho, Mississippi, Nevada, New Mexico, North Dakota, South Dakota, Utah, Vermont, and Wyoming.

It is proposed by the national industrial recovery bill to increase income tax rates so as to provide funds to give effect to the provisions of the bill when enacted. Although the District of Columbia will be called upon to pay these increased taxes, they are not permitted under the provisions of section 204 of the bill to share in the expenditures proposed thereunder. This, it is submitted, is highly unfair.

The District of Columbia collects about \$2,000,000 a year on its 2-cent gasoline tax. The Federal tax of 1 cent means that \$1,000,000 goes into the Federal Treasury from the District of Columbia. It is estimated that under the 1-cent Federal tax, based on gallons taxed in 1931, the District would pay a larger tax of this kind into the Federal Treasury than 13 States in the Union.

With reference to the request of the Commissioners that the District of Columbia be included specifically in section 204 of the public work bill so as to allow the municipality to share in the \$400,000,000 highway fund primarily under the Federal aid portion, your attention is invited to the following facts and conditions:

The bill as now drawn provides in effect for an allotment of \$400,000,000, three fourths of which will be allocated to the States and Territory of Hawaii in accordance with the terms of the Federal act of 1921 as amended and supplemented, the remaining one fourth

to be allocated to the States and Territory of Hawaii on the basis of population.

The proposed act further provides that the fund allocated to the States under the Federal aid basis shall be available for and including United States routes into and through municipalities. A portion of the fund is also available for what is known as "feeder roads."

The proposed act definitely sets forth allocation of the funds for the removal of traffic hazards, highway widening, unsafe bridge replacement, elimination of dangerous grade crossings and like projects.

The bill proposes to allocate these funds without their being matched by the State or by the municipality to which the State allocates them for the building of Federal-aid routes through cities.

The act further provides that main parkway routes will become a part of the Federal-aid system upon the approval of the Secretary of Agriculture.

There passes through the District of Columbia from the adjoining States of Maryland and Virginia several main Federal-aid routes. All of these routes are partially improved, some are in need of widening, some in need of repaving, and practically all require the removal of certain hazardous conditions.

Practically all routes terminate at the zero mile stone south of the White House. The main routes of the Ellipse and their connection into main thoroughfares of the city streets are urgently in need of rebuilding and widening.

Under the terms of the bill as proposed the city of Washington and the District of Columbia would be the only jurisdiction within the United States that would not be eligible to share under the highway portion of the act. It is believed to the extent of improving the so-called "United States Federal-aid routes" the District of Columbia should be so included as to permit this fund to be allocated not alone for the benefit that may result to residents of the District of Columbia but to the general traveling public, to the Federal Government, to the completion of the Federal-aid system, and further, so that bypath routes may be provided for through traffic.

Any work that may be authorized looking to the improvement of these routes through the District of Columbia could be put into contract in from 1 to 6 months, a greater portion of it within a relatively short time following authorization.

The District of Columbia has a greater population than seven of the States and within 100,000 of four additional States. The District of Columbia has a road and street mileage based upon a 20-foot width of 1,125 miles, of which several hundred are designated as thoroughfares, and, as stated above, approximately 26 miles on the equivalent 2-foot basis included in routes designated as Federal-aid or United States routes.

The following projects might be mentioned as highly desirable ones in the line of some of the Federal routes:

Widening and repaving of Fourteenth Street from Water Street to Constitution Avenue.

Widening and repaving of Constitution Avenue from Fourteenth Street to Pennsylvania Avenue. This is partly a Federal project in any event.

Widening of D Street, Maryland Avenue, and Ninth Street, part of United States by-pass of route no. 1.

Widening and paving of Kenilworth Avenue NE., a new route into United States route 50, the Defense Highway.

Rock Creek and Potomac Connecting Parkway, uncompleted portion from Massachusetts Avenue to Connecticut Avenue and the Lincoln Memorial Bridge. This also included P Street Bridge. This will eventually become for passenger traffic United States route 240 from the west.

Widening and relocation and paving of E Street from Fifteenth Street to West Executive Avenue.

The above are recited to show the projects that could immediately be placed under contract. Numerous others also exist along these routes.

Under the Federal 1-cent gas tax the District of Columbia contributes slightly in excess of \$1,000,000. If this tax is increased as now proposed to 1¾ cents, the District of Columbia will contribute approximately \$1,750,000 annually to the Federal Government in addition to its other taxes, such as income tax, and so forth.

The District of Columbia paid into the Federal Treasury under the Federal 1-cent gasoline tax a larger amount than 14 States based on the gasoline consumption of 1931. The 1932 returns indicate that they will pay a greater amount than any 1 of 17 States of the 48 States in the Union.

The following are clippings from the Washington Evening Star of Friday, May 26, 1933:

ROAD EXCLUSION OF DISTRICT OF COLUMBIA DEPLORED—BOARD OF TRADE POINTS OUT DISTRICT IS DISCRIMINATED AGAINST IN FUNDS

In advocating inclusion of the District of Columbia in benefits of the \$400,000,000 grant to the States for Federal-aid highway projects, as proposed in the national industrial recovery bill, the board of trade pointed out today that the District is the only municipality in the United States excluded in this fashion, despite the fact that it pays Federal taxes which exceed the aggregate contributions of 11 States and more than any 1 of 27 States.

The bill as now drawn, it was explained, provides in effect for an allotment of \$400,000,000, three fourths of which will be allocated to the States and the Territory of Hawaii, on the basis of population. The proposed act further provides that the fund allocated to the States under the Federal-aid basis shall be available for and include United States routes into and through municipalities. A portion of the fund is also available for what are known as feeder roads.

CENTER OF FEDERAL ROUTE.

It is pointed out that there passes through the District of Columbia from the adjoining States several main Federal-aid routes, all of which are partially improved, some in need of widening, some in need of repaving, and practically all requiring the removal of certain hazardous conditions, one of the purposes specified in the proposed act.

Under the terms of the bill as proposed the District would be the only jurisdiction in the United States that would not be eligible to share under the highway portion of the act.

"It is believed", a spokesman for the board of trade said today, "that to the extent of improving the so-called 'United States Federal-aid routes' the District should be so included as to permit the fund to be allocated not alone

for the benefit that may result to residents of the District but to the general traveling public, to the Federal Government, to the completion of the Federal-aid system and further so that by path routes may be provided for through traffic."

The District of Columbia has a greater population than seven of the States and within 100,000 of four additional States. The District has a road and street mileage based upon a 20-foot width of 1,125 miles, of which several hundred are designated as thoroughfares.

THE DISTRICT OF COLUMBIA AND HIGHWAY AID

There are sound reasons why, as the board of trade and other interested citizens have contended, the District of Columbia should be included with the States in receiving some share of the \$400,000,000 fund to be distributed for the building of public roads and making improvements in connection with such work. The authorization of this fund is found in section 204 of the bill "to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes", which passed the House on Friday.

Examination of the purpose of the bill as a whole, as well as of some of its other specific provisions, might allow the conclusion that the omission of the District from sharing these Federal bounties under section 204 was the result of accident rather than of any fair weighing of the arguments for and against including the District. The Senate hearings on this bill are now under way, and Senators have graciously promised to hear, tomorrow, the arguments of representatives of the board of trade and others who are interested in having the District included.

The broad purpose of the bill, which is epitomized in the title quoted above, is to create employment. The citizens of the District of Columbia, as the citizens of any American municipality, are, of course, entitled to share in such benefits. The bill recognizes this by including the District with the States entitled to loans or advances from the Federal Government for employment creating public works. But the District is omitted under section 204, relating to highway construction, possibly because the District has not been permitted to share in the hundreds of millions of dollars that have been distributed to the States under the Federal Highway Act as amended November 9, 1921, and as subsequently amended.

But it will be recognized immediately that the highway advances authorized under this new bill are only distantly related to the normal bounties which have been made available to the States under the Highway Act. These are emergency, extraordinary, appropriations of public money for the specific purpose of helping to create employment. The bars established by the Highway Act are lowered. The principle of Federal aid in proportion to State expenditures is abandoned. The money to be spent is an outright gift, not contingent on like expenditure by the States. The principle of building "Federal highways" alone is also abandoned. The roads to be built with this money need not be Federal highways, as they have been understood under the Highway Act. The whole business is meant to create work. And there is certainly demand, locally, for the creation of work as well as for the extension and improvement of certain highways in the District that are more properly Federal than local.

This bill permits Federal money to be spent on extending Federal highways "into and through municipalities." The act of 1921, however, allowed no such extension through towns of more than 2,500 population, or where the houses were less than 200 feet apart. This bill permits the expenditure of Federal money to pay "all or any part of the cost of highway construction", while the act of 1921 limits such expenditures in proportion to State expenditures. This bill permits money to be used for various collateral improvements, such as construction of footpaths and new routes to avoid congestion, that were not possible under the highway legislation. It allows for the construction of "feeder roads", to be agreed upon by the State highway departments and the Secretary of Agriculture, while the highway act puts the cost of such projects on the States. It broadens the principle of distributing the funds, and instead of giving equal weight to the elements of area, mileage of post roads, and population, emphasizes the element of population. In other words, the bill is an emergency measure. Its provisions should equitably be made to extend to the District of Columbia, which is obviously entitled to the benefits that are therein conferred to the States.

The States have benefited, of course, by earlier departures from the highway act. In 1930 the States were given \$80,000,000 for highway work as extraordinary employment-creating aid, and were allowed to utilize this money as part of the State funds appropriated in order to obtain highway aid under the regular Federal allotments. In 1932 this grant was increased to \$121,000,000. The States have also been given the privilege of borrowing from the R.F.C. for relief and of repaying these funds out of their Federal highway advances.

The District shared in none of these bounties and privileges. And in the meantime the original conception of Federal participation, through Federal contribution to the District bill in developing and maintaining the nationally planned highways of the Capital has been blurred beyond recognition and by recent happenings, first, by the provision for highway maintenance and development, through the local gasoline tax, which the Federal Government does not pay, and, second, through the steady reduction of the lump sum to a point where it does not even represent a Shylockian estimate of a mythical municipal tax on Federal property holdings.

The money for this highway aid to stimulate employment comes from the Federal Treasury, and the District contributes more to this money than any one of 27 States combined. It should in equity be included in sharing the extraordinary bounties that are now proposed as an aid to recovery, and the Senators who are now studying the bill should appropriately amend section 204 to make sure that the same employment-giving aid extended to the States is made available to the local community, the needs of which in this respect are obvious to everybody.

The CHAIRMAN. Mr. Cottrell, as I understand your position, you are executive secretary of the Board of Trade?

Mr. COTTRELL. Yes.

The CHAIRMAN. You want the District of Columbia included as are the States?

Mr. COTTRELL. Yes.

The CHAIRMAN. Is Mr. Whitehurst here about the same matter?

Mr. COTTRELL. He is here from the District.

Mr. WHITEHURST. Our argument is that our payments in Federal taxes warrant us in participating in this proposed amendment.

The CHAIRMAN. Very well, the committee in executive session will take that matter up.

Mr. WHITEHURST. May I ask that the auditor for the District be permitted to file a statement which relates to this same bill?

The CHAIRMAN. We will be glad to have it, and we will include it in the record.

Mr. WHITEHURST. Thank you.

The statement referred to by Mr. Whitehurst is as follows:

STATEMENT OF DANIEL J. DONOVAN, AUDITOR OF THE DISTRICT OF COLUMBIA

Mr. DONOVAN. Mr. Cottrell, representing the Washington Board of Trade committee, has clearly presented the justification for the inclusion of the District of Columbia within the provisions of section 204 of this bill. Any statements made by me concerning that section would be in large part a repetition of what Mr. Cottrell has said. It is my purpose to discuss section 202 of the bill, which includes the District of Columbia, and to endeavor to emphasize in that connection the importance of giving favorable consideration to the recommendation for the inclusion of the District under section 204.

It is difficult to see how the District of Columbia will be able to obtain any practical benefit under the provisions of section 202. Any funds that might be paid over to the District under the provisions of that section must of necessity be for expenditure on projects which have been authorized by Congress. There are only two projects authorized at this time, namely, first, the construction of an additional ward building for contagious diseases at the Gallinger Municipal Hospital at an authorized limit of cost of \$600,000 (and for which an initial appropriation of \$250,000 is carried in the District of Columbia appropriation act for the fiscal year 1933), and, second, the construction of a junior high-school building in Anacostia at an authorized limit of cost of \$450,000 (for which an initial appropriation of \$225,000 is in the District appropriation Act for 1933). In other words, the only authorized District projects at this time on which funds could be obtained and used under the provisions of section 202 total only \$1,050,000. Thirty per centum of this amount would amount to only \$315,000. The District of Columbia could not obtain funds under section 202 for projects not yet authorized by Congress. The District budget for the fiscal year 1934, as submitted to Congress by the Budget Bureau, carried no estimates or authorizations for work projects of any kind. All such projects were eliminated in order to bring the amount of the budget for that year within the limit of \$33,000,000 as fixed by the Budget Bureau.

The District bill for 1934 as passed by the House carries two House amendments, one authorizing the expenditure of \$1,040,000 from gasoline-tax funds should the President authorize such expenditure, and the second permitting the expenditure of \$635,000 from water revenues, this expenditure also being subject to the approval of the

President. Certain amendments have been made by the Senate to the District bill for 1934, but whether these amendments remain following the conference on the bill between the two Houses cannot at this time be determined.

In previous years, appropriations for capital projects for the District of Columbia have totalled rather large sums. In the fiscal year 1930, expenditures for such purpose amounted to \$7,636,000; in 1931 to over \$10,000,000; in 1932 to nearly \$13,000,000; and for 1933 it is estimated that over \$6,000,000 will be expended for this purpose. It will be seen, therefore, that the 1934 appropriation, even including the two amendments adopted by the House authorizing additional expenditures from the gasoline tax fund and the water revenues totaling \$1,675,000, part of which amount would have to go to maintenance items, will provide very little for capital projects.

The District of Columbia cannot borrow money to make up the additional 70 percent of the work projects required under the provisions of section 202, and the law prohibits the creation by the District of any indebtedness. Therefore, during the fiscal year 1934 at least, it would not appear that there would be any authorized work projects which would enable the District to obtain any funds under section 202; and from the present outlook it would further appear that a somewhat similar condition must of necessity exist in the fiscal year 1935, due to the District's financial condition.

Therefore, if any benefits are to be obtained by the District of Columbia under the provisions of H.R. 5755, such benefits will not arise under section 202; and unless section 204 is amended so as to include the District of Columbia, then the assertion may safely be made that the District will receive practically nothing under the provisions of that bill.

I desire to add a statement with reference to the financial condition of the District. At the close of the fiscal year 1930 the District of Columbia had in the United States Treasury surplus revenues of \$9,500,000. At the end of the fiscal year 1931 this amount was reduced to \$4,500,000, and at the end of the fiscal year 1932 the surplus had dropped to \$540,000. At the end of the fiscal year 1933, due to the falling off in revenue collections in that year, it is believed that the District will have a small deficit. Had it not been for the operation of the Economy Acts of June 30, 1932, and March 20, 1933, and the savings in salaries thereunder, the District would have had a deficit at the end of the fiscal year 1933 of approximately \$2,500,000.

Beginning with the fiscal year 1929, and through the fiscal year 1933, appropriations of the District of Columbia have ranged from \$45,000,000 to \$49,000,000 a year. Under these appropriations, as has been previously indicated, material amounts were available for capital expenditures and work projects. But for 1934, as also previously indicated, with a budget total of \$33,000,000, nothing was provided for such projects. This would have meant a laying off of several thousand men because of the lack of work, with a consequent increase in demands for emergency relief.

The revenues of the District of Columbia have fallen off considerably within the past 2 years. The Federal contribution toward District appropriations in 1932 was \$9,500,000, and in 1934 under the

pending bill for that year will be \$5,700,000, a loss in revenue to the District of \$3,800,000. Through the proposed reduction in the tax rate on real estate and tangible personal property advocated not only locally but in the two Houses of Congress as well, a reduction of \$2,500,000 will result in the District's revenue collections. Again, existing conditions demand a reduction in the assessed values of taxable real property in the District of Columbia. The assessor of the District is of the opinion that this will amount to between \$60,000,000 and \$100,000,000. Such a reduction in assessed values would bring about a further decrease in revenue collections of about \$1,000,000. In addition to all of this, the District in the current fiscal year 1933 will fall short from \$2,000,000 to \$2,500,000 in revenue collections as compared with the previous fiscal years 1932, 1931, and 1930.

Considering all these factors, it must be evident that the District budget for the fiscal year 1935 may be limited to bare necessities, with the possibility of further reductions in maintenance and operating items, and with little if any provision for capital projects.

It may be stated at this point that the Federal Employment Stabilization Board of the United States Department of Commerce, in cooperation with authorities of the District government, has prepared an advance planning program of public works in the District of Columbia covering the fiscal years 1934 to 1939, both inclusive, which calls for an expenditure for that period of about \$55,000,000, or an average of \$9,000,000 a year. Under the District budget submitted to Congress for 1934, no part of this program has been provided for, and it appears doubtful at this time whether any part of it can be taken care of in the Budget for 1935 from revenues of the District of Columbia.

On top of all this, the District of Columbia is expending this year \$1,250,000 in emergency or unemployment relief (including \$100,000 obtained from the community chest, the balance being appropriated from public funds of the District); and, this amount being insufficient to last until June 30, 1933, the Commissioners have found it necessary to request assistance of about \$175,000 from the funds made available by the act of Congress approved May 12, 1933, entitled "An act to provide for cooperation by the Federal Government with the several States and Territories and the District of Columbia in relieving hardship and suffering caused by unemployment, and for other purposes."

For the fiscal year 1934, the District budget, now pending in Congress, carries \$1,250,000 for emergency and unemployment relief, as passed by the House, and this sum has been increased by the Senate to \$1,500,000. The actual amount to be appropriated must wait upon the agreement of the conference. While it is not possible to forecast 6 months or more hence, it is the opinion of welfare authorities of the District, from information at present available, that the amount carried in the 1934 Budget will be inadequate to provide for emergency and unemployment relief during the fiscal year 1934, and that this amount may have to be increased by from \$750,000 to \$1,000,000.

The foregoing statements will, it is believed, present to the committee a fair picture of the District's financial condition and the justification for placing the District on a parity with other jurisdictions under section 204 of the bill H.R. 5755.

Particularly should serious consideration be given in this connection in view of the District's apparent inability to be able to obtain any advantage under section 202 of the bill.

STATEMENT OF THOMAS E. LODGE, VICE PRESIDENT FEDERATION OF CITIZENS ASSOCIATIONS, DISTRICT OF COLUMBIA

Mr. LODGE. Your committee has studied Senate bill 1712, and H.R. 5664, known as the public works bills, with reference to the evidently inadvertent omission therefrom of any provision including the District of Columbia in the grant benefits for emergency construction of public highways and related projects. Your committee recommends the adoption of the following resolutions:

Whereas the residents of the District of Columbia pay Federal taxes exceeding the aggregate contributions of 11 States, and more than any 1 of 27 States; and

Whereas public-highway projects traversing the District of Columbia, the Nation's Capital, are in the nature of things necessarily Federal or National projects to a greater degree than highways in other parts of the United States, or in the Territory of Hawaii; and

Whereas in the last session of Congress, Congress itself expressly recognized and included the District of Columbia in the grants provided for in the act providing for grants to be used for direct relief, but, through seeming inadvertance, pending Senate bill 1712 and H.R. 5665, providing for public works, and particularly for emergency construction of public highways and related projects, while extending the grant benefits thereof to the several States, expressly including the Territory of Hawaii, do not include and embrace the District of Columbia, which has an obviously equal, if not greater, right thereto than it has to direct relief grants because of the distinctly Federal nature of the highways traversing the District of Columbia: Now, therefore, be it

Resolved by the Federation of Citizens' Associations of the District of Columbia, That it urgently recommends to the Congress of the United States, as a matter of essential fairness and justice, that Senate bill 1712 and H.R. 5664 be suitably amended before final passage so as to extend to the District of Columbia the grant benefits provided for therein to the several States and the Territory of Hawaii, as well as those provided for in section 21 of the Federal Highway Act of November 9, 1921, as amended and supplemented, mentioned in said bills.

This resolution was passed by the Federation of Citizens' Associations, District of Columbia, at its meeting held May 27, 1933.

The CHAIRMAN. Mr. Blalock, I understand you think you can finish in 10 minutes?

Mr. BLALOCK. Yes, sir.

STATEMENT OF JACK BLALOCK—Resumed

Mr. BLALOCK. Mr. Chairman and gentlemen of the committee, at the conclusion of the hearing on Friday, the committee suggested that I return this morning and complete my testimony with reference to the opposition to the Marland and Capper bills which have been proposed as an amendment to the general industries bill.

I attempted at the Friday session to demonstrate that there was no emergency in oil business which would justify the creation of a Federal dictatorship. That was true for the reason that during the year 1932 there was an actual average underproduction of more than 300,000 barrels of crude oil in this country per day. The advocates of this measure have based their argument as to the necessity for

something to be done by Congress upon the fact that they claim a valid order has never been written and enforced in the great east Texas oil field. They claim that as a result of that fact there has been an overproduction of oil in that particular field.

Gentlemen, it is of particular significance to this hearing that upon Friday and Saturday of last week there was an attack made upon the present order of the Railroad Commission in east Texas by 2 independents, joined by 16 interveners, the majority of whom were major oil companies, in an effort to strike down the proration order in the east Texas oil field.

Senator CONNALLY. Mr. Blalock, have you got for the record the names of the interveners?

Mr. BLALOCK. Yes, sir.

Senator CONNALLY. You can furnish it later, if you desire. I just wanted to have that for the record.

Mr. BLALOCK. I can give them to you now. The suit was brought originally by Rowan & Nichols and the Hunt Production Co. The 16 intervening complainants were the Humble Oil & Refining Co., the Texas Co., the Sun Oil Co., Yount Lee Oil Co., Atlantic Oil Producing Co., M. M. Travis et al., E. L. Smith Oil Co., Petroleum Producers, J. S. Bridwell, Fain & McGaha Oil Corporation, W. B. Hamilton, Joe Worsham, Arkansas Fuel Oil Co., Turman Oil Co., United Producers, and Imperator Oil Co.

These companies intervened in this case before the 3-judge Federal court in Austin in an effort to strike down the proration order in the east Texas oil field.

The court, within 5 minutes after the conclusion of the evidence in the case and the arguments that were made, speaking through Circuit Judge J. C. Hutcheson, denied the application for an interlocutory injunction, and summing up from the bench, he said:

It appears that the complainants and interveners in this case contend this order is invalid because it does not include allocation upon the surface acreage and cubical content basis, and they further contend that the allowable in the east Texas oil field is too high. The State contends that the acreage and cubical contents is not necessary in a valid order in the east Texas oil field, and that the allowable is at the right figure.

Judge Hutcheson, making these remarks, stated from the bench that it was his opinion that the Railroad Commission of Texas had at last arrived at the true conditions in the east Texas oil field, and that the interlocutory injunction would be denied.

Therefore, we have for the first time in the history of the east Texas oil field a valid proration order, backed up by the decision of the 3-judge Federal court, and I have here in my possession a telegram from the attorney general of Texas, which I would like to read to you in connection with this case.

It is dated the 28th of this month.

Complying with your request this is to advise that the 3-judge Federal court on last Friday within 5 minutes after conclusion of arguments announced from the bench that it had denied the application of certain major and independent companies for interlocutory injunction restraining enforcement of commissions east Texas proration order. Although commissions order was broadly attacked from all angles Circuit Judge Hutcheson speaking for court announced they could not conclude from evidence that order was invalid. The court's action in sustaining for first time an important east Texas proration

order will have salutary effect upon future enforcement of this and other orders of commission. With an order held valid by Federal court, practically all enforcement difficulties of past are eliminated.

NAMES V. ALLRED,
Attorney General of Texas.

Now, then, if the conditions that have confronted the oil business of this country have been solely and exclusively overproduction in Texas, now that this order has been held valid and the attorney general of Texas has said that he will stop the overproduction, coupled with the fact that the Legislature of Texas has passed penal statutes making it an offense to produce oil in Texas in excess of the order of the commission, I respectfully say to this committee that all of the appeals of the gentlemen who stand here and advocate a Federal oil dictatorship are held for naught.

That is the argument upon which they base it. The three-judge Federal court has come to the assistance of the Railroad Commission of Texas, and I say to you in all earnestness and sincerity that the time has come when there will be no overproduction of oil in the east Texas oil field. Couple that with the fact that for the past 3 years there has been an actual underproduction of crude petroleum in the United States every day, and you have no emergency that would justify this drastic legislation.

Gentlemen of the committee, the whole fight has been made—you heard the statement made by Mr. Marland the other day that there were 12,000,000,000 barrels of crude oil in ultimate recoverable crude oil in this country. That was an estimate. The lowest estimate that has been placed upon the east Texas oil field was 6,000,000,00 barrels.

Now, then, the whole scheme is then an effort by the major oil companies of this Nation, the integrated companies that control production, transportation, refining, and marketing, to take that property, the birthright of the people of Texas, by the acreage and content order, basing the allowable upon the surface acres of land involved, and when the Railroad Commission of Texas said to those people who came to Austin and stood upon the platform before the legislature of that State and said, "If you will put that in the order, we will give you a dollar for the oil." Thank God for the courageous action of that commission that said, "We refuse to sell the birthright of Texas for a dollar bill."

Gentlemen, I say to you in all earnestness that there is no necessity for this amendment. Why single out the oil industry, one out of many, when it is the most prosperous business in this country today, and put a Federal dictator over it? There is no necessity for it.

But if there is a necessity, if this committee please, to follow the recommendations of President Roosevelt in his message to the governors of the oil-producing States, under date of April 3, when he recommended the immediate divorcement of pipe lines engaged in interstate commerce from the other units of this industry. There is the strangle hold that the integrated companies have upon the independent producers of the Nation, and when you have done that, in accordance with the bill that Senator McAdoo has introduced, then you have solved the problem of this so-called "emergency" in the oil business.

Gentlemen, summing up, because of the briefness of the time, I feel so earnestly and sincerely upon this question, and it is so broad

and of such magnitude to the American people, that it would be going too far for this committee, without the opportunity to make an investigation into all the ramifications of this business, to take a bill here that says to a dictator that he can determine in his own mind the amount of the market demand of the Nation, without even telling him how to do it, and then split it up as he sees fit between the oil-producing States and say to the State of California, that has no proration law that, "Since you have not got a proration law, we will go into the State of California and there we will administer the law ourselves, and we will tell you how much you can produce from a pool, how much you can produce from a well. We will put it on a cubical contents basis if we want to."

And the last paragraph in the Capper bill provides that the dictator, whoever he is, is final on all questions of fact, and you have got to come to the District of Columbia to bring an action against him, and then the court cannot pass on a question of fact, but only upon a question of law.

I submit to you gentlemen that that does violence to our system of judiciary in this country, and denies to the average man in California, Texas, Oklahoma, Kansas, and Pennsylvania, wherever he may be located, his constitutional guaranty of a day in court.

The CHAIRMAN. Thank you very much.

Mr. BLALOCK. May I introduce in the record the opinion of the 3-judge Federal court in the first petroleum producing case in Texas?

The CHAIRMAN. Without objection, it will be included.

Senator CONNALLY. That is the first case?

Mr. BLALOCK. That is the first case, 375,000 barrels.

Senator CONNALLY. Have you got the early opinion in this case?

Mr. BLALOCK. No, sir; only by telegraph from the president of my association. I wish also to introduce the second opinion in the Peoples' case, also the opinion in the Rowan and Nichols cases which came third; and inasmuch as the Secretary has introduced in evidence several telegrams from the Governor of Texas, I would like to say that the Governor of Texas has absolutely nothing to do with the control of production of oil in Texas, but the railroad commission of Texas is vested, under the law, with exclusive jurisdiction in that connection, and I hand you here a resolution passed by the House and Senate of Texas, opposing a Federal oil dictatorship.

(The papers referred to are as follows:)

RESOLUTION

Whereas it has come to the attention of the House of Representatives of the State of Texas that certain influences are at work in Washington in an effort to persuade the President of the United States to appoint a dictator for the oil industry; and

Whereas the Legislature of the State of Texas has just recently had a thorough investigation of the oil business in Texas, and has come to the conclusion that the oil business in Texas will adjust itself in due time if let alone; and

Whereas it is against the genius of a free people to allow dictation in the conduct of free business in our Nation; Therefore be it

Resolved by the House of Representatives of the State of Texas, That we do hereby request the President of the United States not to appoint a dictator for the oil industry so far as it may apply to the State of Texas. Other States may want a dictator, but Texas is able to conduct her own affairs; and be it further

Resolved, That a copy of this resolution be mailed to each Member of the Texas delegation, and our United States Senators, and to the Secretary of the Interior, and to our great Democratic President.

COOKE S. STEVENSON,
Speaker of the House.

I hereby certify that H.S.R. 164 was adopted by the House on May 8, 1933.
[SEAL.]

LOUISE SNOW PHINNEY,
Chief Clerk of the House.

In the District Court of the United States for the eastern district of Texas, Tyler Division. *Rowarn & Nichols Oil Co. v. C. V. Terrell et al.* No. 479 Equity. Before Hutcheson, circuit judge, and Grubb and Wilson, district judges

Hutcheson, circuit judge: Plaintiff brought its bill complaining not of the allowable fixed by the Commission, but of the method of its allocation.

In addition to the grounds of inequity and unreasonableness asserted by the plaintiffs in the other causes heard at the same time, plaintiff attacks the order as grossly ruinous to it because it has only been permitted to drill 1 well to 20 acres, while others have been permitted to drill 1 well on tracts of 1, 3, and 5 acres. It argues vigorously and establishes that such administration would result in permitting small owners to take a far greater proportion of oil than upon an acreage basis alone, they would be entitled to.

In view of the fact that we have, for the reasons stated in the opinion this day filed, *Peoples Petroleum Producers v. Smith et al.*, found the order generally invalid, and authorized an injunction against it, it is unnecessary for us to discuss or decide the interesting questions which this case raises as to the validity of marginal well statute, the right of the commission to limit one owner to one well to 10 acres (as by amended order since this suit was filed is now allowed) while permitting other operators in the same field to drill and produce from one well to 1, 2, 3, or 5 acres or whether, on allocation reasonableness and fairness require that the acreage basis as well as the potential of each well, be taken into consideration.

Plaintiff may present its decree to the district judge for allowance at such time as he may fix.

In the District Court of the United States for the eastern district of Texas, Tyler division. *Peoples Petroleum Producers, Inc., v. Lon A. Smith et al.* and conjoined cases. Equity No. 386. Before Hutcheson, circuit judge, and Grubb and Wilson, district judges

Hutcheson, circuit judge: These cases represent another effort on the part of certain owners of oil-producing property in the east Texas field to obtain relief against the orders of the railroad commission prorating the east Texas field on a per well basis. Their petitions assert that the orders complained of now, though passed under an amendment to the statute, is in fact and in legal effect the same as those which in *Peoples Petroleum Producers v. Smith*, (1 Fed. Supp. 361), we held to be confiscatory and illegal and ordered enjoined. Practically, the order complained of is more drastic than the ones enjoined. They limited the production of the field to 375,000 barrels per day and plaintiffs' wells to around 40 barrels. This order, upon which we are now called to pass, limits the total production from the field to 290,000 barrels, and production from plaintiffs' wells to around 27 to 31 barrels.

As to the actual physical waste, either under or over ground, the evidence on this hearing is not difficult from the former.

The case for defendants on the justification of the allowable was put on the proposition that the order was based not on prevention of waste from channeling, trapping, loss of reservoir pressure, etc., the claimed basis of the old orders, but on waste from production in excess of market demand. We feel that it is not necessary, upon this interlocutory application to pass upon this issue since the orders are invalid, as the others were, because instead of allocating the allowable to the owners in the field as they did in the Champlin case (266 U.S. 210), and as our statute requires, equitably, preserving to each

owner substantially that which he owns, this order strips the best properties down to the level of the worst, and takes from one owner to give to another. In addition to the manifest unfairness of the order in the light of the evidence that some parts of the field can produce 20 to 40 times that of the other, it was the uncontradicted testimony of Mr. Buck, as a witness for the defendants, that the present order did not fairly distribute the allowable, and in substance that the proper way to allocate the field was to make a difference between the best part and the worst part of it by basing the allocation of such allowable on the producing abilities of the wells, thus effecting a fair distribution.

We have considered and rejected as wholly without merit the point made by the defendants that their rule authorizing persons aggrieved to ask for a rehearing operator to deprive plaintiffs who do not ask for it, of their right to relief.

It is generally accepted that a regulatory body may not put confiscatory orders into effect and by a provision for a rehearing, take the property of those affected while the rehearing goes on. Especially is the point without merit in this case, for the record shows that such a settled purpose, in the face of the efforts of plaintiffs for relief, to maintain the fixation and apportionment of the allowable substantially as it has always been, that it is apparent that an application for a rehearing looking to the granting of substantial relief would be wholly futile.

Plaintiffs may, upon such notice as the district judge may fix, present their decrees to him for allowance.

In the District Court of the United States for the Eastern District of Texas, Tyler division. *Peoples Petroleum Producers, Inc., v. Lon A. Smith et al.*, Equity no. 386. *Bill & Dave Oil Corporation v. Lon A. Smith et al.*, Equity No. 392. *A. S. Palmer et al. v. Lon A. Smith et al.*, Equity No. 393. *Arthur F. Graf et al. v. Lon A. Smith et al.*, Equity No. 394. *Alfred MacMillan et al. v. Ross S. Sterling et al.*, Equity No. 395. *O. F. Smith et al. v. Ross S. Sterling et al.*, Equity No. 408. *I. V. Holdfield et vir. v. R.R. Commission of Texas et al.*, Equity No. 432. Before Hutcheson, circuit judge, and Grubb and Bryant, district judges

Hutcheson, circuit judge: At a former hearing of these causes, except no. 432, which is being heard for the first time on the prayer for interlocutory and for final injunction, though the evidence, of the enormous and constantly increasing disproportion between the allowed and the potential production in the east Texas field, of its apportionment equally per well, regardless of capacity, the evidence of the powerful and unremitting pressure of the oil industry as a whole limit the production of crude oil in Texas to the quota fixed by agreement to equal the demand for refined products which the market could absorb, and the evidence of the complacent, if not complaint, attitude of the Commission toward this pressure and demand, caused us grave misgivings as to the correctness of our conclusion that upon the record they made, plaintiffs had not shown sufficiently to overcome their prima facies that the orders were unreasonable, drastic, and oppressive as to them; that some other plan of regulated production in the field bringing about reasonable withdrawals of a considerably larger amount upon the basis of potential rather than per well would accomplish the permissible purpose of preventing physical waste without trenching upon the forbidden one of limiting production to market demand, we denied the temporary injunction. Because of these misgivings, however, we deferred decision on the merits until in the light of a full disclosure of field conditions it could be determined justly in a final way whether the orders complained of were, in fact, valid conservational orders as claimed by defendants, or invalid and oppressive attempts to limit production as claimed by plaintiffs. (*Constantin v. Sterling*, — Fed., (2d) —.)

Thereafter, at a hearing held for the purpose of fixing new allowables for the Texas fields, the Commission, over the protest and against the opinion of its advisers, and without any supporting evidence being offered, increased the east Texas allowable from 325,000 to 375,000 barrels per day, off-setting the increase in that field, however, by a reduction of substantially the amount of the increase spread over the other Texas fields. The allowable for east Texas is arbitrarily apportioned as before equally per well, among the more than 8,000 producing wells in that field, in entire disregard of the differences as to each well, in productive capacity, situation on the structure, thickness, and

character as to richness and yield of the underlying sands and proximity to water. Apparently designed to placate protestants in the east Texas field who were claiming that the program of restriction was bearing too hardly on that field, and not hardly enough on other fields, the action pleased no one; neither the industry, which had been pressing for still further reductions in east Texas, and which vigorously condemned the increase, nor, because of the smallness of the increase, the contesting producers. Amended complaints were filed against the orders, in which persisting in the claim made on the former hearing that by fixing a top allowable for the field as a whole, no matter how many wells were drilled, and arbitrarily apportioning it equally on a per well basis, in disregard of the differences in capacity and in field location of the wells, and of the grossly inequitable result of such apportionment, they neither are nor were intended to be conservation orders to prevent physical waste of natural resources, but economic orders to keep the supply of Texas crude oil within the compass of the existing demand for it, plaintiffs again asserted them to be invalid, as an exertion of power forbidden by statute to the Commission, or, if generally within the authorization, as such an excessive and unreasonable exercise of the power they purport to execute, that transcending public necessity, they assume the character of a mere arbitrary fiat. (*Constantin v. Sterling, supra.*)

Defendants joining issue the causes stood for trial together as one cause, the parties agreeing that each presented substantially the same question of law and fact, and that the same decree should be entered in each.

Upon the issues thus joined, plaintiffs and defendants offered a mass of testimony, both fact and opinion, as to the nature, character, and extent of the field; of the oil-bearing sands, the edge and bottom water; the gas free and in solution; whether the oil comes to the wells water-driven or gas-borne; the reservoir content; its possible and probable yield, and the best methods to obtain the largest yield; the causes of waste and methods to prevent it, and how these are affected by present and proposed methods of regulation; as to field conditions generally and as regards plaintiffs' wells; the relation between plaintiffs' wells and other wells in the field; and the relation which the Commission's orders bear to the prevention of waste in and ultimate recovery from the field generally and from plaintiffs' wells. Factual data as to physical conditions in the east Texas field disclosed by official core records from many wells, and tests made there were interpreted, supplemented, and theorized upon in the testimony of witnesses who had had practical or theoretical experience, or both, in that field. This testimony, supplementing that produced on the former hearing, presents in a full, complete, and final way the case on the facts for plaintiffs, and for defendants.

We have repeatedly, and without varying, held that the State may, in the interest of the conservation of its natural resources provide by legislation within constitutional limits for the regulation of the drilling for, the production, and the marketing of oil to prevent waste; that it may constitute the Commission statutory agent of the State, and may delegate to it authority to make within the limits of the grant of power just and equitable rules and regulations to effect these ends. We have also held that in the act of appointment the legislature has strictly defined and limited the powers of the Commission. (*MacMillan v. Commission*, 51 Fed. (2d) 400; *Henderson v. Commission*, 56 Fed. (2d) 218; *Constantin v. Smith*, 57 Fed. (2d) 227). In *Constantin v. Sterling*, — Fed. (2d) —, we carefully examined the statutory provisions against waste contained in the present statutes, which are set out in a note to that opinion, and found nothing in them which contemplated, required, or permitted either unreasonable or unjust restrictions upon production. We found upon the contrary, that while allowing the Commission to make orders prorating production from a pool if necessary to prevent waste, they in terms required the apportionment to be made among the wells as the facts justly and equitably required. We accordingly found the statutes valid against attack. No case has been called to our attention, and we have found none which requires modification of these views, and we again find the statutes valid. It remains only to inquire whether, tested by the principles announced in those cases, and particularly in the last case referred to, a case is made out here entitling plaintiffs to relief on the ground that the orders are not within the powers granted to the Commission, because, contrary to the statutory prohibition, they are designed and effective to prevent economic waste by limiting the production of oil to equal the existing market demand, or though designed to prevent physical waste

they operate unjustly and inequitably, because discriminatory, or excessively, because beyond what the public necessity requires.

The facts are without conflict; a brief summary of them will suffice. The conflicts arise entirely from the contrary theories advanced by the experts on each side in support of their respective contentions as to the effect on physical waste of present and proposed methods of controlled production; on the part of plaintiffs, that the orders, by their unreasonable restriction on production, both in the matter of limited amount, the method of distribution, and the disregard of gas-oil ratio, create, they do not prevent waste; on the part of defendants that by utilizing the water drive, they do. The rate of withdrawal of the oil, the rate of its replacement by water, and the effect it is having and will have on ultimate recovery, are matters on which there is great conflict of opinion. The Commission's experts asserting the field to be water driven, and that it should be produced so as to maintain a continuous flow of the water, contend that the present restrictions produce that result. Plaintiff's witnesses testifying that the oil is gas driven, and that no such orderly and continuous flow of the water as defendants' witnesses speak of, is necessary, or is or can be maintained, declare that the present method not only greatly injures plaintiffs but if continued, will cause great waste and loss in the field. It is here, as to the production methods most suitable to prevent waste, that the theorizing opinions of the witnesses differ most radically. In fact, so radical are their differences and so contrary their opinions, so voluble, so volatile are most of the witnesses in advancing them, and so equal are they all in cocksureness, that form of knowing which easily mistakes certitude for certainty, that if we assume, as we suppose on this record we should, them all to have equal theoretical knowledge and an equal absence of intention to deceive, the theories as such might best be held to counterbalance, leaving the question of the validity of the orders to be determined not upon disputed theories, but by a consideration of the physical facts and their admitted consequences, and the common-sense conclusions which that consideration compels.

For though we are of the opinion that the theories advanced by the defendants' witnesses to support the Commission's orders, coercively drastic as they are, even if the theories are sound, and ruinously so if they are unsound, are completely overthrown as theories by the testimony of plaintiffs' theorists, we think that too little is definitely known about these theories and there is too large a body of undisputed physical fact to permit opinion evidence to determine, either before the Commission or us, the real and substantial rights here in question.

The east Texas oil field is 4 or 5 miles in width, 35 to 40 miles in length. Underlying its area of 120,000 acres is a great reservoir containing, it is estimated, some 6,000,000,000 barrels of oil. All agree that less than 50 percent—the estimates varying from 35 to 40 percent—of this oil is recoverable by any method now known. So far 200,000,000 barrels have been withdrawn. All agree that close spacing of wells and some system of ratable production which will best utilize the propulsive and lifting energy stored there will give the greatest yield. All agree that the rules enforced by the Commission require wide spacing, prevent ratable taking, and have the immediate, obvious, and plaintiffs say, the sole tendency and effect of restricting production from the field. On the west side of the field is "edge water", underlying the west half is "bottom water." No water underlies the east half. Slowly but perceptibly water is rising in the west part of the field.

The Commission's experts are of the opinion that the water is replacing the oil substantially as withdrawn. Plaintiffs' witnesses are of a contrary opinion. They say that the water is lagging far behind, and that only 60,000,000 barrels have come in. All agree that within time every barrel taken out will be replaced by water, regardless of what method of production is used. Upon the issue that the orders look to economic, rather than physical ends, plaintiffs proved by testimony and charts the relation between the supply and the price of crude and refined oil products.

Complainant's wells are nearly in the middle of the field, with oil-saturated sands of the maximum thickness, but no water underlying, and they can produce large quantities of oil without waste. The oil-producing sands to the east of plaintiffs' property are of continually decreasing thickness, pinching out to nothing on the east edge of the field. None of the wells lying between plaintiffs' property and the eastern edge of the field are capable of producing nearly as much oil as plaintiffs' wells unless by artificial methods of restriction such

not have power to attempt by order or otherwise, directly or indirectly, to limit the production of oil to equal the existing market demand for oil, and that power is expressly withheld from the Commission", there is a large body of opinion shared in to some extent by at least some of the members of the Commission (MacMillan and Constantin cases, *supra*) that it would be a most desirable thing if the Commission within the limits of the law, could accomplish what the legislature has forbidden, and that there are many who conscientiously believe that if the restraining hand of the Commission is withheld from keeping supply within the compass of demand, wide open and flush production, with resulting waste, both economic and physical, will ensue. Nor have we been unmindful of the counter contention that the Commission must be most rigidly held to the legislative policy which the statute declares, nor only because that policy is consistent with the long-established policy of the State toward artificial price raising, indeed, with the genius of its people, but because, if the attention of the Commission can be entirely distracted from limiting the supply of oil to market demand, and centered upon a real effort to ascertain the sources and causes of physical waste, with the idea of instituting regulations designed to assist operators in preventing it, and not, as now, to taking over from them the management of the field, the enlightened self-interest of the producers in east Texas can be counted upon to devise ways and means of obtaining the greatest ultimate yield from it.

Considerations of this kind, however, may be entertained by us only as they throw light upon the motives, the actions, the testimony, and the contentions which we are to review. They may not, except in this limited way, influence or guide our decision. For in a controversy of this kind between one who owns property by a title which carries the right to use it, and a regulating body undertaking to impose limits on that use, the statutes themselves being valid, we have only one inquiry, whether under the facts the orders entered are within the grant of power.

We have carefully considered the evidence in this case, illumined as it is by the long record, the history of which the cases cited *supra* give, of the settled purpose, the achieved result, of controlling the supply of crude oil to keep it within market demand, and we think it cannot be reasonably doubted that the orders are void as directly in the fact of legislative prohibition.

We find no support whatever in the evidence for the view that the amount of the allowable was fixed upon a real and primary consideration of, or is supported by, any reasonable or credible evidence that it will, or will tend to, prevent physical waste. On the contrary, we think that no reasonable mind could believe or conclude that the orders as entered were either designed to, or do, have any real relation to the public necessity to conserve oil against physical waste. We therefore find here, as we did in the MacMillan case, *supra*, that "under the thinly veiled pretense of going about to prevent physical waste the commission has, in cooperation with persons interested in raising and maintaining prices of oil and its refined products, set on foot a plan which, seated in a desire to bring supply within the compass of demand, derives its impulse and spring from, and finds its scope and its extent in the attempt to control the delicate adjustment of market supply and demand, in order to bring and keep oil prices up", and here, as there, that orders so entered may not stand.

Further, if we disregard the statutory prohibition against restricting supply to "equal existing market demand", we think it equally plain that plaintiffs are entitled to relief. For, enacted not with an eye single to fairly exert admitted constitutional power to regulate the use of private property while it permits the full use consistent with such regulation, but with an eye evil, because it has looked too much on the forbidden thing, keeping supply within demand (*Constantin, supra—Yicko v. Hopkins*, 118 U.S. 371) the rules have been entered and are being enforced in such fashion as to subject plaintiffs' property to a confiscatory control, which, transcending public necessity, has exerted the power granted beyond the necessities of the case, both in that it has arbitrarily and without adequate grounds limited the total production of the field far below any amount which the evidence fairly shows the interest of the owners, consistent with public necessity, permits; and particularly in that in direct contravention of the statute, instead of justly and equitably distributing the reduction ordered, it has, through its per well requirement, so arbitrarily, unjustly, and in a confiscatory way distributed it as that it will inevitably take the oil of plaintiffs situated as they are, most favorably on the structure, to give it to others not so favorably situated.

Plaintiffs may prepare their decree, and giving notice of time and place to counsel for the Commission, present it to the district judge for settlement and entry, within 15 days.

Senator McAdoo. Can you tell us briefly, Mr. Blalock, because I was not here at part of the hearing the other day, what is this organization called the "Texas Oil Conservation Committee"?

Mr. BLALOCK. Senator, you have referred to the publicity given by the attorney general of Texas to that association?

Senator McAdoo. No; I have reference to the testimony given by someone who represented them here before this committee. Who was that?

Mr. BLALOCK. Mr. Rouser.

I will say to you this, sir, upon your request: The Texas Oil & Gas Conservation Association is a group that claims to have some 5,000 membership of independent oil men in the State of Texas. Mr. Charles Rouser, of Fort Worth, is president of that organization.

Week before last the attorney general of Texas conducted a court of inquiry into the activities of that organization. He found that that organization had wired the President of the United States representing that they were a group of independent producers. This investigation, which is public court record in Austin, Tex., discloses that of the some 5,000 membership, 2,200 were employees of the Humble Oil & Refining Co., a subsidiary of the Standard Oil of New Jersey; 500 were employees of the Texas Co., consisting of clerks, stenographers, and pipe liners.

He also discovered, and this public court records of Texas, that that organization in about 14 months had collected \$100,000 purposes, that of the \$100,000, \$90,000 was contributed by eight major oil companies and \$40,000 of the \$90,000 was contributed by the Humble Oil & Refining Co.

Senator McAdoo. You say that is a public record?

Mr. BLALOCK. Public court records in Austin, Tex., and I know and stand upon the record that if any Senator, or this committee, will wire the attorney general of Texas for those facts, they will be confirmed.

The CHAIRMAN. Thank you very much, Mr. Blalock.

Senator GORE. I wonder if that can't be gotten and inserted in the record here?

Mr. BLALOCK. I will wire for it, sir, at your request, if I may.

Senator CONNALLY. You mean the whole court record, Senator? That would be rather voluminous?

Mr. BLALOCK. It was a court of inquiry held at Austin, Tex., at the instigation of the attorney general of that State.

Senator GORE. What I had in mind was the collection of money for lobbying purposes, who contributed, and the amount.

Mr. BLALOCK. I will be glad to get that, if I can.

Senator GORE. When did that last decision come down?

Mr. BLALOCK. Day before yesterday.

The CHAIRMAN. Can you get that and insert it in the record?

Mr. BLALOCK. I have inserted that fact, and as soon as the opinion comes out, if one is written, I will procure that and insert it also in the record.

Senator GORE. I wonder if you can put in the opinion in the Champlin case?

Mr. BLALOCK. Yes, sir; I will be glad to get that and insert it. I offer for the record copy of letter dated Washington, April 4, from President Roosevelt to the Governors of the oil-producing States.

(The letter is as follows:)

WASHINGTON, April 4.

MY DEAR GOVERNOR: I am sending you herewith for your consideration a report submitted to the Secretary of the Interior as the result of a 3 days' conference held in Washington the early part of this week on the oil situation and participated in by representatives of the Governors of 17 of the oil-producing States. There were also present at the conference representatives of the independents, in the industry as well as of the major oil- and gas-producing agencies.

The main report was drafted and unanimously adopted by a committee of 15, composed in equal parts of representatives of the governors, of the major oil industries, and of the independents. When this report was finally submitted to the full conference, it received the affirmative votes of all the representatives of the governors and of those representatives of the oil industries voting as set forth on page 4 of the report.

Together with the majority report just referred to, I enclose also for your information, a minority report adopted by a group of independents and subscribed by them in the name of "Independent Petroleum Association Opposed to Monopoly."

I further enclose a resolution adopted by the representatives of the governors after the main report already referred to had been ratified.

To complete the record, I am sending also a final correction to the recommendations made by the committee of 15, which was handed to the Secretary of the Interior yesterday.

I especially direct your attention to paragraph A-1 and A-2 of the recommendations of the committee of 15. It is obvious that the action proposed to be taken in these paragraphs is within the sole authority and jurisdiction of the Interested States. The President of the United States has no authority to declare a moratorium such as is proposed and he might be regarded as infringing on the sovereignty of the States if he should make the suggestion contained in paragraph A-2.

There seems to be a widespread feeling that an emergency exists in the oil industry calling for action and it is hoped that the governors of the States affected, after consultation with each other, will take action appropriate to meet it.

The Committee of Fifteen in paragraphs A-3 and A-4 recommend certain action on the part of the Federal Government. I am of the opinion that the suggestion that the Congress pass legislation prohibiting the transportation in interstate and foreign commerce of any oil or the products thereof produced or manufactured in any State in violation of the laws thereof, is well considered.

I am prepared to recommend such legislation to Congress as a contribution on the part of the National Government toward the solution of the difficulties in which the oil industry finds itself.

I also approve the recommendation in paragraph A-4 of this report.

The report of the Independent Petroleum Association Opposed to Monopoly recommends "that enactment of emergency legislation by divorcing oil pipe lines engaged in interstate commerce from other branches of the oil industry." I am of the opinion that this is a reasonable request and that such legislation should be enacted at as early a date as possible.

There are other suggestions and recommendations made, to the Secretary of the Interior as a result of the deliberations of the oil conference that on their face are fair and reasonable, but which no doubt require immediate action.

These recommendations can be taken up at a later date, perhaps after further conference between the representatives of the States and of the industry and of the National Government.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

The CHAIRMAN. Mr. Elliott, I understand you can get along on 6 minutes?

Mr. ELLIOTT. Mr. Chairman, I can get along on 1 minute if it is absolutely necessary.

STATEMENT OF JOHN B. ELLIOTT, LOS ANGELES, CALIF.

Mr. ELLIOTT. Mr. Chairman, we have come all the way from California. I appreciate the difficulties in the way of time of the committee, and I will endeavor not to transgress for one moment upon your time.

This is a grave question, and of course I am very sure that the committee cannot even scrape the surface of this question by the hearing of voluntary witnesses. It seems to me that the Congress of the United States and the Senate of the United States, should conduct an inquiry, an official inquiry, into the oil business of the United States, which is the second greatest industry of the country, and find out what we independents in the business know very well as to what is the matter with it. The greatest monopoly in the United States, or in the world, is in the oil business in this country, and the Senate would very quickly find it out if it instituted an inquiry and summoned witnesses here to find it out.

I speak, Mr. Chairman, as an individual producer in California, an independent, representing several small companies in which I am interested. I am also the vice president of the Independent Producers' Association of California.

Senator GORE. How many members have you?

Mr. ELLIOTT. We have something less than 100 members, Senator, in this organization, but it embraces practically all of the important independent producers in the State of California.

Senator GORE. And represents what percentage of the production?

Mr. ELLIOTT. I was just going to give you that Senator.

Senator GORE. I beg your pardon. I will not interrupt you.

Mr. ELLIOTT. That is all right. Interrupt at any time you wish. The independents in California produce about 45 percent of the production in the State of California. The major companies produce the other 55 percent.

I also am the president of the Independent Petroleum Association Opposed to Monopoly, which was organized last March in this city, and is a sort of holding company for the independents of the United States. That is, it is attempting to hold the assets that we have got left in the business, if we can. It is that kind of a holding company.

We come here from California with a mandate, Mr. Chairman, from the people of California against any governmental control in the oil business. The legislature of the State of California 2 years ago proposed a control and curtailment act for California, similar to the one now in Texas and Oklahoma, and we independents, resisting this effort, carried it to a vote of the people by a referendum, under the laws of California. They claimed, as they do everywhere, that we independents represented about 5 percent of the industry. I think that is probably as much as anybody represents that comes here. But we have always claimed that we did represent the great

body of independents in the industry, that we represented the people, the public also.

And when this bill, this control curtailment bill, in California was carried to the people, I think it thoroughly established our case that we represented the people, because that bill was rejected by the people of California by a vote of nearly 4 to 1. That was a year ago last May, and the vote was approximately 1,100,000 against the bill, to 390,000 for the bill. The people of California, Mr. Chairman, are opposed, and have gone on record, to Government regulation of the oil industry in that form.

It is not necessary, Mr. Chairman. It has been said to you repeatedly—said to this committee—that the oil industry is in better shape than almost any industry in the United States. That is absolutely true, and you gentlemen would find it out if you would investigate it. It is in better shape. It does not require any dictator. That is furthest from the necessity. There isn't any necessity at all for it.

I came down here in March, along with other producers in California, to join the so-called "governors' conference." I want to give you one reference to Mr. Blalock's statement. He told you that the Independent Association in Texas had been here, that it seemed to be getting all its money from these major oil companies. That is the common experience. As soon as an independent organization is formed, the major companies get control of it.

That has never been so in California, because we decline to accept any membership or to take any funds from major organizations.

We came down here in March to attend this governors' conference, so called. There was just one governor at that conference. That governor, it was currently, and I think correctly reported, was a brother-in-law of the president of three Standard Oil subsidiaries. He was the only governor at the conference. The other members of the governors' conference were in the main appointees of the governors and represented almost exclusively the major oil interests of those States. We all, in the oil business, know this to be true, because we are familiar with the personalities.

The governor's conference was a joke, Mr. Chairman. They submitted 15 recommendations to the President of the United States, and the President accepted only 1 of them.

Senator GORE. Which one?

Mr. ELLIOTT. The one with reference to the transportation of hot oil. The one prohibiting transportation in interstate commerce of contraband oil.

On April 29 I had a telegram from the Secretary of the Interior, reading as follows:

WASHINGTON, D.C., April 29, 1933.

Will appreciate it if you will wire me to reach me Monday morning your views what if anything should now be done considering present state of oil industry, particularly reference to price at which oil has been selling east Texas.

LOKES, Secretary of the Interior.

In reply to that I sent the Secretary a telegram of some length, which he received Monday morning. He acknowledged receipt of it and transmitted it to the President. I observed, however, in the

papers which the Secretary filed with you last Friday that he overlooked this message of mine which he had received in response to his inquiry.

Senator McADOO. I suggest it be read. It won't take long.

Senator GORE. Mr. Chairman, I want to say at this point, I am sorry Mr. Elliott, having come 3,000 miles, is limited to 6 minutes. I don't think you will have a better or abler opponent of this bill.

The CHAIRMAN. Senator Gore, it is up to the committee. There are any number of witnesses here on other phases of the bill. We will give Mr. Elliott 30 minutes if the committee desires it, and other witnesses also, but we will have to be here in these hearings of this matter for several days longer than is necessary if we give everybody all the time they want.

Senator CONNALLY. It seems to me, Mr. Chairman, the oil feature of it is rather more important than the others, because there is a special amendment here seeking to graft this matter on to this bill, and it partakes of a little more importance than it would if it was merely a part of the general bill. I think Mr. Elliott ought to have 10 minutes anyway.

The CHAIRMAN. I don't think there is any doubt about that. I asked the clerk of the committee to talk to these witnesses and find out what time they wanted. Mr. Elliott signified 6 minutes, and we have given him 10 minutes.

Senator McADOO. I would like to interject just for a moment, that while I agree upon the necessity for limiting the time, nevertheless I don't think we can deal with so vast a problem as the oil problem casually, and I do feel it is of the utmost importance that a sufficient amount of time be given, economizing it properly, so that we may not have repetitious matter brought before the committee all the time, but a sufficient amount of time to enable these men who are so deeply interested in this problem, and who are so deeply affected by it, as well as the public interest—and I want to stress the public interest here—shall have a sufficient amount of time to present the case to this committee. I have said to these constituents of mine from California that I hoped they will be as brief as possible, but I would like to feel, since they have come 3,000 miles, that they will have enough time to put their case in.

The CHAIRMAN. There is no desire on the part of the chairman to cut these witnesses off or to limit the time so that they cannot express what they want; but I do wish to say that there are any number of witnesses on this bill, and, if we hear them all at any length, we will never get anywhere.

Mr. ELLIOTT. If you wish, I will read my telegram to the Secretary:

LOS ANGELES, CALIF., April 30, 1933.

Hon. HOWARD L. ICKES,

Secretary of Interior, Washington, D.C.:

Thank you for your gracious courtesy in indicating your desire for my views concerning present State oil industry, particularly east Texas field. Regarding east Texas, I wish to point out that more than 10,000 wells have been drilled in this single field under legal curtailment of production, which huge total of wells is responsible for large potential and actual production for that field. It is important to observe that legal curtailment everywhere tends to have this inevitable result. It is important also to observe that, with the large present production, there is no actual waste. Federal circuit court of appeals in its

last two Texas proration court decisions held that the former allowable figure for the east Texas field of 375,000 barrels per day was too low and amounted to confiscation of property and transcended public necessity. Court also held that well potentiality was proper basis for proration orders, and that acreage was not indispensable to a valid order. Texas Railroad Commission on finding of fact stated that for the past 90 days approximately 750,000 barrels of oil had been moved daily from east Texas field under court injunction and, furthermore, that the same incurred no waste, and that this fact was the best evidence of market demand. Based on these facts and the court orders, the Texas Commission fixed the present allowable for that field.

Apparently also the present Texas commission order is valid because for the first time the Federal court has refused temporary injunctions to allow violations of this order. I desire also to invite your attention to fact that the present very low price for crude oil in east Texas field is but another instance of the major purchasing companies applying coercive economic pressure. They have cut price of east Texas crude from 50 cents to 10 cents per barrel while maintaining unchanged the filling-station price of gasoline. Am satisfied that investigation will show that on basis of average 16 cents retail price per gallon for gasoline in Texas there is no justification for existing prices of crude which are fixed arbitrarily. I submit that attempted curtailment of production of oil by law in United States so far has only served to make bad matters worse and precedents in similar efforts to control production and prices by law in cases of other commodities show futility. I cite cases of commodities of rubber, coffee, and wheat in which attempts to control production and prices have resulted disastrously. It would, however, seem reasonable to stop all imports of crude oil and its products in the present situation. The suggestion has been made that if the United States desires to get its share of the oil export markets of the world it can do so with the present low prices of crude oil if reasonable pipeline rates and regulations from field to tidewater are established. In California we have the spectacle of the major oil corporations cutting the price of crude oil while at the same time raising the price of gasoline. This latter has occurred twice within the month.

The companies which are engaged in this practice in California are also operating under a perpetual Federal court injunction prohibiting their operations in restraint of trade granted by the United States District Court in San Francisco in year 1929. The Standard Oil Co. of California apparently admitting its commercial errors announced last week in large newspaper advertisements it "will not add to its present sales outlets either by constructing new stations or by attempting to acquire stations now supplied by its competitors or seek to increase its percentage of that business at the expense of competitors." I desire Mr. Secretary to reiterate what I said to you in Washington that a projected oil monopoly is attempting to fasten complete control upon the oil industry of the country and to thereafter levy toll upon the people and that it seeks to destroy all independent factors in the industry with that end in view. We believe that the Federal Government should protect and encourage all legitimate independent competition and aid such competition in its efforts to prevent being ruined by unfair methods and practices of monopolistic agencies. I desire to renew the recommendations made to you by the independent associations in session at Washington recently and specifically support the recommendation of the President of the United States for emergency legislation calculated to separate the ownership and operation of producing and transporting units in the oil industry. We believe also this should be extended to cover service stations as well as pipe lines and also that the Interstate Commerce Commission should immediately, if it has sufficient power, establish and maintain reasonable rates and regulations for interstate pipe lines.

Respectfully,

JON B. ELLIOTT.

Thank you very much, Mr. Chairman. I want to make just one other observation. Everywhere in the United States the price of crude oil and price of gasoline is fixed, fixed by the controlling interests in the oil business. It has been so for years. The law of supply and demand has nothing to do with it, does not enter into it at all. Those prices are fixed arbitrarily, gasoline to consumer, crude oil to the major producing companies.

One other thought, and I will finish. The suggestion is always being made that production should be held down to market demand. What is the market demand, Mr. Chairman? You will hear that very often. Suppose it is held to what the market required at the present? The object is, of course, to raise prices. That is the object of restricting it to market demand. Curtailment has the same effect and the same purpose, to raise prices. The whole thing is price fixing. All right, you hold it down to market demand and raise prices. What happens immediately? You then have less market demand, and your whole basis is changed at once. There is no such thing as a fixed and solid foundation of market demand. It cannot be done, and never can be done.

Senator GORE. You say there are 15 proposals that resulted from the governors' conference here?

Mr. ELLIOTT. I beg your pardon, Senator Gore. I meant to say, if I didn't say it, that it was a committee of 15 and that of their proposals only one was accepted.

Senator GORE. How many proposals did they make?

Mr. ELLIOTT. It is in the record submitted here Friday.

Senator GORE. I wanted to get it again.

Mr. ELLIOTT. There were quite a number of proposals.

Senator GORE. The President accepted one of them. That was related to the interstate shipment of contraband oil.

Mr. ELLIOTT. That is right.

Senator GORE. Are any of the other proposals embodied in this bill?

Mr. ELLIOTT. Yes, sir.

Senator GORE. Do you know how they got in there after the President had rejected all but one proposal? Do you know the history of it?

Mr. ELLIOTT. Of this bill?

Senator GORE. Yes.

Mr. ELLIOTT. Senator, I am sorry; I do not know the history of this bill, and I don't know anybody that does.

Senator GORE. Have you any theories as to why the President rejected all the proposals but one?

Mr. ELLIOTT. I am sure I couldn't attempt to speak the mind of the President.

Senator McADOO. I think, Senator Gore, he stated that in the letter which he addressed to the several governors who had participated either directly or by their representatives in the so-called "oil conference", and he outlined the reasons for the position he took in that letter.

Senator GORE. I was wondering whether the "Rochester" letter had anything to do with it.

Mr. ELLIOTT. Again, I cannot fathom the President's mind, Senator.

Senator GORE. Has that letter been made public?

Mr. ELLIOTT. No, sir.

Senator GORE. Is there any objection to making it public?

Mr. ELLIOTT. Not on my part, I am sure.

Senator GORE. Do you think there would be any objection, Senator McAdoo?

Mr. ELLIOTT. I can't speak for Senator McAdoo.

Senator GORE. I was asking him.

Senator McADOO. I beg your pardon?

Senator GORE. Do you think there would be any objection to inserting the Rochester letter at this point?

Senator McADOO. I can't see any.

Senator GORE. Let us put it in. It sheds a good deal of light on this whole subject.

Senator CONNALLY. Mr. Elliott, does your group object to an act prohibiting the interstate shipment of oil produced in violation of the orders of any State commission or any State?

Mr. ELLIOTT. Not at all.

Senator McADOO. You mean any valid order, of course?

Senator CONNALLY. Of course, any valid order. Your group is willing to go that far?

Mr. ELLIOTT. Yes, indeed; we have no objection to that.

The CHAIRMAN. Thank you very much.

Senator McADOO. Mr. Chairman, it occurs to me that in view of the immense amount of work this committee has to do on this main bill, as well as this oil business, all of these features are going to require adequate consideration and a considerable amount of time in the hearings. I was wondering if it wouldn't be wise to appoint a subcommittee to take up certain features of the bill, let us say a subcommittee to consider the oil end of it and a subcommittee to consider the other parts.

The CHAIRMAN. The Chair feels very kindly toward the suggestion of the Senator from California, and if there is a motion to appoint a subcommittee to deal solely with this oil proposition, let us arrange about the hearings, so that they can be held at the same time the full committee is working on the other features of the bill. I think we might expedite the conclusion of this bill very much, and the Chair will entertain, if it is the sentiment of the committee, a motion to that effect.

Senator CONNALLY. Mr. Chairman, that sounds good, but I don't believe we will save a bit of time, because the subcommittee will go out and hatch it all over, and then they will have to come back before the full committee and go over it all again, or else the members of the full committee will not be advised.

Senator GORE. They will have to go over what the special committee has done, and the special committee will have to go over what the full committee has done.

Senator CONNALLY. I think it would be a mistake. I don't think we will save any time.

Senator McADOO. I know on the Banking and Currency Committee we have had to do that, and subcommittees have been appointed which have reported to the full committee.

Senator REED. Do you not think that the results show it, Senator?

Senator CONNALLY. I think this whole bill is so important that this full committee ought to sit here and hear it all, and when we hear it all, we are through.

The CHAIRMAN. We will proceed, then, if that is the sentiment of the committee, and ask the witnesses to be as brief as possible, so that we can get along.

Mr. ELLIOTT. Mr. Chairman, might I give you the names of two men, Mr. Keck came with me from California. He is a leading independent producer of California, and Mr. J. Edward Jones of New York, who represents the royalty owners and land owners? The CHAIRMAN. Thank you very much.

Senator CONNALLY. Mr. Blalock, I would like to ask if your group objects to an act prohibiting the interstate shipment of oil produced in violation of valid orders, either by State regulatory bodies, or the State itself?

Mr. BLALOCK. Valid orders, we do not object.

Senator CONNALLY. Of course, an invalid order would not apply.

Senator McADOO. Before we proceed, I would like to ask Mr. Elliott if he is going to produce and file with this Committee this so-called "Rochester" letter?

The CHAIRMAN. I understood Mr. Elliott was to try to get it.

Mr. ELLIOTT. I will try to get it and file it.

Senator McADOO. I think it is very important for that letter to be before the committee, and I particularly desire to have it come before the committee because it not only outlines the methods by which the major oil companies attempted to procure things in Washington, but particularly because it interested me from the suggestion that those gentlemen would like to organize my office for me after I came here. It is needless to say that they had no opportunity to organize my office.

Senator GORE. He said, Senator, he wouldn't charge you anything for it.

Senator McADOO. He didn't say that.

Senator GORE. Yes, he did. He said he would do it for nothing.

Senator McADOO. Well, not directly, but he would have been compensated through the people who employed him to organize it. (The letter referred to is as follows:)

FEDERAL OIL CONSERVATION BOARD,
Washington, December 21, 1932.

Mr. GEORGE CREEL,
San Francisco, Calif.

DEAR FRIEND: It would seem that every time I want something worth while I must turn to you. My last appeal was when John Barton Payne had a job open as publicity director of the American Red Cross. The letter you sent me at that time for presentation to Payne was the most beautiful one I ever read. I still have it—and a king's ransom couldn't pry it loose from me.

But what I have in mind now is this. When I quit calling you "Boss" I went back as one of the editors for the Associated Press. A little later Harry M. Daugherty came in as Harding's Attorney General, and I was offered and accepted a job as assistant to the Attorney General. In plain words, I was the liaison officer between the Attorney General and the press. Daugherty went out via resignation to Coolidge; Coolidge named Harlan Stone, now on the United States Supreme Court bench, and later that old Vermonter, John Garibaldi Sargent, came in as Attorney General. I served all three, and never slipped a cog.

Suddenly, in late 1924, the American oil industry found itself in chaos. Overproduction, cut-throat competition, alarming waste of crude and gas, etc., were the disturbing factors. Coolidge named four members of his Cabinet "The Federal Oil Conservation Board." I was given the job as secretary. It was my duty to run the works, map programs, arrange hearings, toy with questionnaires, prepare statements for the board and speeches for members. For 8 years I juggled this assignment, and never slipped a cog. A dozen Cabinet members were satisfied; the oil industry was satisfied. Coolidge and Hoover and Cabinet-officer chairmen of this board rode grandilo-

quently up to and into the spotlight as master statesmen, insofar as adroit moves dealing with the economic conduct of the oil industry were concerned. And the oil industry, strange as it may seem, is the only basic industry upon the face of the globe today that has emerged from the world depression. It will show a profit for 1932. Large credit may be given the Federal Oil Board for this condition. Its cooperation and counsel saved this vast industry from ruin.

From the time this board was created until this hour I have handled the administrative job for these Cabinet members, and never slipped a cog.

But here is what I want you to know. Now that Mr. Hoover has suffered complete and positive annihilation and no longer can use to advantage the contacts he and his Cabinet enjoyed with the giants of the oil industry, he forthwith abolishes this Government board, transferring all of its functions to the Bureau of Mines. His Executive order scrapping this board, along with his general jumble of governmental bureaus and agencies, is to become effective automatically in 60 days, unless the Congress meanwhile disapproves it. This oil board has cost the Government less than \$10,000 a year. This may amaze you. It has been worth 10 million to the Republican Party, the public, and the oil industry. A word from you to Mr. Roosevelt, and a message from the President-elect to Mr. Garner in the House and Mr. Robinson in the Senate will prevent this Hoover vandalism.

Mr. Roosevelt cannot afford to get away from the heads of the Nation's great oil companies. He will need the counsel of men of this caliber; they will need him. The contacts as now made are invaluable to all concerned, and should not be disturbed.

Now about McAdoo. He was kind to me when I was managing editor of the Washington Post and he Secretary of the Treasury. His personal letter recommending me to Payne some years back was a tribute I shall never forget. And you had a good deal to do with the Senator-elect's splendid action on this occasion. I would like McAdoo to know this. I have in my possession personal letters from the presidents of major oil companies in California concerning the great value and helpfulness of this Government oil board. These men are the biggest on earth insofar as oil is concerned—and all of them are within McAdoo's bailiwick. I cannot use these letters, but I can let McAdoo see them, or you may see them, and know just what these men think and why they think so. These men and McAdoo ought to be brought closer together. McAdoo could quietly let his friends in the Senate know that he is opposed to the abolition of the Government oil board for the very simple reason that no economy is effected by wiping it off the map, whereas it has proved helpful and useful and will in the future be of great value both to the Government and to the oil industry generally. McAdoo can take such a stand boldly and brazenly, but he could not assume such an attitude if real economy were involved. He can therefore act without any danger of criticism, and he would be justified in any stand he may take, no matter how vigorously he acts.

This may seem a long letter, but I know your inherent tolerance and kindness.

The general counsel of the Federal Oil Conservation Board for several years after it was created was Charles W. Waterman, brilliant lawyer, of Denver, Colo. Waterman was elected to the Senate in 1927. He died this summer. He was one of my dearest friends. All the time he was in the Senate I acted as his personal and confidential secretary. When I had oil board matters in hand, I would each day journey to the Capitol and care for his work, writing his personal and political letters, preparing his speeches and statements, whipping into shape reports on bills referred to him for action, mapping office routine for the girls to follow, and so forth. I was not on the Senate pay roll, for unfortunately one cannot draw two salaries from the Government, but I did lighten the burdens for my friend. And in this instance, too, may I repeat again, I never slipped a cog.

What I am driving at now is that I would like to do the same thing for McAdoo—not for pay, because he has been kind to me and because he is your friend. I know the Capitol game intimately and McAdoo must have someone to do the very things I know how to do. I have signed the names of Cabinet officers and Senators, and the man does not live who has regretted the trust placed in me. I will gladly, with a word from McAdoo, have his office at the Capitol in such shape when he arrives March 1 that he will think he has been a Senator for years. All he will have to do is push a button for a stenographer, and she will be on the job with stationery bearing

the name of "Senator McAdoo," and so forth, and the new Senator will have before him his appointments for the day listed by the minute. I can save him a lot of money at the Capitol.

The last thought I want to leave with you is this: Roosevelt promises to be a distinctive and precedent-shattering President. I would like to see him recreate the Committee on Public Information, with headquarters in the White House and with you at the helm, provided you can escape any one of a half dozen offices he would be fortunate in having you accept. The semiweekly press conferences the President must endure constitute a nuisance and a strain on any President. They are frequented by a galaxy of newspaper men who rarely use anything coming out of the conference, but attend out of curiosity and as a means of killing time and loafing. Mr. Roosevelt should not be obliged to put up with this farcical situation. In recreating the Committee on Public Information he could announce that he was consecrating the Democratic Party anew to the principles of pitiless publicity; that he means to let the American people know frankly, honestly, and openly what is being done, and why it is being done; that he does not propose to shroud any of his activities or views or policies, but rather is determined that the American public shall be in a position to judge for itself the wisdom or unwisdom of every move he makes in its behalf. Such a policy would have a resounding effect over the world, and with you as his spokesman, he would have a proven man, able, sound, and safe—one as fearless and courageous as himself. I would do away with the petty group of so-called secretaries and make the White House a virile and open institution that at the very start would command the respect and confidence of the country—and of business.

Only to my friends do I apologize. Of you I ask forgiveness for this long letter.

With kind personal regards, I am.

Faithfully yours,

E. S. R.

Senator McAdoo. I knew nothing about the Rochester letter until during the governors' oil conference in Washington last April. When I learned about it, I showed a copy to the President and also caused a copy to be shown to the Secretary of the Interior. I understand that the Federal Oil Conservation Board was abolished by order of the President a day or two following.

I knew Mr. Rochester in 1918, when he was editor of The Washington Post, which paper rendered fine service in supporting the Liberty Loans. It is needless to say that he did not organize my office as Senator, a desire to do which is indicated in this letter.

The CHAIRMAN. The next witness will be Mr. T. S. Hogan, representing Gov. F. H. Cooney, of Montana.

STATEMENT OF T. S. HOGAN, REPRESENTING GOV. F. H. COONEY, OF MONTANA

Mr. HOGAN. Mr. Chairman and gentlemen of the committee: In the brief time which you can allot to any witness it is impossible to do more than very inadequately sketch a few of the most essential facts which must be considered in arriving at an intelligent decision on the proposed legislation, which is before this committee.

Certainly this is no time for heat, fever, suspicion or unfairness and above all it is no time or place for a misstatement of alleged facts or a willful misinterpretation of any of the existing facts.

At the governors' conference held 2 months ago I vigorously urged the adoption of legislation in line with the general provisions of the bill now before you.

Failure to act at that time has cost the oil industry over \$1,000,000 per day, financially ruined several hundred small operators and

royalty owners, put an added burden of several million dollars on the Reconstruction Finance Corporation in protecting the financial institutions of the oil-producing States and added to the number of men in the bread lines in those areas in the several States where production from stripper wells is the principal local industry.

Whether or not that deplorable condition will be remedied or aggravated hinges entirely on the decision which you gentlemen of this committee will make. In order to undertake to present the situation in the briefest and simplest form I submit the following summary of facts :

The producing oil wells in the United States have a combined capacity to produce many times as much oil per day as the market can consume.

Five great oil pools—east Texas, Yates, Kettleman Hills, Connor and Hobbs—3 of which are in Texas, 1 in California and 1 in New Mexico, if permitted to produce without restriction from their flowing wells will destroy and render utterly valueless every stripper well field and nearly all of the other fields of the country. Included in the areas unable to compete is all of the country east of the Mississippi with some 190,000 wells where combined production averages about 108,000 barrels per day.

There is no power either in the States that would be adversely affected or in all of the oil operators of such States to protect themselves against this ruinous competition.

In spite of the great temporary capacity of flowing wells the total supply of oil reserves in every known field in the United States is only somewhere between twelve and fifteen billion barrels. With restored prosperity that supply would be exhausted in 12 years.

About \$12,000,000,000 are invested in the oil business directly and about \$30,000,000,000 in oil-powered vehicles and other machinery. No rapid change can be made from oil products to other power for these machines.

Attempted control by interstate agreement is a demonstrated and continuing failure. The necessary authority for effective control is entirely lacking.

Divorcement of pipe lines will be of little help to the small producers and in those areas where the major portion of the oil in the pools has already been withdrawn it will be a very great disadvantage. There are many pipe lines costing millions of dollars which the present owners would like to dispose of but the new purchaser, if any, would require a higher carrying charge to justify the investment. Rigid governmental supervision of pipe-line charges will be very helpful to independent producers.

Senator GORE. Do you think they could be made as effective as the divorcement of the pipe lines, regulating rates?

Mr. HOGAN. I think it could be made fully as effective. I think that after the divorcement you will have exactly the condition you started with. Somebody must own it. If you talk about Government ownership of them, that might be different, but to transfer it to some other private owners, you have the same situation. Incidentally, in that connection, I have in mind the area in which I live in west Texas. It is a large area. At one time it produced one seventh of the oil of the United States. At the time those great

pipe lines were built in there on an average length of about 610 miles. I assume that 75 percent of the oil which those lines built to serve has been withdrawn. If those lines are sold to some company at this time, they will have to try to make that 25 percent of remaining oil pay for the carrying, and it would have to pay a greater charge than we have now, which is 32 cents a barrel for an average of 610 miles to the Gulf.

Senator GORE. Thirty-two cents is the pipe-line charge?

Mr. HOGAN. Yes. I have here a map of all the oil-carrying pipe lines in the country.

Senator CONNALLY. You mean the charge is 32 cents a barrel to transport the oil?

Mr. HOGAN. Thirty-two and a half cents per barrel from Midland, Tex., to the Gulf.

Senator GORE. What is the price of oil in east Texas.

Mr. HOGAN. Twenty cents.

Senator GORE. Twenty cents.

Senator CONNALLY. How can you pay a pipe-line charge of 32½ cents out of that 20 cents?

Mr. HOGAN. The 20 cents is at the well, Senator. The price paid at the well in east Texas is 20 cents a barrel, which incidentally is the producer's price.

Senator GORE. The pipe-line charge is 150 percent of the price of the oil itself?

Mr. HOGAN. Yes, sir. I am here to make no defense of any of the major oil companies or of abuses which have manifestly occurred in the pipe-line industry, but I am talking about the practical fact of how we can really benefit the independents. I might say, gentlemen of this committee, that it is my personal opinion, for whatever it is worth, that the independents tried very diligently to destroy themselves. I have no fault at all to find with what they aim to accomplish, but I have a great deal of fault to find with their strategy.

Senator GORE. They showed a great deal of efficiency, did they not?

Mr. HOGAN. Well, I think so.

Under existing conditions even a complete embargo on foreign oils would only be a minor factor in the adjustment of the oil industry. Imports must be limited, but nothing is gained by magnifying the effects of imports beyond what the facts warrant.

That provision of the proposed law which permits imports under bond is apparently misunderstood. Its purpose is to aid American labor, refineries, and machinery makers by encouraging the use of existing refineries, or construction of others in this country rather than the building of refineries in Venezuela or Europe to refine a product which is not intended for sale in American markets. To oppose refining under bond is to encourage the building of foreign plants that will later add to the competition with our refiners for foreign markets.

Authority to fix a fair price is the most important requirement for effective conservation of the Nation's oil resources. The practical and unalterable fact must be faced and that is that without authority in the Federal Government to fix such a price at least 225,000 oil wells must be permanently abandoned. They cannot survive the unrestricted competition of the great flush fields.

There is no agency outside of the Federal Government which can be legally or safely empowered to allocate to the several oil-producing States their equitable share of the amount of oil which should be produced under all the existing circumstances.

I wish to begin a brief discussion of this subject with the statement that I believe this general industry bill now before you the most important, far-reaching, and necessary legislation ever proposed in an American Congress. The oil business is not alone in requiring the planned supervision of the National Government to lead it out of confusion, chaos, and disaster. Whatever gains, real or apparent, have been made in the past month, in my opinion, will be promptly wiped out unless the legislation already adopted is supplemented by this proposed authority in the Government to aid industry in reorganizing itself on a basis suitable to its own stability and at the same time conforming to modern conditions of social and economic justice which affect the whole people.

The proposed title IV on oil is necessary in order to cover those conditions which exist only in the oil business as suggested in the preceding summary of facts.

I ask the indulgence of those Senators from oil States, and those others equally familiar with the oil business, for mentioning some elementary facts for the information of those who have had no occasion to inform themselves on practices and terminology of the oil business. Some confusion may arise from a difference of interpretation of the terms used by the several witnesses unless we all have the same meaning in mind. Unless otherwise expressly qualified when we speak of well potential we mean the amount of oil which a well can produce when permitted to flow its full capacity for a period of 24 hours. The potential of an oil field is the number of barrels per day which all of the wells of that field can produce when all are permitted to flow to full capacity at the same time. Unless all the wells are open at the same time, field potential may be a very unreliable computation. When the term "potential" is applied in fields where the wells require pumping the capacity of well or field on pump is what is meant.

Allocation is the apportionment between the several States of the total daily allowable number of barrels produced in the whole Nation. Allocation within a State is the division among its several pools of the amount allotted the State as a whole.

By ultimate recovery we mean the amount of oil which a field will produce before it is finally exhausted or abandoned because of insufficient oil to justify further operation. When used in the past tense it means the amount of oil produced from old fields before their abandonment.

There is a marked difference between the amount of oil in an oil field and the ultimate recovery of that field as only from 15 percent to 40 percent of the oil content of a field can be recovered by any practical process.

The average oil production of the United States for the 6 years ending January 1, 1933, was 890,000,000 barrels per year or 2,428,000 barrels per day. During that 6 years the amount of oil in storage increased somewhat in spite of a reduction last year of 43,000,000 barrels and about 70,000,000 barrels in 1931.

During that same period our exports of crude oil and refined products exceeded our imports.

There has been a shrinkage of not less than 8 percent in the domestic consumption of crude oil due to the depression. Deducting this 8 percent from the 2,428,000 barrels we have left a daily requirement of 2,284,000 barrels per day.

The amount of oil in storage is roughly 590,000,000 barrels. That would supply the Nation for 9 months. The existence of so large a stock in storage is a constant menace to the stability of the price structure, and it would be desirable if that supply could be reduced at the rate of 100,000 barrels per day or 36,500,000 barrels per year.

This would leave 2,184,000 barrels per day which the market could now absorb; this amount will be greatly increased when this general industry bill goes into effect and the millions now idle are again able to own and operate automobiles. However, it is well for everyone in the oil industry to realize that under no circumstances can the market absorb the full output of the wells. Opponents of this measure have made statements before this committee that you gentlemen from oil-producing States will find difficult to reconcile with facts that are within your personal knowledge. Not the least amazing of these was the statement that the oil business is the most prosperous in America. I think I know personally a thousand formerly prosperous oil men who haven't been able to eat regularly for the past 2 years.

If it is true that east Texas has a potential, as has been stated here, of over 100,000,000 barrels per day that would seem to indicate that it would produce more than 40 times the Nation's requirements.

If one group controlling a minority percentage of the field can, as has been claimed, produce 7,000,000 barrels per day, they alone can produce three times the amount of oil which the Nation can consume. No stronger argument demonstrating the need of Federal supervision could be made.

It is only fair to this committee, however, to say that the potential recently taken by the railroad commission of the east Texas field, and which showed a total potential of 123,360,000 barrels per day does not show the true potential of that field. There is not a petroleum engineer or an experienced oil man in the world who would seriously claim that that wonderful field could produce anything like that amount even for 1 full day.

In making that test the highest number of wells opened to flow at any one time was 53 out of 10,000 wells in the field. The time of the test was only 2 hours. All the wells in the field had been closed for several days before the test was made.

But after all allowances are made it is very evident that this one field can produce for some time more oil than the whole Nation can use. If permitted to do that it will break every independent operator in America including these gentlemen who so vociferously protest against interference with their inalienable right of self destruction.

In addition to the financial disaster which this policy would entail the effect on the field itself would be almost equally disastrous. Time forbids an analysis of the physical waste involved in the un-

restrained production of this field but an illustration of what happened in the Winkler field in west Texas may be enlightening to the committee.

That field was brought into production in 1927 before there was any proration, either voluntary or mandatory, and at one time it reached a peak production of 367,000 barrels per day. Like in east Texas the wells came in with a high potential flow, the largest being about 60,00 barrels per day. The only restraint on production was the ability to find an outlet by train or pipe line or the building of storage.

Consequently every producer tried to produce the greatest possible amount of oil in the shortest length of time. Within 2 years after that field had reached its maximum of 367,000 barrels per day it was producing only 40,000 barrels of oil and over 1,000,000 barrels of water which had to be disposed of at considerable expense.

That great field has produced to date over 160,000,000 barrels of oil, but it is estimated that 75,000,000 barrels of oil were permanently lost through the hasty and reckless manner of production which brought the water into the pay horizon and dissipated the oil.

In east Texas the water which underlies the oil in the west part of the field is highly saline, and it is estimated that it will cost some \$18,000,000 to pipe it to the Gulf of Mexico as it cannot be permitted to flow into fresh water streams. Whether much or little of this water will come to the surface with the oil will depend entirely on the manner in which the oil is produced. In many of the wells only a few feet of oil-saturated sands lie above this water level and a rapid flow of such wells will bring the water into these wells in advance of the full drainage of the oil from the sands. The present rate of production in that field is certain to result in great physical waste and financial loss.

Everyone who has a Nation-wide knowledge of the oil fields is reluctantly compelled to admit that there is no prospect of relief from overproduction within the next 4 years. The great Conroe field, accessible to tidewater, is ready to produce its flood of oil whenever east Texas subsides. Covering at least 12,000 acres and with a much thicker pay zone than east Texas it could wreck the stripper-well areas just as effectively as east Texas.

Kettleman Hills, in California, with relatively few wells drilled, has an actual potential in excess of 300,000 barrels per day. This potential can be maintained over a long period of years as the pay sands are a thousand feet thick, as compared with from 1 foot to 100 feet of pay in east Texas. On the other hand, the producing area is only one tenth as great.

Yates field, which is only one sixth drilled on the basis of 1 well to each 10 acres, has a potential in excess of 4,000,000 barrels per day. It has been intelligently prorated from the beginning but owners of leases and royalties in that field have been heavily penalized by the violators of State laws and regulations in other fields.

Hobbs field, like Yates, has been prorated from the start, and its lease owners and royalty owners have been financially ruined through the unfair competition of other fields. These fields are typical of

many others where the only reward for obedience to the law and fair practices is a ruinous price brought about by the lawless, or at least reckless, production of other fields.

But as great as is the potential of these fields it must not be overlooked that from the standpoint of the life of a Nation our oil supply is very limited. These modern days, in our mental gymnastics, we are likely to overlook how tremendous a sum 1 billion is.

Since oil was discovered 74 years ago this Nation has only produced 16,000,000,000 barrels. The greatest record of production of any oil field in North America is that of Midway-Sunset field in California, and it took it 29 years to produce from 40,000 acres two thirds of a billion barrels. The 33 greatest fields in the United States have produced less than 7,000,000,000 barrels.

Pennsylvania, Ohio, New York, West Virginia, Michigan, Indiana, Kentucky, and Illinois have produced from the beginning less than 2 years' supply for the United States.

Making one trip every day it would take a railroad train consisting of 100 tank cars carrying 250 barrels each 109 years, 7 months, and 5 days to move 1,000,000,000 barrels of oil.

In that year of superlatives, 1929, this country produced 1,700,000,000 barrels.

It takes an exceptionally good field to produce 100,000,000 barrels. It would totally exhaust more than eight such fields to supply this Nation for 1 year.

When we consider the problems with which this country would be confronted if its oil reserves were depleted, we must admit that the National Government has a primary interest in the oil business.

The individual as a citizen, the State as a unit of the Nation, must concede the paramount interest of the people as a whole in these oil reserves.

Senator McADOO. I would like to ask, Mr. Hogan, whom do you represent here?

Mr. HOGAN. The Governor of the State of Montana.

Senator McADOO. Have you his credentials and instructions with you?

Mr. HOGAN. No, I have not them with me; but I can furnish them.

Senator McADOO. Will you please file them with the committee?

Mr. HOGAN. Yes. I have letters and telegrams—

Senator McADOO. I would like to have your credentials put in the record. In addition to that, I would like to ask, do you represent any of these major oil companies?

Mr. HOGAN. None whatever. I have no interest in them.

Senator McADOO. Do you represent any independent companies?

Mr. HOGAN. None whatever, except my own, and I am not associated with any independent organization.

Senator McADOO. What is your company?

Mr. HOGAN. The Texas & Eastern Investment Co., and it has a royalty interest in west Texas, particularly in the Yates pool, where there are 19 wells. The royalty interests that I have there have a potential of 230,000 barrels per day and produce about 1,600.

Senator McADOO. You are not an oil producer then?

Mr. HOGAN. Yes; in a way I am. I have oil production in Montana, in the Sunburst field.

Senator McADOO. How much is that producing?

Mr. HOGAN. Well, it is not producing a good deal. The Continental Oil Co. is doing the operating. I have one of those unfortunate 50-50 agreements.

Senator McADOO. The Texas & Eastern Investment Co. to which you referred, certainly has an interest in some production in the Yates field?

Mr. HOGAN. Yes; it has other royalty interests, and I have interests in the royalty in other fields. Certainly, I might say that I have drilled wells from 8 miles from the Canadian border down to 300 miles into Mexico. I have operated in various States of the Union. I started in business some 33 years ago, and I think myself competent to speak, especially on the question of the oil reserves of this country.

Senator GORE. I would like to ask one question with regard to the theory of this bill. No matter who the dictator may be, and we will assume the best possible choice will be made——

Mr. HOGAN. Yes.

Senator GORE. The dictator will not know as much about the oil business, or not any more, than the men who have devoted themselves to the business, with their accumulated experience and information. That is true, isn't it?

Mr. HOGAN. That is very true.

Senator GORE. The dictator, no matter who he may be, will not have as much interest, or no more interest, in the success of the industry, than the men who have invested 12 billions of capital in the business—that is true?

Mr. HOGAN. Yes, Senator.

Senator GORE. The theory of this legislation is that the dictator, then, with less interest and less knowledge of the business, invested with certain power, can require those engaged in the industry to do certain things the industry will not do voluntarily, that will guarantee and assure the greatest success of the oil industry as a whole. That is true?

Mr. HOGAN. Senator, I would modify that by saying he can do things that he can not now do under existing law, that they can not lawfully get together and agree on, for instance. They cannot get together and agree that Texas should have 800,000 barrels per day, California 400,000——

Senator GORE. That is through lack of cooperation.

Mr. HOGAN. There is lack of equality, as well as cooperation.

Senator GORE. Now, then, have you considered, and are you convinced that the Federal Government can create a dictator and vest him with the necessary authority to bring about the things that the industry and the States have not been able, or have been unwilling to do?

Mr. HOGAN. I think, Senator, that 24 hours after this legislation is passed, if passed, every proponent and exponent of the measure here before this body will agree to a reasonable proration and handling of the oil, and be glad to do it.

Senator GORE. Don't you think its success would really depend on voluntary action and cooperation, and that if the powers are ever tested, it will fail?

Mr. HOGAN. If the powers were tested, they would fail?

Senator GORE. Yes.

Mr. HOGAN. No, I think not. I don't think they would fail in any court at all. On that I may be wrong, but I am very firmly of the opinion that the law will be sustained.

Senator McADOO. That is merely conjecture, and it is also a mere conjecture to say that you think everybody would come up to the Commission and come to an agreement if the law was passed.

Mr. HOGAN. I cannot understand any man, independent oil producer, for instance, who would prefer to sell his oil at 25 cents a barrel in preference to a dollar.

Senator McADOO. How can you guarantee that the price will reach a dollar if this law is passed?

Mr. HOGAN. I haven't any doubt whatever about it.

Senator McADOO. That is just conjecture, as I said before.

The CHAIRMAN. Thank you very much.

Mr. HOGAN. It is not a question of conjecture.

Mr. KECK. Mr. Chairman, I would like to yield my time to Mr. J. Edward Jones of New York.

The CHAIRMAN. Very well. Mr. Jones, you have 10 minutes.

STATEMENT OF J. EDWARD JONES

Mr. JONES. The petroleum industry is such a vital element of our industrial structure that appraisal of its economics is absolutely essential when such a profound task as its artificial regulation is being considered. The commercial activity of all lines of major industries is so dependent upon the utilization of petroleum products that any tampering with the supply or with the price of such, other than to provide for the free functioning of economic laws and to enforce our present statutes relating to unfair and discriminatory trade practices, is certain to affect adversely not only the industry itself but also, indeed, our entire industrial order. Even our social life must feel the influence of basic disruptions in our third largest industry. It is, of course, unnecessary to emphasize, before this honorable body, the obvious fact that the matters under examination here are of the greatest importance.

An emergency within the industry is claimed and the task of coping with that emergency is assumed as a matter of duty. But, at the very outset, we should be fully acquainted with the nature of the alleged emergency else effort be misdirected and our assumptions be based upon false premise. What is the emergency within the petroleum industry? You have been told that it is one of "overproduction." I tell you that it is not. Men who are not informed regarding the industry have given you misinformation concerning its problems. I shall give you facts and an analysis of true conditions in brushing away the myth of "overproduction", in revealing the falsity of the claims which have been presented to frighten this Government into foolish action, and in presenting before you the real issues of the petroleum industry.

According to official statistics of the United States Bureau of Mines the elements of petroleum supply and demand have been in favorable balance for the 5 years prior to January 1 of this year.

This country has produced for that period but 4,677,874,000 barrels of crude oil in face of a total demand for all oils of 5,165,913,000 barrels. Since 1927, the States themselves have no regulated domestic production that underproduction constantly has resulted, leaving a deficiency in domestic supply of crude oil of 68,782,000 barrels for 1928, 40,554,000 barrels for 1929, 129,618,000 barrels for 1930, 131,076,000 barrels for 1931, and 118,009,000 barrels for 1932.

During this period, some few weeks only recorded a temporary excess of daily supply of crude oil, but such recordations have been inconsequential in affecting the general situation. Since January 1 of this year, according to latest available statistics for the period ending March 31 domestic production has amounted to 208,790,000 barrels while total demand has equalled 217,102,000 barrels, leaving a deficiency in domestic supply of 8,312,000 barrels, or an average of 92,356 barrels daily. Such, gentlemen, is not representative of overproduction. The little flurry created by the small addition of domestic oil to stocks for March this year—incidentally, the first since March 1929—is relatively of very small importance, representing only 95,000 barrels daily and, when analyzed, found to be of flush production character and, therefore, of necessity, soon to be diminished and forgotten.

The question naturally arises at this point as to whether, had we not curtailed our domestic production and satisfied total demand by imports and by withdrawals from stock built up from imports, the "potential" would not have flooded the markets. Analysis, however, shows that since the inventory value of the "potential" for the years and months above referred to (661,925,000 barrels as determined by the "Pogue" method) barely exceeded the deficiency in domestic supply (496,351,000 barrels), obviously no "potential" of any consequence would exist today had the deficiency been met by production from the wells.

The need for an issue, however, apparently is so serious, that some of those whose interest would be well served by a Federal control of the production of oil, along with our misguided friends who just simply don't know, have seized upon the present situation as excellent material for use in forcing governmental interference. These persons would put the Government in the business of allocating demand and of regulating the production of oil, but the reasons advanced to induce such action do not apply as sound argument from an economic point of view nor from the standpoint of good public policy. Production already is regulated to a point on the average, considerably below the total demand and the real reason for Federal control is to bring about a further restriction of the domestic producer to a point where an even greater volume of business can be taken from him, by troops if necessary, and handed to the monopoly in oil. Intelligent public opinion will not tolerate for long the discrimination which must result from such muddled handling of our affairs.

It is easy to determine which organizations of the industry benefit from excessive curtailment of domestic production and why those organizations sponsor program which advocate or recommend even further reductions in domestic output. The vast volume withheld by proration from the domestic producer of crude oil and turned

over to a few large organizations having imports or stocks built up by displacement of domestic oil through imports, constitute an extremely valuable volume of business. This volume properly may be termed the prize over which rages the fundamental struggle in the industry.

The proposals put forward by those who sponsor Federal control curiously do not advocate an allowable production equal to consumption requirements but, in fact, invariably advocate an enforced curtailment of production considerably below requirements. Such a program discriminates against the domestic producer by not even giving him the right to compete for the business which is represented by our total demand. These sponsors, for some reason, desire a substantial portion of demand to be reserved and protected by bayonets, if you please, for the exclusive benefit of a monopoly in oil which, by way of comparison for its influence upon government, makes the recent revelations in banking sink into insignificance.

Now the volume of petroleum trade represented by the margin existing between the consumption requirements and the 2,000,000 barrels daily to which the Federal control prorationists would curtail us represents business that would spell prosperity for quite a number of our American citizens. It can well be illustrated by concrete example. During last year (one of severe depression and restricted industrial activity), for instance, total demand for petroleum amounted to 2,559,000 barrels daily. Demand for March of this year was 2,431,000 barrels daily. A conservative estimate will place demand for the next 12 months at a minimum average of 2,500,000 barrels daily.

If, under Federal control, the 2,000,000-barrel program be adopted, therefore we will, under such conditions, witness the handing over of 500,000 barrels daily, or 182,500,000 barrels for the year, of business to whoever remains to supply the 500,000 barrels daily requirements above the production restrictions which prorationists would impose upon the producer in the fields. Based upon prices for crude oil which are believed to be representative of a conservative estimate, this average will have a market value of approximately \$175,000,000, representing the business volume to be taken away from the American producer of crude oil and to be delivered to the monopolistic organizations which are in a position to supply such business from sources other than American oil wells. This \$175,000,000 worth of business per year, therefore, is representative of the cost of proration to the production branch of the American petroleum industry. For the 3 years prior to January 1, this year, it cost the American producer a volume of business equal to 250,000,000 barrels which was actually worth on the market at that time \$239,000,000.

Although, despite the representations to the contrary, we have no serious problem of "overproduction" within the industry, nevertheless some reason must exist for the demoralized state which confronts us. The real reason lies in the issue of monopoly with its stranglehold on the rate of production through governmental control and with its power, abundantly exercised in violation of Federal statute, for price-fixing tactics. The ultimate purpose, of course, is the elimination of independent competition. Of special assistance in controlling these agencies is the dominance and control by the mo-

nopolistic elements of the industry's pipe-line transportation facilities. The importance of this factor can be realized only by a comprehensive knowledge of the structure of the industry and of its economics. A brief resume of the economic history of the industry, therefore, should be in point here.

The industry is singular in name only. In reality it consists of two basic industries, (1) the production division, a mining industry, and (2) the refining division, a manufacturing industry. This broad economic division is distinct in that the operator in the mining division is concerned with selling at as high price as possible, the very product which the operator in the manufacturing division is desirous of purchasing at as low price as possible. For this reason the problems of one division cannot possibly be the problems of the other. This basic difference makes most difficult any blanket remedy for the industry as a whole.

The economic nature of the industry is further peculiarly complicated through its division into the four branches of production, transportation, refining, and marketing, all of which constitute one economic entity but which represent several different activities each having little in common with the other. Bearing in mind the distinct two-fold basic division of the industry and the diametric differences inherent to that division, it can be realized that control of any link which binds them and upon which each depends would constitute control of the two divisions or of the entire industry. This link is represented by the transportation facilities of the industry which, in the beginning, were in the form of railroad transportation but which, long since, has given way to modern pipe-line systems and tanker facilities.

The product of the mining division, crude oil, is the raw product of the manufacturing division, which, through distillation processes, changes the raw product into the various refined products. Obviously, the producer of crude oil is dependent upon the refiner for the sale of his product. As a practical matter, oil wells rarely exist in regions of heaviest demand for refined products at which points refineries are generally located. Both producer and refiner are, of course, vitally dependent upon some means of transporting the crude oil from the wells to the refinery. The ownership and control of transportation facilities, therefore, constitute a means of dominating the entire industry. If the producers own or control all the transportation facilities they can deliver to such refineries only as they desire to serve and can name the price for the product transported. Conversely, if the refineries own or control transportation they can, by such means, influence price through favoring with adequate service or through discriminating against certain shippers. Thus, control of transportation facilities can be utilized to eliminate competition and to establish monopoly.

The importance of such control early was recognized by Mr. John D. Rockefeller, when in 1862 he laid the foundations for the Standard Oil monopoly. His first activities were in the refining branch of the industry and he set about to gain control of key refineries through forcing competitors, by one means or another, into his group. One of the most effective influences at his hand was the control he wielded over his competitors through secret rebates and

agreements which he obtained from the railroads, which, at that time, constituted the principal facilities for transporting crude oil from the wells to the refineries.

Under such handicaps independent refiners could not, of course, successfully compete with the Rockefeller companies and the more aggressive of them began to develop new means of cheap transportation which would allow them to compete with Rockefeller. Consequently, the pipe-line means of transporting crude oil was developed by the independents, and, although the first lines were laid in 1865, it was not until 1879 that a line was completed from the oil regions—Rixford, Pa.—to the Atlantic seaboard where the principal Rockefeller refineries were located. Prior to the completion of this line Rockefeller did everything in his power to discourage the building of pipe lines, well realizing that this new means of transportation would place his companies, even with their unscrupulous rebate arrangements, at a disadvantage. When at last the pipe lines were an assured success, however, the Standard Oil interests immediately began to acquire control of these facilities. A brief struggle against the pipe lines resulted in 1883 in a practical surrender of the Tide Water Oil Co. to the Standard Oil Co. By that time the transporting of crude oil to the Atlantic seaboard by rail was almost a thing of the past, and just as the Standard Oil Co. had dominated the railroads prior to 1883 it now entered upon its domination of the pipe lines. Concerning the purposes of the Standard Oil Co. in dominating the transporting facilities the Bureau of Corporations said ¹:

It has been shown that the surrender of the Tide Water Oil Co. to the Standard Oil Co. was almost instantly followed by a sharp advance in railroad rates on crude oil to seaboard. There can be little doubt that these rates were advanced and were long maintained at the instances of the Standard Oil Co., with a view to keeping its competitors from establishing refineries at tidewater.

At the present time, ownership and control of the transportation facilities of the petroleum industry is in the hands of a comparatively few large organizations still dominated by the Standard Oil (Rockefeller) interests. A very recent Government report says:²

The ownership of crude-oil pipe lines rests largely, and that of gasoline pipe lines wholly, with large or medium-sized integrated units of the oil industry. There is a further concentration of the larger part of the pipe lines in the hands of a relatively few of such integrated units. * * * With concentration of ownership generally goes concentration of use. Though there are important exceptions, the "outside" use of pipe lines, particularly trunk lines, is commonly limited in volume and confined to a few shippers, generally members of other integrated oil groups. Furthermore, approximately half of the trunk lines report no use of their facilities by outside shippers. This condition may result from the fact that such lines do not hold themselves as common carriers and have not been made amenable to regulation intended to give them a common-carrier status; in other instances tariffs are filed but conditions are such that no outside oil is offered.

While there is a high degree of concentration of the ownership of pipe lines and of refining facilities, the production of crude petroleum is in thousands of hands, though here again a relatively small number of companies account for a large share of the output.

¹ Bureau of Corporations report on the transportation of petroleum, p. 80, Government Printing Office, Washington, D.C., May 2, 1906.

² H.Rept. No. 2192, Report on pipe lines * * * pt. 1, pp. LXXVI-LXXVII, Government Printing Office, Washington, D.C., 1933.

It is these independent refiners that must rely on the transportation facilities controlled by their competitors who are the very refiners so desirous of procuring crude oil at the lowest possible price. Under those circumstances, what chance, in competition, has the individual producer and refiner? If the producer be forced to curtail and the supply of the independent refiner be cut off by a policy of "conservation" that is nothing more than enforced restriction, his unfortunate position is made doubly difficult.

The fact that the integrated company owning pipe lines may even refuse to transport the oil or it may transport it at a profit in its favor, places independent refiners and producers at a disadvantage. Complete divorcement of the transportation facilities from companies interested directly or indirectly in producing, processing or the marketing of the product transported is an effective means of placing all operators upon an equal competitive basis; of enabling prices to result purely from the effects of relationship between supply and demand; of preventing monopoly; and thereby bringing stabilization to the industry and providing for the true conservation of oil.

The President of the United States just recently has recommended the divorcement of pipe lines from other branches of the industry and any study of the petroleum situation impels the conclusion that such a step by Congress would be the most constructive measure possible for that body to take. It is significant to note, also, the fact that in his letter to the governors of the oil-producing States dated April 3, last, the President, in addition to making this recommendation, placed himself squarely on record as opposing even the suggestion to the States of Federal control of the production of crude oil. Of greater significance, however, and to a strange degree, is the fact that Secretary Ickes, of the Interior Department, in his statement before your honorable selves, certainly did not stress the pipe-line matter and, indeed, seemed even to desire to minimize it as of not much importance at this time. He also avoided strong reference to the President's position against Federal control which he, Secretary Ickes, ardently advocated before you.

Such a stated position on the part of the President no doubt comes from a clear conception on his part of the constitutional limitations upon Federal control of production within States and should calm the fears many are known to harbor that some form of Federal regulation of the productive processes of the petroleum industry may result.

In connection with the general subject of Federal control, it is significant to note both the change of attitude on the part of the major organizations sponsoring it today from that of a few years ago and, also, the argument previously advanced against the proposal by none other than the Hon. Charles Evans Hughes, as counsel for the American Petroleum Institute, in his address before the Federal Oil Conservation Board at a public hearing in Washington on May 27, 1926. In argument by Justice Hughes (now Chief Justice of the United States Supreme Court), the American Petroleum Institute then opposed, as unconstitutional, proposals for Federal regulation not only of the production of crude oil, but also, indeed, of unit operation of oil pools.

The subject of Federal control of oil production was covered by Justice Hughes as follows:³

Petroleum lies beneath the surface of the earth. The territory now under consideration is a part of the domain of the State over which the State has sovereign jurisdiction and control except as the State power is limited by the Federal Constitution. Production is not commerce and the production of petroleum within a State is not interstate commerce. The case of petroleum in this respect appears to be the same as that of coal. As to coal, the Supreme Court in the United States, by Chief Justice Taft, said upon this point in *United Mine Workers of America v. Coronado Coal Co.* (259 U.S. 407, 408):

"Coal mining is not interstate commerce, and the power of Congress does not extend to its regulation as such." In *Hammer v. Dagenhart* (247 U.S. 251, 272) we said: "The making of goods and the mining of coal are not commerce, nor does the fact that these things are to be afterward shipped or used in interstate commerce make their production a part thereof." *Delaware, L. & W. R. Co. v. Yurkonis* (238 U.S. 439). Obstruction to coal mining is not a direct obstruction to interstate commerce in coal, although it, of course, may effect it by reducing the amount of coal to be carried in that commerce.

Again, it was said by the Supreme Court of the United States in *Oliver Iron Mining Co. v. Lord* (262 U.S. 171, 178):

"Mining is not interstate commerce, but like manufacturing is a local business, subject to local regulation and taxation." *Kidd v. Pearson* (128 U.S. 1, 20); *Capital City Dairy Co. v. Ohio* (U.S. 439, 444); *Hammer v. Dagenhart* (247 U.S. 251, 272); *United Mine Workers v. Coronado Coal Co.* (259 U.S. 344, 410). Its character in this regard is intrinsic, is not effected by the intended use or disposal of the product, is not controlled by contractual engagements, and persists even though the business be conducted in close connection with interstate commerce. *Cornell v. Coyne* (192 U.S. 418); *Browning v. Wayross* (233 U.S. 16, 22); *Delaware, L. & W. R. Co. v. Yurkonis* (238 U.S. 439, 444); *General R. Signal Co. v. Virginia* (240 U.S. 500); *Hammer v. Dagenhart* (247 U.S. 251, 272); *Arkadelphia Mill Co. v. St. Louis Southwestern R. Co.* (240 U.S. 134, 151); *Crescent Cotton Oil Co. v. Mississippi* (257 U.S. 129, 136); *Heisler v. Thomas Colliery Co.* (260 U.S. 245).

The ore does not enter interstate commerce until after the mining is done.

See also *United Leather Workers International Union v. Herkert & Metzel Trunk Co.* (265 U.S. 457, 464, 465).

Again, in *Ohio Oil Co. v. Indiana* (177 U.S. 190, 211, 212) it is said:

"In view of the fact that regulations of natural deposits of oil and gas and the right of the owner to take them as an incident of title in fee to the surface of the earth, as said by the Supreme Court of Indiana, is ultimately but a regulation of real property, and they must hence be treated as relating to the preservation and protection of rights of an essentially local character."

It may therefore be safely taken for granted that, under the power to regulate commerce, Congress has no constitutional authority to control the mere production of petroleum on lands (other than the Indian lands) within the territory of a State. All plans for requiring unit operation or otherwise, which involve the assertion of such an authority on the part of Congress, do not require discussion. They proceed from an utterly erroneous conception of Federal power. It does not further the policy of conservation to take up the public attention with futile proposals which disregard the essential principles of our system of government.

I am aware that it has been suggested that such Federal power to control production within the States might be asserted by Congress because it could be deemed to relate to the provision for the common defense and the promotion of the general welfare.

Reference is sometimes made, in support of this view, to the words of the preamble of the Federal Constitution. But as Story says:

"The preamble never can be resorted to, to enlarge the powers confided to the General Government or any of its departments. It cannot confer any power

³ Federal Oil Conservation Board: Public hearing, May 27, 1926; Government Printing Office, Washington, D.C.

per se; it can never amount, by implication, to an enlargement of any power expressly given" (1 Story on the Constitution, sec. 462).

And this statement was approved by the Supreme Court of the United States in *Jacobson v. Massachusetts* (197 U.S. 11, 22), where it was said:

"Although that preamble indicates the general purposes for which the people ordained and established the Constitution, it has never been regarded as the source of any substantive power conferred on the Government of the United States, or any of its departments. Such powers embrace only those expressly granted in the body of the Constitution, and such as may be implied from those so granted. Although, therefore, one of the declared objects of the Constitution was to secure the blessings of liberty to all under the sovereign jurisdiction and authority of the United States, no power can be exerted to that end by the United States, unless delegation of power, or in some power to be properly implied therefrom." (1 Story on the Constitution, sec. 462.)

The suggestion to which I have referred is an echo of an attempt to construe article I, section 8, subdivision 1, of the Constitution of the United States, not as a power "to lay and collect taxes, duties, imposts, and excises, to pay the debts, and provide for the common defense and general welfare of the United States", but as conferring upon Congress two distinct powers, to wit, (1) the power of taxation and (2) the power to provide for the common defense and the general welfare. In this view, it has been urged that Congress has the authority to exercise any power that it might think necessary or expedient for the common defense or the general welfare of the United States. Of course, under such a construction, the Government of the United States would at once cease to be one of enumerated powers and the powers of the States would be wholly illusory and would be at any time subject to be controlled in any matter by the dominant Federal will exercised by Congress on the ground that the general welfare might thereby be advanced. That, however, is not the accepted view of the Constitution. (1 Story on the Constitution, secs. 907-908; 1 Willoughby on the Constitution, sec. 22.) The Government of the United States is one of enumerated powers and is not at liberty to control the internal affairs of the States, respectively, such as production within the States, through assertion by Congress of a desire either to provide for the common defense or to promote the general welfare.

This is too elementary to require discussion, and it is impossible to believe that the legal advisers of the board will suggest that it proceed on any different view.

Provision for governmental uses, to meet the needs of the United States as a proprietor, is quite distinct from an attempted regulation or curtailment of production within the States in a general public interest for the purpose of carrying out a policy of conserving oil in the ground so that it may await the economic needs of the country at large in the future. The latter would be the exercise not of the power to tax and to purchase for governmental uses but of a power to control production upon private property within the States and subject to the sovereignty of the States, respectively. It is not conceivable that any theory will be advanced by the legal advisers of the Government to support such a course of action however desirable a policy of conservation it may be deemed to be. It is idle under the Constitution to attempt to secure by Federal regulation the curtailment of production or to require unified operations in production by private owners within fields subject to the jurisdiction of the States.

The conservation of oils in the ground within such territory by governmental control of mere production, or the taking of oil out of the ground, is a question for the States so far as such control may constitutionally be exerted under our form of government.

This sweeping and conclusive opinion, supported as it is by such authoritative references and presented by such an eminent personage who is today Chief Justice of the Nation's highest judicial body, should be accepted on its face without further ado. Congress should not further complicate the petroleum situation by passing legislation so well labeled in advance as "unconstitutional."

The statistical position of the petroleum industry during March was good notwithstanding the fact that, for the first time in exactly 4 years—since March 1929—domestic production of crude oil ex-

ceeded the total demand of all oils. Even with an addition to stocks, however, the average day's supply on hand, one of the most sensitive barometers in economic calculations, actually decreased to a greater degree than for any month of March since 1928. This favorable stock situation in face of an apparent unfavorable production situation is explained by the fact that the demand increased to a greater degree than the stocks increased. Thus the increased domestic production was but a paradox of the true statistical position.

The continuance of a favorable statistical position is not reflected in prices, however, which, with the exception of retail gasoline, declined markedly and fluctuated in abnormal relationship. For example, while the average price of crude oil declined 8 percent and the f.o.b. refinery price of gasoline 2.6 percent, the service-station price of gasoline (exclusive of taxes) actually increased 0.6 percent, indicating that the consumer is not benefiting from the low price of crude oil at the well and of gasoline at the refinery. Furthermore and curiously, while the price of crude oil was being decreased to extreme lows, the prices of kerosene, fuel oil, and many other refined products actually increased. Such abnormal relationships are evidence that natural economic laws normally affecting price are not functioning under the present artificial economic conduct of the petroleum industry. The companies responsible for price levels point to increased domestic production alone as a bad statistical situation and, therefore, a reason for low prices. The true position, however, as reflected in the decreased days' supply in above-ground stocks and in the inventory value of the "potential" does not warrant that contention.

Stocks of all oils during March increased slightly but were the lowest for a March since 1927. Increase in the inventory value of the "potential" was the smallest in a year, although its total was the highest in the history of the industry. Refinable crude oil stocks increased slightly but were the lowest since 1928. This general increase in stocks, although on the surface appearing alarming especially at a time when reductions are advocated, is in reality an influence for higher prices because stocks are usually increased under the incentive for an anticipated rise in price. These, gentlemen, are the factors that demand consideration in an intelligent appraisal of our situation. This committee should not be led afield by amateurish references to such ridiculous subjects as "Hot oil", "Overproduction", and so forth.

In theory and in principle, I am opposed, as unsound, to governmental regulation of the economic elements of the petroleum industry. The world has had sufficient experience to demonstrate the futility of attempts to regulate, in fairness and in equity, such matters as supply, demand, price. Economic laws are inexorable in the performance of such functions and cannot be displaced with impunity.

In any proper analysis of the situation the emergency, such as has been represented by sponsors of Federal control of the oil industry, is not revealed. Only in the minds of representatives of monopoly, or of misguided individuals of no proper knowledge of petroleum problems arise the false issues ordinarily advanced. No economist of standing can possibly subscribe to the fantastic no-

tions put forward to sustain such arguments. Federal control of the industry inevitably would result in ultimate failure to a point of disaster. Blame for such an end would be placed upon the administration that sponsored it. The President already is on record in the premises, sure, no good reason exists for forcing such a thing upon him. Let us solicit the aid of the Department of Justice in obtaining prosecutions for violations of our Federal antitrust laws with respect to price-fixing tactics instead of turning over the industry to any man who does not know the fundamentals of it and who, therefore, would be incompetent to dictate to us. We should regulate and curtail the law violators—not the economic elements of petroleum.

Senator GORE. You live in New York, Mr. Jones?

Mr. JONES. Yes, sir.

Senator GORE. What phase of the oil business are you interested in?

Mr. JONES. Principally in the royalty phase of it.

Senator GORE. You are not a producer?

Mr. JONES. I am; yes, sir.

Senator GORE. To what extent?

Mr. JONES. To the extent of 200 barrels a day under present production.

Senator GORE. How extensively are you interested in the royalty end of it?

Mr. JONES. I think I am interested quite substantially in the royalty end of it.

Senator GORE. As the owner of royalty, aren't you more concerned with the quantity of oil produced than the price?

Mr. JONES. As the owner of royalties I am concerned both in the amount of oil produced and in the price received therefor.

Senator GORE. Royalty interest underlying these small separate wells amounts to practically nothing, do they not?

Mr. JONES. It depends upon the size of the interest.

Senator GORE. A well producing $1\frac{1}{2}$ barrels per day, the royalty interest there is inconsequential, isn't it? The stripper wells average $2\frac{1}{2}$ to 3 barrels?

Mr. JONES. Possibly so.

Senator GORE. But the royalty interest underlying flush wells and flush fields is of considerable consequence?

Mr. JONES. Yes, indeed, if you own it all it is worth while. However, if you own a small interest in a flush field, and a big interest in a stripper well—

Senator GORE. The royalty interest underlying these flush wells might profit by flush production even though the industry itself languishes.

Mr. JONES. No, sir; that is not true, for the simple reason that the curtail production of crude oil in this country stimulates drilling activity which depresses prices. That is the fallacy that is often advanced as argument for flush production, and facts prove the contrary.

Senator GORE. Do you think wild-cattling and drilling are stimulated by curtailment of production?

Mr. JONES. There is no question of that.

Senator GORE. Do you think the chance and risk and gamble are slightly influenced by this?

Mr. JONES. The greatest amount of drilling activity, of course, surrounds production already brought in.

STATEMENT OF ERNEST B. CHAMBERLAIN

Senator GORE. The farmers of Oklahoma have developed a system of pooling their oil royalties interests, based on the Osage Indian system of controlling oil royalties. Mr. Chamberlain will speak from that viewpoint.

Mr. CHAMBERLAIN. I represent especially the Farmers' Union of America and the Cooperative Royalties Pools that have been developed in the five Southwestern States of the United States, consisting of Kansas, Oklahoma, Texas, New Mexico, and Colorado. I am authorized by the national legislative representatives of the National Grange, the Farmers Union, and the Farm Bureau Federation of America to propose an amendment to the oil control features of the industrial recovery bill.

The CHAIRMAN. Has that amendment been offered in the Senate?

Mr. CHAMBERLAIN. Yes, sir; to 509, and Senator Gore has it to offer here.

Senator GORE. Insert it here.

Mr. CHAMBERLAIN. The amendment is as follows:

Insert section on page 9 between lines 14 and 15, as follows:

"The Reconstruction Finance Corporation is authorized and empowered to make adequately secured loans, based on mineral acreage, and self liquidating in character, to recognized and established managing agencies of farmers' cooperative mineral rights, pools, not engaged in drilling or mining operations, said loans to be made for the purpose of defraying the cost of organizing such pools."

The purpose of this amendment is to make possible a wider apportionment of the benefits of this act to farmers whose subsurface mineral rights are vitally affected by any restrictive measures.

This amendment is designed to unify the farmers' economic self-interest behind the oil industry's stabilization.

As an isolated owner of potential mineral rights, the farmer is under present conditions a fair constituent of those forces which seek unrestricted development of the industry. It is only by development of his particular tract that he can realize upon his mineral rights.

In order to spread the benefits of oil development among a greater number of farmers, a movement sponsored thus far mainly by the Farmers' Union has sprung up in the Southwest whereby the farmers over a wide area pool a half interest in their subsurface rights under common ownership, thus obtaining advantage of the increased per-acre value and greater insurance of regular income, which heretofore have been characteristic only of great corporations owning a selected spread of mineral acreage. Farmers' pools in Oklahoma, Texas, New Mexico, Kansas, and Colorado now have a spread of over 1,000,000 acres under their cooperative control. Present financial conditions have forced them to cease organization efforts at a time when conditions are most propitious for the completion of their present program to acquire 10,000,000 acres.

The amendment sought was originally offered to Senator Wagner's S. 509, the nonagricultural features of which were carried into the present bill. This amendment was acceptable to Senator Wagner and received a hearing before the Senate Committee on Banking and Currency. The amendment proposes to authorize the Reconstruction Finance Corporation to make adequately secured loans, based on mineral acreage, and self-liquidating in character, to recognized and established mineral-rights pools.

The loan is not for the purpose of development of properties. On the contrary, it is for the purpose of making it of advantage to the farmer to withhold his individual trace from development. The money will be used practically in its entirety to hire farm organizers to complete the organization of the pools.

The three farm organizations for whom I speak represent some two and a quarter million farmers.

Inasmuch as the vast bulk of nearly a billion acres of established potential mineral-bearing lands are farm lands, it is to the interest of the farm groups to conserve this subsurface asset as a backlog of agricultural security. The pooling program mobilizes the farm behind oil stabilization and conservation. It makes it profitable for the farmer to retain his mineral rights instead of selling them at low prices in advance of development to royalty buyers. It mobilizes the oil industry's well-being behind the well-being of agriculture.

Senator GORE. One of your pools is interested in that new Texas field, is it not?

Mr. CHAMBERLAIN. Yes, sir. We have 1,200 acres right in the middle of it.

Under present conditions of ownership the farmer is the natural ally of the irresponsible promoter of wild-cat drilling.

The farm organizations are for the oil-control features of this bill which will tend to the stabilization of the oil industry, but they want the bill to provide for as wide an apportionment of its benefits to farmers as possible. This can be done through encouraging the pooling movement.

This amendment will do for the farmers' subsurface crops what the general farm relief bill is doing for his surface crops, only it will do it for no further cost than a strictly self-liquidating loan on income-bearing security of a value from 5 to 20 times the amount of the loan sought.

The farm relief bill provides for voluntary restriction of surface acreage and provides finance benefits. This amendment will encourage voluntary restriction of subsurface production and satisfy the farmer by making possible his participation in the benefits of such restriction.

This amendment is acceptable to the authors of this bill, Congressman Marland and Senator Capper, and I presume it is as acceptable to Senator Wagner on this bill as it was on his S. 509.

It is acceptable to the oil groups so far as I have knowledge. Mr. Russell Brown, of the Independent Petroleum Producers Association, so announced at Friday's hearings for his group, and I have talked to leaders in the American Petroleum Institute, and others who believe that the amendment will definitely strengthen the popular approval of the provision of this bill among farmers.

Before considering the rather new land use policy embodied in cooperative pooling Senator Elmer Thomas 2 years ago had a resolution adopted by the Senate asking the Department of Agriculture to investigate the extent and value of mineral rights as a farm asset. This investigation was made and is embodied in a report to the Senate. During the present session the chairman of the Banking and Currency Committees of the House and Senate wrote the Department of Agriculture asking the administration's opinion on the basic provisions of the pooling movement. A letter was sent from the Department over the signature of Dr. Rex G. Tugwell, which I will ask to be made a part of my testimony.

(The letter referred to is as follows:)

APRIL 17, 1933.

Hon. H. B. STEAGALL,

*Chairman Committee on Banking and Currency,
House of Representatives.*

DEAR MR. STEAGALL: I have before me your letter of April 3, requesting my reaction and suggestions on House Joint Resolution 83, with reference to loans by the Reconstruction Finance Corporation to managing agencies of farmers' cooperative mineral-rights pools.

This resolution, as you indicate, draws upon an investigation made by the Bureau of Agricultural Economics in response to Senate Resolution 377, Seventy-first Congress, third session, the results of which were incorporated in a report published as Senate Document 93, Seventy-second Congress, first session.

The study, though in no sense exhaustive, indicated that mineral rights underlying farm lands represent great potential wealth in which farmers too often share inadequately. With agricultural incomes at low ebb there is unusual temptation at this time for farmers to sell mineral rights for whatever may be offered. The investigation revealed further that the cooperative pooling of farmers' mineral rights under proper safeguards provides an effective method of securing for them a fair share in this potential wealth.

It is an established fact among oil operators that during recent years a far greater share of money in royalties, particularly in the newer fields, has been made by others than the landowners, and that as a class farmer landowners have benefited far too little from their mineral rights. An oil play may last only a few weeks or it may take several years to develop. A farmer who is experiencing difficulty in maintaining his equity in his property because of crop failure, low prices for farm products, or other reasons is tempted to sell his royalty rights at the first opportunity. He is not in position to profit by the fact that under present organization and direction he could safely capitalize his mineral rights. As a consequence, even if his royalty is not practically lost it gets into the hands of buyers and scouts for large royalty companies at a nominal price before drilling operations are begun and before such royalty rights begin to bring high prices on the market. Collective bargaining power obtained through cooperatively organized mineral rights pools should bring the farmer better lease terms and drilling contracts, as a result of which he would obtain higher bonuses, rentals, and royalties.

The investigation revealed also that cooperative pooling, properly done, leads to conservation of oil resources by checking the competitive drilling which has been so disruptive of the petroleum industry and so inimical to preservation of our oil resources. Through making available to the farmer substantial income from leases and bonuses, the pressure for quick disposition of these resources is lessened. Thus the plan provides the advantages for encouraging more orderly production aimed at in the unitization program. In this way it is of advantage to the oil industry as well as to the farmer. From the standpoint of the oil industry, it affords the further advantage of simplifying the task and reducing the expense of oil producers in obtaining leases.

In short, the results of the investigation substantiated the soundness of the principle of cooperative pooling by farmers of the mineral rights underlying their farm lands, and clearly indicated the desirability of a more extensive use thereof. The development of soundly organized farmers' cooperative mineral-rights pools deserves encouragement.

In the report mentioned above reference is made to the possibility of Government loans to farmers' mineral-rights pools in the following words: "The security for Federal loans to pools or to management corporations would have to be the pooled mineral rights, represented by either the rights themselves or by some paper or contract giving legal claim to the income from such rights. That the value of such security would be difficult to appraise may be inferred from what has been said earlier in this report about the uncertainty in oil developments. Such loans would necessarily mean that the Federal Government would assume a somewhat speculative risk. For the Government to engage in regulating and financing of mineral-rights pools raises important questions of public policy."

Because of the very low cash farm income at present, the individual farmer no doubt is under more pressure than usual to realize on such mineral resources as he may have. Pooling of mineral rights appears to afford an opportunity to protect his interest in these resources. From this standpoint the pooling movement deserves sympathetic consideration and assistance, as indicated in the report referred to above.

It should be recognized, however, that loans on mineral rights, even when pooled, are of a somewhat speculative character because they involve many risks and hazards. The question whether such loans can be adequately secured rests upon technical, geological, and legal considerations. Some precedent for such loans is found in the fact that in normal times pooled mineral rights were accepted as security for loans by banks and other lending agencies.

Since the responsibility for making the proposed loans would rest on the Reconstruction Finance Corporation, it is suggested that the resolution be referred to that organization for recommendation relative to the feasibility of making such loans with adequate security and reasonable safety to public funds.

Sincerely yours,

R. G. TUOWELL, *Assistant Secretary.*

Mr. CHAMBERLAIN. During the past week I conferred with the Solicitor's office of the Department of the Interior. I presented to the Interior Department a memorandum which I also ask to make a part of this hearing for the purpose of conserving the committee's time.

(The memorandum is as follows:)

MEMORANDUM TO THE SECRETARY OF THE INTERIOR

Subject: Mineral rights underlying farm lands in relation to the oil control bill—suggested amendment endorsed by Farmers' Union, Farm Bureau Federation, and National Grange.

From: Ernest R. Chamberlain, Oklahoma City, special representative the National Farmers' Union and affiliated farmers' cooperative mineral rights pools in Oklahoma, Kansas, Texas, New Mexico, and Colorado. (Washington address: Commodore Hotel, room 208.)

OBJECT

1. To obtain administrative approval of principles in Senate Joint Resolution 27, by Senator Thomas of Oklahoma, and House Joint Resolution 83, by Congressman Disney, Oklahoma, now pending in Banking and Currency Committees and inclusion of their essential features as an amendment to the pending administration oil control bill now before the Committees on Interstate and Foreign Commerce (referred to Committees on Ways and Means and Finance).

2. The amendment sought by the farm groups reads as follows:

"The Reconstruction Finance Corporation is authorized and empowered to make adequately secured loans, based on mineral acreage, and self-liquidating in character, to recognized and established managing agencies of farmers' cooperative mineral rights pools not engaged in drilling or mining operations, said loans to be made for the purpose of defraying the cost of organizing such pools."

SUBSURFACE LAND USE POLICY

The success of the proposed oil control bill will depend fundamentally on the fair apportionment it makes of benefits to accrue from its very desirable basic provisions, not only to oil producers but to present owners of potential mineral acreage as well.

A serious obstacle to successful stabilization of the oil industry has been the failure of current restriction measures to take into account the economic self-interest of the individual landowner who, as the industry is now organized, is the natural ally of the irresponsible promoter of wildcat drilling. Under prevailing conditions of land ownership the farmer who owns potential mineral rights can only profit by their development regardless of the needs of the industry or the available supply of crude oil.

Since the Department of Agriculture, quoting the American Petroleum Institute, estimates that there are over a billion acres of potential oil-producing lands, mainly owned by farmers, and since these represent assets mainly frozen to the farmer during his lifetime, his self-interest is opposed to a conservation, restriction, and oil stabilization policy from which he receives no direct benefit. With unrestricted exploration his mineral rights have a speculative value only as development is encouraged in his immediate vicinity.

Therefore, it is concluded, in the investigation of the Bureau of Agricultural Economics (S.Doc. 93, 72d Cong. 1st sess.) that the cooperative pooling of mineral resources converts the farmer's speculative interest in an isolated tract into a "business" stake in the oil industry and provides an "effective method of securing for farmers a fair share of this potential (mineral) wealth."

The Federal report states "It has been suggested that the Federal Government might set up a revolving fund for the purpose of making loans to pools or to the organization and management corporations" (p. 80).

The report concludes as to Federal conservation policy that "centralized control of large spreads or blocks of land, brought about through cooperatively pooling mineral rights, is more conducive to orderly development than is highly competitive diversified ownership."

With the acceptance of the principle of restricted development under the proposed oil control bill it becomes more apparent that the pooling principle forms a highly desirable feature of a governmental land-utilization policy and any program for stabilization of the oil industry.

ANALOGY TO PRINCIPLES OF AGRICULTURAL ADJUSTMENT ACT

This principle of unifying the farmer's economic self interest behind the oil industry's stabilization is analogous to that employed in the agricultural adjustment act, where the farmer receives finance benefits contingent upon his voluntary acreage reduction, as regards his surface crops.

In the oil control bill as it now stands provision is made for restriction of the farmer's subsurface "crops" without clearing the way to any tangible financial benefit for the farmer's acceptance of this restriction. This makes the farmer a fair constituent of those forces seeking to promote the type of unrestricted production which has brought the oil industry to the verge of chaos.

This principle has received tangible recognition by the Government in—

1. Its limited application of the unitization policy to Government-owned reserves with respect to lease owners.

2. Its application, through the cooperative pooling program of the Osage Indian Reservation where orderly development has brought maximum benefits to the entire Osage Nation. Although not over 2 percent of the Osage Reservation produced oil, each member of that tribe, through application of the pooling principle, has received more than \$110,000 from that production (approximately half that amount from lease and bonus returns).

3. In the investigation and report of the Department of Agriculture. (S.Doc. 93, 72d Cong., 1st sess.)

4. In the report of Dr. Rex G. Tugwell to the Committees on Banking and Currency (Apr. 17, 1933) regarding resolutions of Senator Thomas and Congressman Disney, seeking to "provide protection and relief to farmers by aiding them to conserve and liquefy their mineral rights through recognized and established cooperative agencies. * * *"

5. In hearings on these resolutions before the House and Senate Committees on Banking and Currency in the last session of Congress and before the Senate subcommittee on Banking and Currency in the present session.

6. In the acceptance of the wording of the amendment here proposed for the oil-control bill by Senator Wagner as an amendment to his S. 509 prior to the abandonment of that measure and the inclusion of its nonagricultural features in the industries-control bill.

7. In the program for discussion at the land-utilization conference sponsored by the Department of Agriculture and the land-grant colleges in 1932, which was attended by Government economists and geologists, and, I believe, by representatives from the Interior Department, where the proposal excited favorable comment and interest.

8. In the current report of the Secretary of Agriculture for the Bureau of Agricultural Economics, which states (p. 24) that "in the mineral resources underlying farm lands farmers have valuable assets on which they all too often do not realize", and that "experience has shown that the cooperative pooling of farmers' minerals rights would materially assist farmers in realizing on these assets." (See also speech of Senator Elmer Thomas in the Congressional Record for June 30, 1932.)

This principle has now been recognized by the major national farm organizations:

1. In the endorsement of cooperative pooling of mineral resources by the national convention of the Farmers Union (Omaha, 1932), which led the way in establishing mineral-rights pools in Oklahoma, Kansas, Texas, New Mexico, and Colorado, having, to date, a spread of approximately 1,000,000 acres.

2. In the active support of the Thomas-Disney resolution by legislative representatives of the National Grange, the Farmers Union, and the American Farm Bureau Federation.

This principle is recognized as advantageous by the oil industry itself, as evidenced by the friendly interest shown in the Thomas-Disney resolution by leaders of the American Petroleum Institute and the Independent Oil Producers' Association, as well as by outstanding individual leaders in the oil industry.

THE PROGRESS OF THE POOLING PROGRAM

The cooperative pooling of mineral resources, as described in Senate Document 93, was rapid up to 1929, being financed as to organization expense by the capitalization of a fractional interest in the pools and the sale of shares in this interest to the investing public. Financing of this character met with same fate of all financing in the general business collapse. However, prior to 1929 one of the largest banks in the Southwest, considered the security of pooled mineral rights in the established pools excellent collateral for loans (which totaled approximately \$250,000), thus transforming frozen farm assets into liquid assets.

Earnings of the pools during the depression, from leases, bonuses, and rentals, as well as production, have preserved them free of liabilities, and the earnings of the financing interest in these pools is adequate to have paid the interest on the loan which is sought and eventually to amortize this loan. These pools have weathered the depression and their organization is such that they are absolutely free of all but insignificant liabilities and surrounded by safeguards that give maximum protection to the membership from the customary hazards of business enterprise. These features are discussed in the Senate document above referred to.

WHY THE POOLING PRINCIPLE DESERVES ENCOURAGEMENT

1. Because the Government has recognized the value of encouraging cooperative enterprise among farmers and has encouraged the cooperative marketing of surface crops. Failure so to recognize minerals underlying farm lands as farm crops susceptible to the benefits of the various farm loan acts is due to the very recent recognition by the Government of the possibilities of cooperative action respecting the ownership of mineral rights in giving the farmer collective-bargaining power and expert advice in his handling of these rights.

2. As an isolated owner of mineral rights the farmer is at the mercy of those who have greater knowledge of his assets than he has. He holds a frozen asset, frozen doubly fast in the event of the imposition of restrictions proposed in the pending oil control bill without recognition of the farmer's position. These restrictions will tend further to limit his meager prospects as an isolated individual for some returns from his mineral rights.

3. As a member of a pool the report shows that the farmer greatly enhances the per acre value of his mineral rights and obtains collective-bargaining power of great value to him.

4. As the report of the Chief of the Bureau of Agricultural Economics states, "with agricultural incomes at a low ebb there is an unusual temptation at this time to sell mineral rights for whatever may be offered." By pooling his mineral rights the farmer will get greater returns and acquire a "fair share in this potential wealth."

5. The subsurface "crops" of the States of Colorado, New Mexico, Oklahoma, Kansas, and Texas for 1920-30 had an annual average value of \$1,124,000,000, while the total, average annual value of all surface farm crops in these States combined was only \$761,000,000. In other words, the minerals produced from farm lands in these States exceeds the value of all surface crops combined. Yet the farmer receives very little benefit from this wealth due to the disadvantage at which isolated ownership places him.

6. This proposal actually costs the Government nothing. It costs the taxpayer nothing. It will add enormously to the liquid farm assets of America and provide a backlog of agricultural security. At the same time it will remove a serious source of farmer resentment against scientific efforts to curtail mineral development to meet consumption demand. As a member of a pool the farmer would have less immediate interest in the rapid development of his particular tract of land.

THE PROPOSED AMENDMENT

The loan sought is (1) purely permissive; (2) it is self-liquidating (even considering the average income during the past 2 years and without considering recent important oil discoveries on pooled tracts in the Conroe, Tex., area); (3) the loan will practically all be spent for wages to farm organizers. Since the pools do not engage in production the loan would in no way tend to encourage further production but would tend to restrict it.

ERNEST R. CHAMBERLAIN.

COMMODORE HOTEL, Washington, D.C.

Mr. CHAMBERLAIN. The reaction of the officials of the Interior Department who have been active in preparing this legislation was favorable, and I was told that, if time permitted, a letter so stating would be forthcoming to the chairman of this committee.

I wish to incorporate for the committee's information reference to Senate Document No. 93, Seventy-second Congress, first session, entitled "Mineral Resources of the Country as Related to Farm Lands."

Hearings before a subcommittee of the Senate Committee on Banking and Currency (composed of Senators Steiwer, Gore, and Couzens) in the Seventy-second Congress, second session, on S.J.Res. 247. These hearings, held February 24, 1933, are entitled "Conservation of Mineral Rights Underlying Farm Lands." They contain a joint letter of endorsement of the proposal by the three national farm organizations.

Also I refer to hearings entitled "Mineral Rights Underlying Farm Lands" held February 28, 1933, before the House Committee on Banking and Currency, Seventy-second Congress, second session, on H.J.Res. 587, by Congressman Marvin Jones, of Texas.

Also hearings before the Senate Subcommittee on Banking and Currency (Senator Byrnes chairman) on the amendment of the Emergency and Construction Act of 1932 designated as S. 509.

I wish to refer to the annual report of the Chief of the Bureau of Agricultural Economics for the Secretary's report for the fiscal year ended June 30, 1932.

I wish to incorporate in these hearings a telegram I have just received from John A. Simpson, president of the National Farmers Union, approving the oil control bill as amended to provide protection for farmer-owned mineral rights.

(The telegram referred to is as follows:)

CHICAGO, ILL., May 26, 1933.

ERNEST R. CHAMBERLAIN,
Washington, D.C.:

Please include in your testimony before Senate Finance Committee my endorsement of oil control bill containing amendment agreed on by farm group which will encourage fair apportionment of bill's benefits to farmers through inclusion of basic provision of Thomas Disney's resolution for aiding farmers to conserve and liquefy mineral rights through recognized and established mineral rights pools.

JOHN A. SIMPSON,
President National Farmers Union.

Mr. CHAMBERLAIN. There are a large number of States not now recognized as oil States which are considered as highly potential. The farmers in these States, if they are not protected by some pooling group, will suffer the fate of farmers elsewhere. They will sell their mineral rights in advance of production for little or nothing. This is particularly true of the State of Mississippi which has over 20,000,000 acres of likely oil-bearing land. It is true of nearly 19,000,000 acres in the State of Missouri. I call the attention of the committee to the table contained on page 26 of the Senate Hearings on S.J.Res. 247 of the last session, February 24, 1933, which will give startling evidence of what potential mineral rights will eventually mean to farmers of all but a dozen States in the Nation. Already in the mineral States the annual value of minerals taken from farm lands exceeds the annual value of all surface crops combined.

LOAN FEATURES

The problem presented by this amendment as to the safety and security of the loan sought is not fully covered either by the report of the Department of Agriculture, as pointed out in Dr. Tugwell's letter, or by any commitment from the Department of the Interior. This is a business detail which naturally will be passed on by the lending agency upon showing which will be made.

I wish here to touch upon these matters which will be clear to anyone familiar with the oil industry as forming the basis of a secure loan.

The testimony of Mr. Aldrich Blake, of Oklahoma City, on the hearings of last session on Senate Joint Resolution 247 presents the

facts concerning the essential self-liquidating character of these loans from rentals and bonuses now being paid on pooled tracts regardless of any production of oil. Collateral for the loan sought would be deeds representing a one-fourth interest in royalty acres acquired by all pools or shares of stock representing those deeds in the two title holding companies for that one-fourth interest. Against this collateral there are no overhead charges. The basis on which the loan would be made would be a full per acre royalty value and would be approximately 4 percent of the 1930 appraisal of Huntley & Huntley, world famous petroleum acreage appraisers, of Pittsburgh. It would not exceed 20 percent of any appraisal under present conditions. With production now obtained in the new Conroe field of Texas we expect to show for the pools earnings several times the interest requirements of the loan we will seek. The actual intrinsic value of collateral will be several times the amount of the loan. We will be prepared to back up our application with endorsements of soundness of loan bankers, geologists, leaders in the oil industry, and others. Determination of the merits of this loan will prove extraordinarily simple, far simpler than almost any other type of loan. Our request is so modest as compared to our acreage values and earnings as hardly to require expert testimony.

Under normal conditions banks consider this style of collateral excellent, and the manner in which pooling liquefied frozen farm assets cannot be given greater support than the record of consideration which banks gave to this type of collateral in the days when banks were recognizing any collateral and were making loans. By liquefying these frozen farm assets the Government will not be out any money. The money loaned will not be used for any other purpose than the payment of organizing expenses, thus putting large numbers of farm organizers to work, and the payment of minor overhead expenses in supervising this work. The loan is purely permissive and not mandatory. Farmers who join this movement can be assured of a regular income and of collateral which will tide them over periods of inability to pay interest and taxes which threaten their tenure.

The CHAIRMAN. I thank you very much, Mr. Chamberlain.
Mr. Pennington desires to make a statement.

STATEMENT OF HARRY PENNINGTON, PRESIDENT SAN ANTONIO INDEPENDENT PETROLEUM ASSOCIATION, SAN ANTONIO, TEX.

Mr. PENNINGTON. You are dealing with properties now of intrinsic value of more than all the allied debts due to our Nation. Those allied debts to our Nation do not equal one half the amount you are dealing with now.

I am going to ask the most serious consideration of two points—just two points in this measure. One is that I am presenting a brief on which you will find the names of four associations. The organization of these associations was not brought about in concert. It is the nature of men, as they have acted in all times, in banding together for defense, and we are not on the offensive, so these organizations arose spontaneously in all these districts, and they are all brought together here now for one common end of defense.

I think that will answer the question of why there are so many associations.

Stripper wells: In the first place, stripper wells are wells that have already been taken out. We will answer as to stripper wells, that they have already had their day. Some of them have had their day at \$4 per barrel. Now they do not want anybody else to have a day. That is not the answer. The answer is, even if the wells are shut down, it is fact that they are not lost, and we certainly will develop, through engineers and scientists, a method of going down there to get it when we need it, and the price will justify it.

The next one is this: The price charged for transportation does not carry them up to 600 percent that would be back on the stripper wells, and those gentlemen would have their just relief.

I have presented in this brief a situation, without using invectives, that I think would cause any Congress, any legislature, as it were, to invest sword and buckle and protect each individual—each individual protect his rights against all the Nation, if need be.

This story I am telling in this brief, we have been subjected to it for 2 years, and the pressure is getting more intense. We will be driven out of the oil business which our industry has started and brought up to its present state. We defy any industry to show that it is using more of the collateral resources and natural resources than we find associated with oil below the ground.

We challenge any industry to show more.

The next is the price of motor fuel in our industry and in so-called controlled countries. In foreign countries, the price of gasoline averages twice what it does in our country. It goes as high as 60 and 70 cents per gallon of gasoline produced in the United States, from 10-cent oil. I ask if that situation appeals to any fair-minded man as being fair. I do not think anyone would say it is fair, and the results which affect our commerce, our oil industry, is that in many foreign countries because of extortion practices through extortionately high prices, the major companies have been pushed completely out and oil rights have been taken over under eminent domain proceedings, including all the properties distributing it, and we have lost our foreign trade exactly that way.

Senator GORE. What countries have done that?

Mr. PENNINGTON. Spain first—Spain appropriated all the property of the Standard Oil Co. Probably she has paid them by now, but she is distributing the property. France is doing it now. Chili is demanding a similar contention.

The CHAIRMAN. Mr. Warner wishes to make a statement.

STATEMENT OF W. W. WARNER, REPRESENTING OKLAHOMA STRIPPER WELL ASSOCIATION, MILWOOD, OKLA.

Mr. WARNER. I represent the Oklahoma Stripper Well Association, the North Texas Oil & Gas Association, and the Kansas Stripper Well Association.

Gentlemen, I would like to answer that the oil business may be good in east Texas, it may be good in California, it may be good up in New York, but it is bad in Oklahoma, and I want to appeal to you. I have no argument on economic or conservation grounds, but

I want to explain a personal point, my intimate contact working in the field and men that are not working. I am sorry our fellows have not sent a lawyer here. I am what they call a stripper well operator. We feel we have a place in the sun. We feel that our condition is serious, and for that reason a group of men in Oklahoma formed this small association. It covers a whole State. We asked the men from Kansas if they would join us and they were unable to do it, and a group from northern Texas came in and they paid my way to come here and paint our picture. Here is the situation. We have—oil went to 25 cents per barrel in Oklahoma, and we cannot produce it from our wells at that price. In order to keep our wells operating we have cut these men down to \$20 a month from \$30 a month. On top of that we have many barrels of oil under these wells, and, in my opinion, it is a criminal economic waste to allow conditions to exist that will prevent the future recovery of that oil. I cannot go into the details of this, but I want to tell you one more thing, and I hope it will impress itself on the members of the committee.

In addition to being a stripper well operator I was chairman of the Government's flour distribution committee in our county. In addition to that I am the mayor of a small town down in Oklahoma, for which I get \$1 a year. My work in the past year has been confined almost exclusively to try to run our town on practically no money and to take care of these oil men who are on the bread line. That is the reason I am here. I am sorry I cannot tell you the story like it should be told.

We have wells that ought to be worked on that have not been worked on for 3 years for the reason we could not afford to work them. When oil was 15 cents a barrel, as it was a little while ago, we told our men "You have got to work for \$20 a month", and when oil went up we raised our men. Now oil is down again and we had to lower them.

Senator CONNALLY. Was that a flush field?

Mr. WARNER. It was 25 years ago; yes, sir.

Senator GORE. Can you give us the lifting cost on that oil?

Mr. WARNER. The lifting cost is based entirely on what we pay our men. That is the major item of expense.

Senator GORE. I thought maybe you worked it out on the average.

Mr. WARNER. Well, it is pretty hard to tell. We have a lower lifting cost than some of the big companies. In fact, there are very few big companies left. Most of these stripper wells belong to stripper well men. The big companies cannot operate these wells at a profit. We have no overhead.

The CHAIRMAN. Mr. Sandefer has a statement he wishes to put into the record.

STATEMENT OF J. D. SANDEFER, JR., BRECKENRIDGE, TEX.

Mr. SANDEFER. Mr. Chairman and gentlemen of the committee, I would like to have just a few minutes. I appear before you as an independent oil operator of central and western Texas, as president of the Middle West Texas Oil & Gas Association, consisting of 300 members, who are all operators, and, unlike other associations that

claim they are independent, we do not have any representative of major crude-oil industry in our organization.

I also appear before you as a representative of the Northern Texas Gas & Oil Association, of north Texas. I represent Mr. J. S. Bridwell, who appeared here recently and who has gone back to Texas. I represent approximately 20,000 stripper wells.

I want to disagree with the statement made by the gentleman a while ago that at one time stripper wells were big as flush wells and that they got \$4 a barrel for it. Many wells were small at the time they were drilled or immediately became stripper wells.

I further want to disagree with the gentleman from Texas. I personally have had wells ruined by shutting them down on account of water.

For the benefit of you gentlemen that are not familiar with the stripper well business, one third of the wells in my country make stripper wells, and it is necessary to operate them continuously to keep them from ruining. I have not a single well running in the west Texas field at this time, and I am wondering at this moment whether I will be able to recover them again when I start.

We are unable to lift oil at 25 cents a barrel. We are unable to pay our employees, and there is only one reaction and that is to shut them down; and that is the reason I am here telling you an emergency does exist, in order to conserve that natural resource and, furthermore, in order to help us along in our community with the unemployment situation.

I could talk with you for hours. I have a number of wires here from Wichita Falls Chamber of Commerce and various other chambers of commerce, but I had eight to come in this morning from those localities in my State, asking me to do all in my power to have the situation relieved from what it is as exists in Texas.

I live at Breckenridge, Tex.

The CHAIRMAN. Mr. I. C. Grimm wishes to make a statement.

STATEMENT OF I. C. GRIMM, REPRESENTING THE GOVERNOR OF THE STATE OF OHIO

Mr. GRIMM. The Pennsylvania delegation might allot me their time. How much time may I have?

The CHAIRMAN. Do you want 10 minutes?

Mr. GRIMM. It might take 15.

The CHAIRMAN. If you want 10 minutes you may go ahead. We are going to stop in a few minutes, and we are going to close this oil hearing this morning.

Senator CONNALLY. Where are you from, Mr. Grimm?

Mr. GRIMM. From Ohio, representing Governor White.

Mr. Chairman and gentlemen, I represent Governor White, of the State of Ohio, his personal representative here, and the oil and gas associations of Ohio, with probably a thousand or fifteen hundred members, and I believe that you people are just beginning to hear the story of the stripper wells from the last two or three witnesses.

I would like to show you our condition as it exists in Ohio today. We have some 36,000 wells producing some 18,000 barrels of oil per day. Out of the 330,000 to 350,000 barrels from wells in the United

States, we have about one ninth of those wells. About 250,000 of those wells produce one half barrel or less per day. Three hundred thousand of them produce around one barrel. We feel that the stripper wells are the greater portion of the wells in the United States. Almost 300,000 of them produce less than a barrel of oil out of 350,000 wells in the United States. Certainly those wells employ an awful lot of men and buy a lot of material and keep a lot of factories up.

In my State, I want to disagree with Mr. Jones. He said that the proration gives you more drilling. Our drilling in Ohio dropped from 600 wells, or 1,986 in 1930, down to 695 wells in 3 years on account of proration. Our production prorated there from 7 million barrels down to 4½ million in Ohio.

The principal factor in oil production today is the overproduction in flush pools and breaking down of proration orders, many of them which are fatal.

Senator CONNALLY. Overproduction in flush fields or overproduction everywhere?

Mr. GRIMM. Absolutely not.

Senator CONNALLY. You produce all you can get when you produce in your field, do you not?

Mr. GRIMM. Absolutely not.

Senator CONNALLY. I am talking about a well—if you have a stripper well, you produce all you can get out of it, do you not?

Mr. GRIMM. No, sir. We produce one half we can get. We cannot sell it. East Texas has come to Cincinnati and is crowding us out of the picture. We cannot compete with it any more.

Senator CONNALLY. A stripper well never can compete with a flush well.

Mr. GRIMM. We should do it in our own district.

Senator CONNALLY. I say it cannot do it.

Mr. GRIMM. We have been the backbone of the industry for the last 73 years.

Mr. Blalock stated, and I think it was a reflection on my name, and I happen to be one of the five members of the subcommittee and one of the Committee of Fifteen. When we made those recommendations we stated clearly that we suggested the production be held to 2,000,000 barrels a day pending further investigation of the oil business and proper allocation to the different States. We did not say 2,000,000 barrels a day was the market demand and did not intend it to mean such. Furthermore, Mr. Blalock, of Texas—and I tell you gentlemen right here—I have never seen a more selfish set of men in the United States than I have run across here in a few of these States that are testifying here.

Senator CONNALLY. I do not think that is a proper matter for discussion for you.

Mr. GRIMM. Mr. Blalock stated that he feels the properties in Texas are being confiscated. They are being allowed six tenths of 1 percent of the production estimated on 120,000,000 barrels per day. Gentlemen, if any States or any properties are being confiscated, it is the properties in the small producing States and not in the State of Texas. They are producing today 60 percent of the market demand of the United States. Still they want more.

Senator CONNALLY. That is because they have the oil, and you have not.

Mr. GRIMM. We have always had the oil.

Senator CONNALLY. I know you have always had it, and now you are kicking because somebody else has got it.

Mr. GRIMM. No; we are not.

Senator CONNALLY. I think you had better confine yourself to the issues here and not mention personalities, if you want to get anywhere.

Mr. GRIMM. I just mentioned that because they mentioned personalities of me.

The small producers have exerted every effort to continue in the oil business, to save their properties, and to keep their men employed, but we find it impossible to continue it any longer under the present low price for crude oil. Unless some legislation is enacted at this session of Congress to give immediate relief, it will result in a complete shutdown of all small wells.

I believe that is a statement of the truth when I say that.

I would like to quote here a small part of President Roosevelt's talk to the chamber of commerce on May 4.

Senator McADOO. Before you read that, and apropos of what you just said about the stripper wells, is it not a fact that the most of the stripper wells are owned by the big companies?

Mr. GRIMM. No, sir.

Senator McADOO. Why not? They own the pools in large part, and now that first production has been exhausted, they very largely control the strippers, do they not?

Mr. GRIMM. There are 146,000 wells in Pennsylvania, Ohio, and New York State and West Virginia pumping three eighths of a barrel per well, and those wells are owned probably by 75 or 80 percent of independent producers.

Senator McADOO. You are just speaking about those States. Take Oklahoma, Texas, and California.

Mr. GRIMM. I do not know about conditions out there, but there is one point I would like to bring to this committee right here before I forget about it. With 3 percent of the production of the United States from those 146,000 wells we supply 31½ percent of the motor lubricating oil in the United States. One hundred and twenty-six million gallons out of the 3-percent production with those 146,000 wells.

Senator CONNALLY. You are not so bad off as you thought you were.

Mr. GRIMM. Bad off? We cannot pay the lifting cost. Now, are we going to say here that those wells are going to be lost?

Senator McADOO. Whom do you represent exactly? I mean here in your State, whom do you represent?

Mr. GRIMM. I happen to be on that subcommittee of five. I think that my integrity to the independent producers was somewhat attacked here the other day. That is why I brought other names into this hearing, which I would not have done otherwise.

Senator McADOO. What do you mean by subcommittee of five?

Mr. GRIMM. Formed here by the Governors' committee in Washington in March.

Senator McADOO. Formed by whom?

Mr. GRIMM. By request of the President of the United States.

Senator McADOO. Then you do not represent directly any organization of strippers?

Mr. GRIMM. I represent the Governor of the State of Ohio and the Independent Stripping Co. of Ohio, the Penn Grade Association, and the Southern Ohio Oil & Gas Association. I am president of the Southern Ohio Oil & Gas Association and a member of the Penn Grade Association. I mention that to show how we are connected up with the oil industry of the United States by furnishing that premium motor oil, and still we cannot pay our lifting cost to get that oil to the top of the ground.

On May 9 in Ohio the oil dropped to 70 cents a barrel, and we cannot expect to lift it under \$2.

I want to quote part of President Roosevelt's speech to the Chamber of Commerce of the United States on May 4, which is as follows:

I call your attention to what must be clear to all of us: That each and all of you in your own units and your own industries are but an integral part of a whole, and that our national economy must be expressed in terms of the whole rather than in terms of the unit. * * * I ask that you have the vision to lay aside special and selfish interests to think of and act for a well-rounded national recovery.

We would like for you people to consider that we are all here to try to work for national recovery of the oil business. We are not here for our own selfish interest. We are asking you people to try to give us some legislation here to help the oil industry as a whole.

Senator McADOO. It is your idea you want legislation to let the Government fix your price of oil per barrel?

Mr. GRIMM. No, sir; I feel the price will take care of itself if the production is regulated.

Senator McADOO. In other words, if you shut down California and these other States, you will get the proper price.

Mr. GRIMM. No; I do not think California has been asked to shut down production.

Senator McADOO. This provides for cutting down production everywhere. The great bulk of your production was very high-grade oil for lubricating purposes, was it not? You, therefore, do not come into competition with other grades of oil that have not the lubricating constituents that your oil does.

Mr. GRIMM. The gasoline in that oil comes out of it, and we only have 5,000 barrels of premium oil in our State where we have about 14,000 barrels of other oil.

Senator McADOO. The lubricating value of Pennsylvania oil is its principal value?

Mr. GRIMM. They have one valuable lubricating oil. The refineries take that and take the gasoline from it.

Senator McADOO. I know; but the primary value is that.

Mr. GRIMM. Yes, sir.

Senator McADOO. About what percent of lubricating oil do you have?

Mr. GRIMM. The percent of lubricating oil recovered from Penn grade is approximately 23 percent.

The CHAIRMAN. If you have a statement you want to file, you may do so.

Mr. GRIMM. I want to put it in the record; yes, sir. There is only one thing here that I feel is important if we have to grant that there is no overproduction and that the consumption can use up all the production the flush pools can produce, we are out of the picture—we are done. Now, then, we will all have to face this fact, that all our men will have to be placed in other industries in a very short time, and those industries are already overloaded with their own troubles. Where can our men find employment that they are suitable for? How will they get into the picture? These industries are all loaded now. That means that the Federal Government, through the relief projects started now, will have to take care of hundreds of thousands of men they never thought of.

I present the following statement for the record:

As representative of Gov. George White and of the Oil & Gas Associations of Ohio, I wish to submit for your serious consideration the following information concerning the deplorable condition of the oil industry in our State.

There are more than 30,000 producing oil wells in Ohio. This is one ninth of all the oil wells in the United States. The average production of these wells is one half barrel per well daily.

There are about 330,000 producing oil wells in the United States. Of this number, 250,000 produce one half barrel or less per well daily; 300,000 produce less than 1 barrel per day. Yet these "stripper wells" are the settled, dependable "backlog" of the oil industry.

Oil-well drilling in Ohio has nearly ceased due to the posted price—which is now but one third of the cost of production. The well-drilling record of Ohio is as follows:

Year	Comple- tions	Oil wells	Gas wells	Dry	Percent dry
1930.....	1,936	653	715	568	29.33
1931.....	1,003	218	518	267	26.62
1932.....	695	206	287	202	29.06

As a result of prevailing conditions of the oil industry in Ohio, thousands of high-paid workers are idle. The demand for equipment such as belts, wire cables, gas engines, tubing, line pipe, casing, tanks, and derricks, are practically nil—this making other thousands idle. The State, county, and townships lose large sums in taxes, which in turn closes schools and other activities. More than 2,000,000 acres of leases of oil and gas lands at \$1 per acre have been surrendered, and this rental money paid the taxes of thousands of farmers, and these taxes are unpaid.

The principal cause of this crisis in the oil industry is overproduction in the flush pools in western States. Bootleggers, proration violators, and the sellers of "hot oil" have caused demoralization in the industry, all of which is reflected by price cuts passed on to the producer, so that he cannot continue in business much longer.

The Nation and State have taxed the products of a barrel of oil by continued steps until the sum total tax today is more on each barrel of crude than the producer is paid. This tax is confiscation and confiscation causes revolution. The point of diminishing return has long since been reached and a lowering of taxes must be made. All taxes placed on oil products seem to lower the price of crude oil.

The average lifting cost per barrel for this settled production in Ohio is about \$2 per barrel, and the present sale price is from 50 to 60 cents per barrel.

Since 1920 the price of our oil called Pennsylvania Grade has dropped from \$2.70 to 77 cents per barrel on May 9, 1932. Other grades are quoted at a considerable less price.

The Texas delegation "opposed to monopoly", represented by Mr. Blalock, has complained here to this committee that, inasmuch as the potential flow of

east Texas was estimated at 120,000,000 barrels per day (here I wish to say that any experienced oilman would hesitate to mislead this committee with such a statement), and the allowable production in east Texas about 800,000 barrels per day was only six tenths of 1 percent, that this small allowable production amounted to a confiscation of their properties.

Now, gentlemen, I must say here in defense of the settled production of the Eastern States, and in fact of all the States, that Mr. Blalock and the producers he represents should consider our position when he complains about Texas being able to produce only about 1,200,000 barrels per day, or 60 percent of the total demand of oil. I might say here that the week ending May 20, 1933, according to the American Petroleum Institute's weekly summary, Texas had a daily average production of 1,371,950 barrels, and the total daily average demand, according to the Bureau of Mines, was 2,431,000 barrels for the month of March, which is the last report they have out. So Texas is producing just about 60 percent of the total demand. If any States have complaints about confiscation, they are smaller producing States that have taken care of the market demand for the last 73 years. If any properties are being confiscated, they are these small producing properties in other States and not in Texas.

Gentlemen, the oilman in general believed when we came here in March, at the request of the President, that we still live in a United States, and we still hope that is so; but Texas—or I might say certain parties in Texas—are not holding to this fundamental condition that should exist in America. They seem to have no consideration for the rights of other States and forget and ignore the fact that oil-producing States with a large consumption and small production, and States not producing any oil, have purchased from Texas in 1928, 267,320,000 barrels; in 1929, 206,876,000 barrels; in 1930, 290,457,000 barrels; in 1931, 332,437,000 barrels; and in 1932, 311,000,000 barrels, except about 5 percent used by their own State. If the present rate of production continues, they want us to absorb about 500,000,000 barrels in 1933, or 60 percent of all the market demand. This, gentlemen, is what Mr. Blalock and his associates opposed to monopoly call "confiscation of Texas properties."

Gentlemen, I want you to consider carefully the question of imports. If these major companies are bringing in oil and giving American labor the benefit of refining it here and exporting the major part of this oil, when they could refine it at their foreign refineries, then Mr. Blalock or none of us should have any complaint if these imports are limited to 108,000 barrels per day—the average of the last 6 months of 1932.

Now, granting that there is no over-production and that the consumption is more than the production and that the consumption will take care of any amount of production, as Mr. Blalock claims, what then is the matter that the laws of supply and demand do not take care of the price. Gentlemen, there must be an overproduction, as our stocks have increased from 171,000,000 barrels in 1917 to 535,514,000 barrels in 1929, then decreased to 434,651,000 barrels in 1932. Under present financial conditions, these stocks must be kept down. Why should we say that the major oil companies should store this oil and pay a high price? If we must do away with monopoly, let the ones opposed to monopoly store this oil.

These companies purchased some of this at high prices and some at low prices, and it cannot be claimed that it is not American oil, so there should be some allowance for oil to come out of storage.

As my name was mentioned here Friday in a way that might question my integrity with the small producers whom I have always represented, I want the right here to say that as one of the Subcommittee of Five, we only made certain suggestions to the Committee of Fifteen, and I resent any implication of misrepresentation that Mr. Blalock may have given to this committee. I want to read and quote from the recommendations made by the Committee of Fifteen (which committee was formed at the governors oil conference last March), and file in the record the whole report:

" * * *

" 2. That the producing States can aid and assist in the following respects:

" * * *

" (f) By reaching an agreement with each other on the total market demand for crude petroleum and a proper allocation of this demand as between the producing States.

Note.—Pending a more complete study of the subject, the production in the United States should, for the time being, be limited to 2,000,000 barrels per day, allocated as follows:

	<i>Barrels.</i>
Texas.....	785, 242
Oklahoma.....	417, 600
Kansas.....	93, 308
California.....	482, 482
All other States.....	270, 270

This, gentlemen, is the exact recommendation we made, and we did not say that 2,000,000 barrels per day was the market demand, but that 2,000,000 barrels per day would be sufficient, pending a more complete study of the subject.

The small producers have exerted every effort to continue in the oil business to save their properties and to keep their men employed, but we find it impossible to continue any longer under the present low price for crude oil. Unless some legislation is enacted at this session of Congress to give immediate relief, it will result in a complete shut-down of all small wells.

I would like to quote some parts of articles by Mr. B. C. Forbes, including part of President Roosevelt's speech to the United States Chamber of Commerce on May 4, 1933:

By Mr. Forbes:

"American industry faces either a larger measure of political government or a larger measure of self-government. Industry itself will decree which.

"* * * * Shall industry adopt self-government satisfactory to the Nation, or shall it let matters drift from bad to worse and be subjected to radical political government?"

"That warning was published by the writer four years ago, in April 1929, when everything, apparently, was booming beautifully.

"Again, fully 2 years ago, the writer warned:

"'Unless our leading capitalists and executives voluntarily bring about a revolution of thought concerning the ultimate purpose and objectives of industry, a revolution may by and by be forced upon them.' * * *

"'Only a revolution in ambition and vision and aim can avert ultimate disaster to our whole economic structure. Well being of the country, not merely well being of the corporation must hereafter enter much more largely into the reckoning. There must be ushered in a new conception of the *raison d'etre* of industry.

"'Industrialists must recognize that they have responsibilities beyond mere money making, that on them more than on any other group devolves the responsibility of creating national prosperity, an employed population, a higher standard of living, a more generous measure of leisure than could possibly be attainable under a Stalin or a Mussolini or a Norman Thomas. * * *'

"Industry, either too blind or too indifferent, did nothing effective. Its alleged national association, the United States Chamber of Commerce, proved pathetically useless.

"Apparently it couldn't see the handwriting on the wall, notwithstanding that that handwriting became starkly clear, starkly ominous.

"Compare the warning already quoted with what President Roosevelt impressed upon the members of this same chamber on Thursday evening:

"'I call your attention to what must be clear to all of us: That each and all of you in your own units and your own industries are but an integral part of a great whole and that our national economy must be expressed in terms of the whole rather than in terms of the unit. * * * I ask that you have the vision to lay aside special and selfish interests to think of and act for a well-rounded national recovery.'

"There have been proffered a thousand explanations of how and why so much distress has overtaken this country—the World War, insane speculation, excessive creation of securities, abnormal borrowing, etc.

"As I see it, the basic explanation, the basic reason is extremely simple, extremely plain; almost all of us become motivated by mercenary selfishness. * * *

"Each was out for number one, each was perfectly willing that the devil should take the hindmost. Instead of 'each for all and all for each', each thought wholly and solely of himself regardless of the consequences to others.

"Well, the inevitable resulted namely trouble for all."

We have tried for 3 years to do away with the selfishness and disregard to our neighbors' rights in the oil business and have arrived at the cross-roads. Now is the time for Texas and all of us to admit that we are only a part of a great whole and to lay aside our special and selfish interests and work for a national recovery in the oil industry. Now is the time to give a rational measure of thought to the greatest number in the industry.

Consider what will happen if thousands of small operators are forced out of business. Their employees will have to be placed in other industries, if they could find work in other industries that they are capable of doing. As we all know, most industries are now overloaded with their own troubles. So, ultimately, these unemployed oil men, not being trained in any other line of work, will have to be aided by some of the administration's relief projects.

The oil-consuming public will have to take chances on the flush pools supplying their future needs and the Federal Government will suffer an irreparable loss in oil reserves that can never be economically recovered.

So I implore you, gentlemen, to consider carefully our situation and not be swayed by a few selfish interests in the industry. Give us some remedy by special legislation so that the majority of the producers may get a price for their product that will enable them to save their properties until this emergency passes.

Respectfully,

I. C. GRIMM,
*Representative of Governor George White of Ohio
 and of the Oil and Gas Associations of Ohio.*

Senator CONNALLY. Mr. Seeligson is here and I want some time for him to be heard.

The CHAIRMAN. All right, we will hear Mr. Arthur Seeligson now.

STATEMENT OF ARTHUR SEELIGSON, OF SAN ANTONIO, TEX.

Mr. SEELIGSON. My home is in San Antonio, Tex., but for the past 3 years most of my time has been spent in Oklahoma City. I am appearing for myself as an independent producer and royalty owner, and also as the trustee of the T. B. Slick estate, which estate has production and royalties in Oklahoma, Texas, and Kansas.

The oil business has suffered almost to the breaking point. The principal reason has been lack of reasonable control of production in Texas, Oklahoma, and California. This situation has necessarily affected other branches of the oil industry.

Controlled production through adequate proration laws is sound and equitable. Landowners and producers alike are entitled to their ratable part of the production from any common source of supply. Because of the nature of oil and gas any other method of production would lead to such inequalities as to be unthinkable.

Controlled production will, in almost every case, increase the ultimate recovery from any oil field. It is economically unsound to produce oil in excess of the reasonable market or consumptive demand. There can be no question but that the natural storage in the ground is far superior to steel storage above the ground.

Oil today is being produced far under the cost of production. Sixty thousand small pumping or so-called "stripper" wells in Texas and Oklahoma, producing approximately 200,000 barrels of oil a day, are at stake. They, together with the settled production in other States, form the backbone of the oil industry. Do not lose sight of the fact that the flush pools of today become the settled pools of tomorrow and must be preserved. Unless there is some immediate improvement, these wells will have to be abandoned, and once abandoned are lost forever.

An adequate Federal law that will hold production to the consumptive demands and prevent the stealing of oil through its violation is absolutely necessary.

One of the weak spots in the industry, as far as overproduction is concerned, has been the Oklahoma City pool. Having been in close touch with the situation in that pool and thinking it might be of help to you, I will give you the Oklahoma City picture as seen from the viewpoint of the independent producer.

For 2 years 95 percent of the producers in the Oklahoma City field have been fighting to hold production to the reasonable market demand and abide by the State proration laws. Without this supreme effort the oil industry would have been wrecked long before this.

This fight has been carried on in the face of inadequate laws, lack of full cooperation on the part of some of the purchasing companies, and the thieving tactics of the small minority of producers who desire to get special advantage for their own companies at the expense of their honest neighbors.

Few, if any, of those who have been overproducing their properties are advocates of uncontrolled production. They want the other owners prorated and a law such that will make it possible for them to run their wells uncontrolled. No producer wants to sell his legitimate part of the oil at a price under the market or below the cost of production, but if he can overproduce and get oil from his neighbor he feels that he is just that much ahead and will sell it at any price.

The laws in Oklahoma and also in Texas have made this possible.

The tactics of the racketeers, or those producing hot oil in the Oklahoma City field has been revolting. Many of them have reported only producing their legitimate allowable, having paid a gross production tax on that amount, and later, through devious means, have filed supplemental reports and taken care of the payment of additional taxes. Because of the small allowables, different production practices, and the size of the wells, it has not been possible even for offset owners to realize that overproduction was taking place. Meters have been jimmied, by-passed, and oil run without any method of accurate gages taken and no accounting made to the royalty owners. This type of individual cannot be appealed to and must be reached by law with such a penalty that he will not dare run the risk of being caught.

A good example of this is one concern in the Oklahoma City field with a well located on a single city lot which overproduced its well some 900,000 barrels before overproduction was discovered. The surrounding wells will never be able to make up such an amount from their wells. The pressure on the entire area has been reduced and an irreparable damage done. That type of producer might claim the oil business has been fine and would naturally oppose any change in the present method of regulation. Some 12,000,000 barrels of oil have been overproduced in the Oklahoma City field during the past year by not exceeding 10 violators who own less than 2 percent of the production.

All of the penalty features of the Oklahoma statute were knocked out by court decisions. The corporation commission did not even have the right to compel witnesses to file their reports and only months later, through the reports of the tax commission, were the

above irregularities discovered. Some producers have even admitted overproduction before the commission, insulted its members, and the commission was helpless to act. The situation has been deplorable and the commission helpless to proceed against the small minority interests who have violated the law and the rights of their neighbors.

Many wells in the Oklahoma City field could not get legitimate connections. They saw the offset wells producing oil and, in desperation, had to produce theirs and sell the oil under the market to whatever purchaser they might find and at whatever price. This situation has now been largely eliminated, but it was a factor in the past and the seat of a part of the early troubles.

A few weeks ago a new proration law was passed in Oklahoma, but sufficient time has not elapsed to see how it is going to work. Texas and Oklahoma both have laws that provide for ratable taking, the prevention of waste, and the limitation of production to market demand. Imagine an independent producer with production in three States. Each with different laws, its own regulatory commissions, and all sorts of rules and regulations. The regulatory bodies of each State have felt that it was their duty to make the allowable for its particular State high enough so that that State would not lose any of its market. There is only a demand and market for so much oil and each State, because of greed and the failure of its regulatory bodies to cooperate with the other States, is unwilling to fit its picture into the whole picture. The result has been an overproduction in all of the States of Texas, Oklahoma, and California, and the complete break-down of the price structure in the oil industry. The only means of remedying this situation is through governmental regulation and with definite authority in some agency to allocate to each State its rightful part of the oil to be produced as considered from the standpoint of the entire Nation.

Don't let anyone tell you that it is the so-called "major companies" who are sponsoring this special oil legislation. Some may be for it, but as the present situation is a case of the survival of the fittest, they are in a position to take care of themselves. I have no quarrels with the larger companies and do not want to see their difficulties increased at this time. Certainly 25-cent oil is not hurting them like it is us. It is the thousands of honest independent oil producers and the thousands of landowners in Texas, Kansas, and Oklahoma and California who are being ruined and are in need of immediate help. I know what I am talking about because I am one of them.

There are two types of opponents to control. One is the type who wants to profit by a condition of chaos. If anyone tells you that he or his interest has prospered by producing oil within the last year you may rest assured that it has been because of the illegal taking of oil at the expense of his honest neighbors. Check carefully and see if in each instance they themselves have not violated or represent interests who have violated the State proration laws, the rules and regulations of the regulatory bodies of the State, and have been active in opposing all kinds of restraint. Their plan is to confuse, suggest delay, and offer nothing constructive for the solution of the oil industry.

There are others who are opposed to regulation because they have nothing to lose one way or the other and are not rightly classified as being oil men. I wish you gentlemen had the means of really knowing the truth and the sentiment of the independent producers and landowners. If you did you would find out as I know that the great majority of this branch of the industry wants the proposed special Federal control oil bill, the Capper-Marland bill, and feel that it is needed and without it there will soon be no independents left in the business.

There is the other type who fears governmental cooperation because they are opposed to any governmental interference with business and are also afraid to trust Government officials. My answer is that we have ineffectual State regulation and what we need is adequate Federal regulation. I hope and believe that we are going to get some kind of Federal regulation, just as the other great industries of this country are going to be regulated so as to prevent a small minority from wrecking them. The President said as much in his last talk over the radio to the American people. If this is so the oil industry should be favored with a law that will give it the best possible regulation, supervision, and assistance so that racketeering by the small minorities can be stopped.

I am not an alarmist, but the situation is critical and calls for immediate relief. I am an independent producer, also a royalty owner. My situation is typical of that of thousands of others in Texas, Oklahoma, and Kansas. I appeal to you to give favorable consideration to the special oil bill, the Capper-Marland bill now before you for consideration.

Senator GORE. I want to ask you a question. You have great faith in adequate Federal supervision and control over the oil industry.

Mr. SEELIGSON. Yes, sir.

Senator GORE. The Federal Government has been controlling and supervising the railroads for nearly half a century. It is your hope that the conditions of the oil industry under Federal control will be better than the railroads under Federal control, is it not?

Mr. SEELIGSON. I would answer you this way. I do not think it could be any worse than it is under the ineffective control of States today.

Senator GORE. That is not an answer, but if you want it to go at that, all right. The Federal Government has been supervising and controlling national banking for the last 70 years. It is your belief that the condition of the oil industry will be better under adequate Federal control than the national banks, is it not?

Mr. SEELIGSON. I hope so.

Senator GORE. You not only have great hope of better conditions under adequate Federal control, but you have hopes of obtaining adequate Federal control?

Mr. SEELIGSON. I hope so.

Senator GORE. Is there anything in the inadequate Federal control of railroads and the banks or anything else that justifies that faith?

Mr. SEELIGSON. Well, we do not know what the situation might have been without that control.

Senator GORE. But it is as bad as the oil industry practically now. You say there are 10 outlaw oil concerns that have been running oil contrary to law?

Mr. SEELIGSON. Not exceeding 10.

Senator GORE. Has any of those 10 been adjudged by any public tribunal to be outlaws?

Mr. SEELIGSON. They have admitted it; yes, sir.

Senator GORE. Can you furnish a list of those that admitted themselves to be outlaws?

Mr. SEELIGSON. I think I can give you some of those right now.

Senator GORE. Those that have either admitted it or have been so adjudged by some public tribunal.

Mr. SEELIGSON. The Chapman Refining Co.; Wilcox Oil & Gas Co.; Marshall Oil Co., and Oils, Inc.—they have been the principal offenders, and there are some others that might have been.

Senator GORE. They have either admitted it or have been adjudged?

Mr. SEELIGSON. Yes, sir; they came before the commission and admitted it.

The CHAIRMAN. We will take a recess until 2 o'clock.

(Thereupon, at 12:40 p.m., the committee took a recess until 2 p.m.)

AFTER RECESS

(The hearing was resumed at 2 o'clock p.m., pursuant to recess.)

The CHAIRMAN. The committee will come to order. Mr. Titus, we will hear you now.

STATEMENT OF LOUIS TITUS—Resumed

Mr. TITUS. Mr. Chairman, we had hoped that Mr. Wirt Franklin would be present at this time, but unfortunately he has himself met the disaster which he has been fighting so valiantly to avoid for the independent operators, and a receiver has been appointed for his companies, and on account of that litigation he was not able to be here today, and therefore he asked me to do what I could to take his place.

I think it is important for us to get cleared up the question of the market demand for oil, the production of oil, and where this element of storage enters into it.

My friend, Mr. Blalock, quite correctly stated the American market demand for 1932 to have been 2,554,000 barrels per day. That is in accordance with the Bureau of Mines report for 1932.

He also stated the domestic production to be 2,247,000, which is, of course, correct; that is, barrels per day. Then he subtracted one from the other and arrived at the conclusion that there was an underproduction of 307,000 barrels per day.

Mr. Blalock unintentionally overlooked in his calculations the imports of oil into this country, which during the year 1932 amounted to about 200,000 barrels per day on the average, so that the real underproduction for that year was 100,000 barrels per day, approximately.

That, of course, was done under severe proration, both in the Oklahoma City field, in Texas, in many fields, and under a modified system of proration of the great flush pools of California. That is reflected in the stock of oil on hand at the end of 1932. At the end of 1932 there was a total amount of oil in storage of 588,000,000 barrels, which was 38,000,000, approximately, less than the beginning of that year. In other words in order to supply current consumption, 100,000 barrels of oil per day were brought out of stock. That left the storage at 588,000,000 barrels.

Now, it is important to see how this amount of storage compares with other years. It seems like a very excessive amount of storage. It is a very large amount of oil. Going back to 1920, for example—and I might say that I am reading figures which I have taken from these Government bulletins which I have in front of me, and which I can refer to if anybody is interested in where to find the figures—at the end of the year 1920 the amount of oil in storage was 209,000,000 barrels. That increased from year to year quite regularly and quite rapidly until 1929 when the peak amount of storage was reached, and at the end of 1929 that storage had grown to 689,000,000 barrels. A perfectly staggering amount of oil.

Since 1929 it has decreased in the 3 years, 1930, 1931, and 1932, approximately 100,000,000 barrels for the 3 years, or, again, approximately 100,000 barrels of oil per day, which has been drawn out of storage in order to supply current demand.

That does not mean, of course, that the oil fields could not have supplied that 100,000 barrels. They could have supplied that many times over, but under this proration it was not supplied and the 100,000 barrels of oil per day was taken out of storage to meet current demand.

That was a very good thing for the oil industry, to reduce storage, because that great block of storage is a terrible menace to the oil industry. It is an injury to everybody. It is of interest to the National Government because it creates waste. You cannot have storage in large amounts without very large waste. I do not care what kind of storage you have. You may have the best storage there is, and yet the waste will be very considerable. The Government has even issued a bulletin on the evaporation of petroleum in steel storage and every other kind of storage. So it is a calamity to the Government to have such an enormous amount of oil in storage. It is bad for the major companies that have it in storage, because they have their money tied up almost uselessly in this oil. It represents hundreds of millions of dollars. Of course, they have to invest the money in the storage itself, then in the oil to put in it, and then in the loss which follows. It is not only the evaporation loss. It is the fire loss, which is quite considerable. Lightning strikes these tanks every once in a while, and large amounts of oil are destroyed in that way, which, of course, would not be destroyed if the oil were left underground.

But the worst menace of all of this excessive storage is the threat which the companies who have this storage can hold over the industry. In other words, if oil gets to a fairly high price, they can stop buying oil from the independent producers, who are there in such large numbers today, and use the storage oil to meet the cur-

rent demand, so that it is a menacing thing for the producer that this tremendous amount of storage is on hand above ground, so I cannot understand how any independent producer would not like to see that menace removed by reducing that tremendous volume of oil to a small reasonable amount.

Unfortunately, we were making headway during the last 3 years in reducing that—not very rapidly, but 100,000 barrels per day—but it was making headway in the right direction, until the tide began to turn, and oil is now being produced in such quantities as to again be going into storage very rapidly.

Here is a bulletin from the Bureau of Mines for the month of March, this year, in which the statement is made that the total storage oil was increased during the month of March by 8,114,000 barrels. In other words, during the month of March just past, in spite of the proration which we have had, 261,000 barrels every day went into storage. That means but one thing, that 261,000 barrels of oil per day was produced in excess of what the market would take. That was in March, and that was at a time when the allowable from east Texas was approximately 400,000 barrels per day. Today that allowable from east Texas and the production from east Texas under that order is 800,000 barrels per day, so it is just a matter of figures. We know that every day more than 600,000 barrels of oil is going into storage, and it is going in at 25 cents per barrel, and it is going to be piled up there as a threat and a menace to the industry for a long time to come.

Senator KING. That is to say, you believe when you produce a little too much of shoes or clothes or anything else, it is a threat to the industry?

Mr. TITUS. It is; I think it is. I think it is a good deal like wheat for the farmer. Whenever there is too much wheat the market price goes down, and the Government thinks that is not a healthy condition, and it has done everything it apparently could do to raise the price of wheat so that the farmer could get a fair price. I believe it is good sound business policy that anything useful produced should command a fair price.

Senator KING. You want the Government to enter upon the same philosophy in controlling economics in the oil business as it has done with the farm bill under Mr. Hoover?

Mr. TITUS. I was thinking of the more recent farm bill just passed, Senator, where you actually pay the farmer for not raising wheat, or pay him for not raising cotton. That is under the bill you have just passed.

Senator KING. You think if one mistake is made in economics and political science, there ought to be another one made?

Mr. TITUS. I am not sure that is a mistake. I am not sure that was necessary. I think perhaps it was, but I did not want to argue that particular point.

Senator KING. All right.

Mr. TITUS. But there is a great deal more reason for doing that with oil than there is with wheat, for the wheat farmer, because if a wheat farmer goes bankrupt and goes out of business, his farm is still there, and some day somebody else can go on that farm and raise wheat, but when these oil reserves are destroyed, nobody can

go back and get them again. They are gone and gone forever, and therefore I do say I think it would be a very short-sighted policy for the National Government to permit this waste to go on at the rate it is going now, when the inevitable result is the destruction of at least one half the oil reserves of the United States.

Senator KING. Isn't it a fact that the so-called big oil producers, the Standard Oil, and those of like magnitude, are the primary protagonists of this measure, and that they have been the ones who have been doing more than anyone else to crush out the independents?

Mr. TRUSS. I don't know.

Senator KING. Or to hurt the independents?

Mr. TRUSS. Well, I don't know about that latter statement. If there is any Standard Oil Co. supporting this bill, I don't know it. I totally fail to see any evidence of support by the Standard oil companies. I should hope they would support it. But so far as I have been able to see there has not been one single particle of support from any major company. On the contrary, I have seen a lot of evidence of their fighting it, and that does not seem clear to me.

It has been stated here repeatedly by some of the opponents of this bill that it was favored by the Standard Oil Co. I challenge the statement. I don't believe it is true. I am sure I know many of the major companies are opposed to it. They want to fill up their storage with 25-cent oil and turn it out on the public when it is \$2. That apparently would be their interest.

Senator, let me just say this. Continuance of the oil price below the cost of production inevitably hands over the entire oil industry of the United States to the major companies. You can't get away from that proposition. The independents can produce oil for a little while below cost of production. They can't last very long. They are falling by the wayside every day.

Before you came in I called attention to the fact that Mr. Wirt Franklin is one of those who has finally had to yield, and his properties are in the hands of a receiver. It is happening every day. Every minute we sit here some other independent is going down the way they all go when oil is sold below the cost of production. And who survives? Nobody can survive except the major companies and the well-financed companies. And so if there is any thought that it is good policy for the United States to prevent a monopoly, there is just one way to stop it, and that is to see that the price of oil is at least the cost of production. Otherwise you cannot escape a monopoly. I don't care what you do.

Production in excess of market demand is a waste, not only of the oil, but it destroys the independent producer, and it leads to monopoly. It has those three features. We are asked to leave it to the States—

Senator KING. Just a moment. Isn't it a fact that 10, 15, 20 years ago, and from then on down until 1927, 1928, and 1929, large producers, little by little, were absorbing the so-called independents? They built their pipe lines, they built their large reservoirs, and a monopoly existed largely, not only in production, but in distribution, and the independents took refuge behind the monopoly, behind the big interests, and charged the same price for the oil product, for the crude, as well as the gasoline and other products, as were charged by the so-called monopolists?

Mr. TRUS. I have nothing particular to do with anybody except producers. I don't know anything about refined products. I am not familiar with the price of gasoline, and I don't know whether what are called the independent refiners charged the same price for gasoline as the others did or not. I know so far as the producer is concerned he must take what the big companies will pay. He can't get anything else. Whatever that price is, he has to take. And of course there is some competition, I assume, amongst the big major companies. There are quite a lot of them now, 10 or 15, and how much competition there is among them I don't know. I do know this, the producer must take the price of oil they post for him. He can't get anything else. And if that price is below the cost of production, that is all he can get.

There is another feature I want to correct in the testimony which was given Friday concerning the court decisions. I have the greatest respect for my friend, Mr. Blalock's ability as a lawyer, and in other ways. He was in these cases, I think. My information is he was in most of these cases he cited, representing the Railroad Commission of the State of Texas. I am not sure that is correct, although I have been so informed. It doesn't matter whether he was or not.

The statement was made, and I think it was made without any reservation, that the Federal courts in Texas had upset orders of the railroad commission repeatedly, which they did, but that they had upset those orders upon the ground that the allowable for the whole field of east Texas was too low, and that by reason of the comparatively small allowable for the whole field that the court struck down the order.

The first order which he has referred to and which was declared unconstitutional as being confiscatory did allow 375,000 barrels per day for the whole field. But what the railroad commission did was to divide that equally amongst a number of wells, giving 40 or 45 barrels, or some other number of barrels, to each well, irrespective of whether the well was a large well or a small well, and the Federal court said that that was confiscatory, because it took property away from the man with a good well and gave it to the man with a poor well.

At the time the first decision was rendered, the Peoples' Producers case, there was a law in the State of Texas which positively prohibited the railroad commission from taking into consideration market demand. It was authorized to regulate production in order to control waste, but it contained a positive injunction which prevented the railroad commission from considering market demand in making their order.

The court in that case said also that it was invalid for another reason, and that was because the Railroad Commission did take into consideration market demand, when the statute positively forbade their doing so. So they struck down that order, just as Mr. Blalock said, on two grounds; one was that it was contrary to the Texas statute, because they based their order on market demand, when the statute said they must not do that; second, it was invalid because it had a flat allowable for all wells in the field, and for the two reasons the court struck down the order.

Mr. BLALOCK. Mr. Chairman, may I rise to a point of personal privilege?

The CHAIRMAN. What is it?

Mr. BLALOCK. I have introduced in the record the decisions in the three cases referred to. Since my statement with reference to what the decisions hold is in question, I respectfully request that it be referred to, to straighten it out.

The CHAIRMAN. The committee will read the hearings and draw their own conclusions.

Mr. TYRUS. I do not question Mr. Blalock's statement as to what the first decision held. I quoted him exactly. Mr. Blalock stated, just as I have stated, that so far as the first decision, the court struck it down on two grounds; one was it violated the statute, which prevented them from taking into consideration market demand, and the second was, the other ground, because it was a flat allowable per well.

Now, we come to the second decision, and this is the decision from which I think Mr. Blalock clearly drew the wrong interpretation. In the meantime, before the second decision, the State legislature had changed the law, and instead of forbidding the Railroad Commission from taking into consideration market demand, it committed them to take it into consideration. And the second decision came out after the new law. This is the second decision I have here, which is the same copy which Mr. Blalock put in the record this morning, and this decision was not based upon the fact that there was a flat allowable of only 290,000 barrels, or any other amount.

There was no such basis for the decision. The court in the second case decided it only on one point, and that was that a flat allowable of so many barrels for each well was confiscatory, because it took property away from the good well and gave it to the bad, and said it was not necessary for them to consider the other features, because on that ground and on that ground alone they were invalid. That is perfectly obviously right on the face of the decision.

The statement was also made that there had been no decision of any court upholding the proration of oil, limiting it to market demand. The Champlain Refining Co. case in the Supreme Court of the United States does do that very thing. In that case the Oklahoma statute provided that the commission of that State—not the railroad commission, but some other commission—should take into consideration market demand and should limit production to market demand, and that is what the commission did. That was challenged by the Champlain Refining Co. on these constitutional grounds of the State interfering with private property or taking property without due process, and the Champlain Refining Co. had a refinery, a pipe line. There wasn't a particle of waste in their taking their own oil from their own wells as long as the wells would run. They could open up their wells, run it through their own pipe line to their refinery and refine it and sell it. There wasn't a drop of waste anywhere. And yet the Supreme Court said the order was valid which limited their taking, although it did not waste their own oil, because the Supreme Court said if they ran their well wide open the neighbors would do likewise, and the result would be more oil in the aggregate than the market would take, and whenever there is more oil than the market will take, it goes into storage and inevitably waste results.

The Supreme Court sustained that order, so I must challenge the statement that no court has yet sustained a market demand law. That decision is found in the Supreme Court Reports, and I will supply the reference for the record.

Now, Mr. Chairman, what hope is there for the oil industry, what hope is there for the independent operator, if Congress will not act? We have seen here that there is no possibility of the oil operators getting together. Why some fight it and why some favor it I cannot understand. I understand their difference in position. It seems to me that any independent oil operator, unless he is getting some advantage from somewhere, must be for a bill which will save him from bankruptcy.

The statement was made, and I heard it correctly, I am sure, that the great majority of the oil producers are making money today. It just cannot be possible that anybody could really believe you could make any money at 25 cents a barrel. It can't be done, and there is no use arguing about a point like that. We are headed to destruction. We are on the way. Some of us are destroyed already. Some will be destroyed next week. And it is just a case of how long they can last.

California has no proration law. They have there a proration by mutual arrangement, by mutual agreement. There is nothing compulsory about it. It has no legal status. It may possibly be illegal; I don't know. But anyway they do that, and the production there is held down rather, well, to market demand, simply by mutual arrangement, nothing else. But any 1 of 20 companies can spoil that situation tomorrow. The Standard of California, the Shell, the Union, the Associated, any 1 of 20 more that I could name could upset that whole thing tomorrow by simply saying, "We won't do this any more." Then what? Then the oil resources of the Nation are again to be wasted for the future.

What hope is there when one great oil-producing State will not pass any law at all? And I think one of the witnesses testified this morning it had been voted down overwhelmingly by the State, and so it had. So there is no hope of getting any law in California.

In Texas we have a perfectly valid law. It has been held valid, and we have what is now termed to be a valid proration order, and I think the statement concerning that order was perfectly correct, that the court had held, concerning this order, which allows 800,000 barrels per day from east Texas, and I might say 1,400,000 barrels of oil from the whole State of Texas per day, is a valid order.

But what good is a valid order if you are permitted to produce so much oil that you are destroyed anyway? We might just as well have no order at all.

And so we find the State of Texas opposing it in some respects. The legislature went on record as opposing it. Mr. Blalock, the able attorney who has represented the Railroad Commission in numerous cases, comes here and opposes it, and you see other people opposing this. Now, what hope is there in the States, if Texas can produce 1,400,000 barrels of oil per day? That is 60 percent of the entire consumption of the United States. What becomes of California, what becomes of Oklahoma, what becomes of Kansas, Arkansas, Louisiana, and all the rest of the oil-producing States? What is

left for them? California has been producing approximately 450,000 per day, under the strictest proration. There are 9,000 barrels. More than the entire consumptive demand of the United States from those three States alone. If Texas can take 60 percent or more of the entire demand there is nothing left for the other oil States.

You heard this morning that east Texas is destroying the wells up in Ohio, they are shutting the wells down in Kansas, in Oklahoma, in places, the smaller wells, so that that is the situation that confronts us.

Is Congress impotent? Has it no power at all? Must it stand by and see this great national asset wasted? Has the National Government no interest in these oil reserves that are about to be destroyed? Must we sit idly by and let them go?

Because if that is the theory, that the National Government is impotent, then of course I see no hope at all for the independent oil producer.

I will close with just this one thought, that here are three great tragedies that are confronting us: First, and possibly foremost is the tremendous waste of all the supplies which are now being utilized through the small well, what has been called here repeatedly the stripper well. That waste is perfectly appalling. The statistics here from the Bureau of Mines show that at least one half of all the reserves of the United States are in fields of that character, and that will all be destroyed. That is the first. Second, the independent-oil producer cannot escape; if oil sells below the cost of production for very long he is gone. This body of daring men who are in this industry, and who would like to stay there will all be eliminated, and none can survive except the very large companies, very heavily financed.

The third is, as corollary to that, that it turns this industry over to a complete and absolute monopoly.

That is what we are facing, and I certainly think Congress has the power, and I hope it has the will to do something to prevent it.

The CHAIRMAN. Thank you.

Is Mr. McMillan in the audience?

STATEMENT OF HERBERT B. McMILLAN, LOS ANGELES, CALIF.

Mr. McMILLAN. Mr. Chairman and gentlemen of the committee, I am an independent producer, and connected with an independent producing company, the McMillan Petroleum Corporation, which owns producing wells and refineries in the States of California, Texas, and Arkansas.

I am not to be classed with that character of independents that was described here this morning, who is opposed to this bill. In the first place, I want to say that I am a conservationist. I am in favor of conservation. I am opposed to confiscation, and confiscation is what will result if this bill becomes a law.

As evidence of that fact, I was appointed the chairman of the first committee that was ever appointed in the State of California on conservation. For 2 solid years I devoted my entire time to conservation in the State of California. For 2 years I was president of the California Oil & Gas Association, which includes every

major company in California, and practically every independent company in the State of California.

The reasons advanced for this particular law which is now proposed are that the oil men and the oil industry itself cannot govern itself, and therefore it must have a law which will govern it.

I propose to show that that is not true. I propose to show the difference, by experience, between operation under law and operation by the operators themselves under voluntary agreement.

The three great producing States in the Nation are California, Texas, and Oklahoma. Two of those States, Texas and Oklahoma, have been operating under a law, the proration law. Let us take up the State of Texas first. There that law is administered by the Railroad Commission. The Railroad Commission has entered order after order, based upon the evidence of the expert witnesses, supplied by the major oil companies at their hearings, employes of the major oil companies, who are always at hand and ready to give the evidence that is necessary to support their theories, whatever they may be.

Senator CONNALLY. You don't mean to say the Railroad Commission does not hear any witnesses except those of the major companies, do you?

Mr. McMILLAN. No, sir; the Railroad Commission hears other witnesses, but the independent producers are not in a position to supply witnesses in great numbers and experts in great numbers like the major companies are, and in addition to that they are not able to create the propaganda that the major companies are constantly creating and broadcasting throughout the country.

Every one of the orders that was entered by the Railroad Commission was stricken down by the 3-judge Federal court except the last one, and the last order was an order that was not based on the evidence of the expert witnesses or the major companies but was based upon the evidence that was deducted there by the independent companies, and just last week that order has been sustained.

In the State of Texas the Governor of Texas called out the militia and took possession of the properties in east Texas and compelled the producers in east Texas to operate their wells under military law. The 3-judge Federal court said he usurped power when he did that. He was acting under the laws of Texas, as he assumed, at the time, but the 3-judge Federal court finally enjoined him from keeping the properties under martial law, from keeping his troops in there and operating those properties.

Suit after suit has been brought in the State of Texas to secure injunctions against the Railroad Commission and to secure injunctions by the Railroad Commission against the operators. There has been nothing but confusion and uncertainty in Texas in the production of oil under the law of Texas until we have this final order.

We step over into Oklahoma and we find there practically the same conditions have existed. There again the Governor of Oklahoma called out the militia and placed them in charge of the properties, and numerous injunction suits were brought, just exactly the same thing as occurred in Texas occurring there, and confusion reigned there also, and, notwithstanding these laws which were enacted to compel the operators to produce their wells as the law

directed they should be produced, millions of barrels of excess oil were produced in Texas and in Oklahoma.

Let us come to California. The last speaker said they have no law in California; they simply have a voluntary agreement. I was one who helped frame that voluntary agreement in California, and we have operated under that agreement ever since 1929. It is signed by the operators of the State. They agreed. They appointed a committee, and that committee has a chairman, and through the operations of that committee the operations have been carried on in the State of California. The Governor of the State of California has never been called on to call out the troops in California under that voluntary agreement. No court has been called upon to issue any restraining order in the State of California against any operator for violating that agreement, or operating in excess of the amount that was fixed. There has been no confusion and no uncertainty in the State of California, and, on top of that, because we have a voluntary agreement, the independent operators in the State of California have something to say about the price that shall be paid for oil. There isn't an independent operator in the State of Texas, not the whole group of them, nor in the State of Oklahoma, and not the whole group of them, who has one iota to say about the price that shall be paid for his oil in that State. The price of oil in those States is fixed by the Standard Oil Co. and the major companies, and there is no way for the independent operator to go to them and say, "You fix a reasonable price for your oil in this State or we will not do what you want us to do."

In California they sit on one side of the table and the major companies on the other side of the table, and they are able to say to the major companies, "We want a living price for our oil, and if you give it to us we will see that we are curtailed properly."

The year that curtailment started in California we were producing 880,000 barrels per day. Today we are producing 470,000 barrels per day. We produced in California that year and put into storage 40,000,000 barrels of oil in excess of the market demand. 63,000,000 barrels more than was produced in 1928, the previous year. The following year, under voluntary—not under law—under voluntary agreement of the operators, the production in California was 61,000,000 barrels less than it was in 1928, before that went into effect, and we have been drawing oil from storage almost regularly in California.

Mr. Titus used to live in California, but he left there and came to Washington and is not familiar with the conditions out there.

We will take the record, and you will find that there has been more conservation, more curtailment, more saving in the State of California under voluntary agreement than in either the State of Texas or Oklahoma where they have had a law. There isn't the great dissatisfaction existing in that State that exists in Texas and Oklahoma.

Another thing, in Texas, under the orders of the commission, in east Texas, wells that were capable of producing 40,000 barrels per day were permitted to produce 40 barrels per day, and at the same time, under the order of the commission, in southern Texas, in a field that was owned by the major companies, those major companies

were permitted to produce from 1,500 to 2,000 barrels per well per day.

That is an inequity, an unfairness that cannot exist in California under voluntary agreement. They wouldn't stand for it a minute, and the major companies know that. We persuaded them in California to so arrange their curtailment there that they would secure first the potential of every well in the State, and thereby the aggregate amount of oil per day that would be produced by all the wells in California; then ascertain what the market demand was, and with those figures determine the percentage of cut to be made in the wells, and that percentage of cut was uniform from one end of the State to the other. Every well was curtailed exactly on the same percentage. That is under voluntary agreement. But under the law, Senator Connally, in your State they haven't done that.

Senator KING. What is there to prevent the operators in Texas from adopting what seems to be, from your statement, a very sound policy?

Senator CONNALLY. The operators.

Mr. McMILLAN. Well, the operators, yes; but the operators could get together. But I say the operators of Oklahoma and Texas would have been far better off if they had followed the same steps as we have followed, and they would be far better satisfied.

Senator KING. Would the State of Texas have the authority under its police power to enforce equitable regulation in the matter of production?

Mr. McMILLAN. Yes.

Senator KING. As a lawyer, I ask you that.

Mr. McMILLAN. Yes.

Senator KING. Then why hasn't the State of Texas, if there are these inequities and injustices which Mr. Titus has referred to, enacted a statute of that kind?

Mr. McMILLAN. They have enacted a statute in Texas which is primarily intended to prevent waste, and later on it was amended, as Mr. Titus said, to take in the market conditions also. But it must be based on waste. Now, then, the experts of the major companies come in, and they say that east Texas, which is the biggest field in the world, that you would permit great waste if you permitted those wells to produce more than 40 barrels a day; but down here in southern Texas, "where we own the property, there would be no waste committed if you permit us to produce 1,500 or 2,000 barrels per day."

That is the reason those inequities exist.

Let me tell you another thing about what has happened in your State. Senator Connally, acting under the law, because of the way in which this law has been administered in your State, the major companies, and the big companies—

Senator CONNALLY. It hasn't really been administered until this last order was upheld, has it?

Mr. McMILLAN. No; I don't think it has, but there has been a kind of administration.

Senator CONNALLY. Because the courts have struck down two orders.

Mr. McMILLAN. But there was an attempt to administer it before the court decided that.

Senator CONNALLY. Yes; they had martial law. It was declared unconstitutional by the Supreme Court.

Mr. McMILLAN. Mr. Titus says if this bill passes the independents may kiss good-bye to the oil industry.

Senator CONNALLY. I am sorry I didn't hear Mr. Titus. I heard him the other day, but I judge he made another speech today.

Mr. McMILLAN. He did. When the east Texas field was discovered, the major oil companies, whose experts said no oil existed in that ground, held and owned less than 1 percent of that field. After all of this confusion and consternation and oppression, and as the three-judge Federal court said, confiscation of property in the east Texas field, independent after independent has been driven out and compelled to sell his property. Sell it? No. To give it away at a sacrifice, until today the major companies and the big companies own 80 percent of the fields.

You tell me that the big companies are not trying to drive the independents out. I could give you evidence, concrete evidence, absolutely demonstrating and proving that the major companies are after the little independents and trying to drive them out of the oil business, and when Mr. Titus told you the major companies are not for this bill, I tell you, as one who worked with the major companies and the independents in California for 2 years, that every major company in the United States is hoping that this becomes a law.

Senator GEORGE. Do you refer to the Capper bill?

Mr. McMILLAN. I refer to the bill which will give to the Federal Government the control of the oil industry under a dictator.

Senator GEORGE. I presume you are referring to the Capper bill, which is offered as an amendment to this general industries recovery bill here?

Mr. McMILLAN. Yes.

Senator GEORGE. Of course, the general bill itself provides for fair trade agreements in all industries.

Mr. McMILLAN. Fair trade agreements. Let me tell you how that operates.

Senator CONNALLY. The Senator is trying to get at the fact of whether you are referring to this Capper-Marland bill.

Senator GEORGE. I wondered if you were referring to this bill which is offered as an amendment to the bill which we really have before us.

Senator KING. Which bill are you referring to?

Mr. McMILLAN. I am referring to both of them. My position is against any interference by the Federal Government in the oil industry whatsoever.

Senator CONNALLY. Would you object to a statute preventing shipments of any oil produced in violation of State orders?

Mr. McMILLAN. Yes, sir. Once you open the door and let the Federal Government in they will come in and take possession of it.

You talked about a Federal code providing for fixing prices of oil. Let me tell you how it operates. The Federal Trade Commission authorized the oil companies to enter into an agreement con-

cerning the fairness of operation, of contract, and so forth. We, as a small independent company, desiring to play ball, foolishly became a party to that agreement, the McMillan Petroleum Corporation. Every one of these independent refining companies is out for business, and they go here and they go there, and they get contracts with the owners of the stations, in order that their oil may be sold and distributed through that station. We had many contracts. We had people coming to us that wanted to sell our oil and sell our gasoline. We asked whether or not they had any contract with any of the major companies. They told us no. We were then at liberty to go in and contract with those people. In more than 100 cases, after we had made those contracts, not knowing that there was any contract with a major company, we had the major companies write letters to us, and we have them in our files today, telling us that they had a contract with that station, and that we had violated the Federal code.

Well, we looked into it. What did we find? We found that a contract had existed there for a number of years, a term contract, 5, 6, or 7 years, but the independent service station owner, being dissatisfied with the major company, had broken its relations with the major company, and refused to sell his product. The major company could not do anything, except take him into court and recover a judgment. If he recovered a judgment, he would not get anything.

So, we went to them and said, "Here, this man will not do business with you, and if we get out of this station, some of these other people will come in who are not members of this code, and they will sell gasoline at a cut-rate figure."

But notwithstanding that, we were compelled by the major companies to give up those several hundred contracts. The major companies did not get them back, and they went into the hands of people who sold gasoline and permitted it to be sold on the market at cut-rate figures. That is the way your codes operate.

And if you adopt this law, and have a dictator, we are going to get some of the same kind of medicine before we get through.

They want to establish a unit basis of operation. That is, you have a property and a great number of wells, and all of them are operated by one person, one concern.

Your attention has been called to the fact that in the United States of America gasoline is sold at a smaller figure than in any other country in the entire world. Why is that? There is just one reason for it. It is not because of the major oil companies. It is because of the independent refining companies who present competition to the major companies, and without those independents there is no competition in the United States market. If you remove the independents from the field, you will be paying the same price that these other people are paying in foreign countries, more than double the amount you are paying for your gasoline.

The independent refiner must exist for the benefit of the public, if for no other reason. Forget all about his right to do business under the American flag. He must get his oil, and if you establish a unit basis he will not get one drop of oil out of that field that is controlled under the unit basis. The major oil companies will get it all.

Of all the fields we have in the United States today operated under the unit basis there is only one operator selling oil to an independent refiner, and he is sitting in the court room here today, and he is the largest independent oil producer in the State of California, and absolutely opposed to the adoption of this bill.

The CHAIRMAN. Is that about all, Mr. McMillan?

Mr. McMILLAN. One or two very short matters and I will be through. If you do adopt this law, then it cannot become effective to any great extent unless you get legislation from the oil-producing States to help administer it, because it will be an invasion of State rights.

Both branches of the present session of the Legislature of Texas have adopted resolutions saying they are absolutely opposed to it. In the senate that vote was almost unanimous, and the majority was overwhelming in the house of representatives.

In California the major companies drew and presented a bill similar to the Texas bill and procured its adoption by a majority of 1 vote in the senate. In the Legislature of California that is what happened, and as you have been told, the independents filed a petition in referendum, and although the major companies spent tremendous sums of money, and sent out, not bags but truckloads of letters. I saw them go out, because they were right next door to my office.

They had a whole row of offices there, and they had over 200 employees typewriting letters, which were sent out throughout the State of California to the voters of California, asking them to sustain this law. They procured, by reason of their power, the newspapers to hack them. They procured the bankers to back them, and the large merchants to back them. They even had Governor Murray, of Oklahoma, and Governor Sterling, of Texas, and our own governor in California, to address the voters of California and urge them to vote in favor of the adoption of that bill. But the independents, through the radio—thank God for the radio—we could get to them, and we told the people of California the simple facts, and when the votes were counted we beat it by a vote of 3½ to 1.

Now, if you please, under those conditions, how could you expect to secure the necessary State legislation in California and in Texas to support this bill and back it up?

Just two more things, if you will permit me. What is the need of the law? You have been told about the storage. A great deal has been said about this storage. I don't know whether you have been told, but this is the fact, that nearly half, more than one third of this storage, 490,000 barrels, is not fit for anything except for road purposes and to make asphaltum.

Senator KING. So deteriorated in quality?

Mr. McMILLAN. Surely, and a great quantity of it was low-grade oil when they put it in there.

Here is another thing; the major companies have got no right to squeal, if I may use that word, because they are compelled to carry this great storage. They are the ones that bought it, and they bought it at low prices and filled up their tanks, hoping and expecting that when the price of oil went up they would dispose of it.

Senator KING. At high prices?

Mr. McMILLAN. At high prices.

Another thing, I don't know whether you have been told this, but the American Petroleum Institute and every major company says that every oil company, and the oil industry itself, must have at least 90 days' production above ground in order to be certain that nothing will happen that will be damaging to the oil industry.

Now, 90 days of that storage oil would consume one half of it, and a great portion of the other half of it is no good for refinery purposes.

So, why cry about the storage?

Now, we have been operating for 2 or 3 years for conservation, curtailment, proration. When we started we had fields in Oklahoma, we had fields in Texas, we had fields in California, almost any one of which could produce all of the oil that the United States demanded for a given period of time, but since that time the production has gone off on these fields, and today you have left only two fields—and all of the big companies and little companies will admit this—only two fields left in the United States that can be classed, as they put it, as a menace or dangerous field. That is the Kettleman Hills and east Texas fields. Now, Kettleman Hills is bound up by a long-time written agreement to which the United States Government is a party, by consent of the United States Senate, and so there is no chance of Kettleman Hills ever becoming dangerous to the oil industry. That eliminates Kettleman Hills.

Then we come to east Texas, and this oil that has increased the storage in March comes out of the east Texas field. All the engineers tell us that within 90 days we must standardize the east Texas field. That is, the pumping equipment. Why? Because the pressure is rapidly going. In other words, the danger of the field is rapidly passing out of the picture. And if you open up east Texas field for 60 consecutive days the danger would be entirely gone. So there is no reason whatsoever for calling the American Government into the oil industry at this time.

Just one more thing and I am through, and it will take just a moment. There was a party appeared before you here this morning seeking an amendment to the law which would enable the farmers, who own oil properties, to borrow money from the United States Government. Curtailment is a result of the request of the United States Government for conservation, and throughout the years of curtailment every law that has been passed, every agreement that has been entered into, has been entered into with the argument that this is one of the great valuable mineral resources of this country, particularly valuable to the Government in times of war, and "We must conserve it and keep it from being wasted." And many operators have entered into these agreements because of that request, and many of the laws have been passed because of that request.

You have provided for helping the farmers, because they are helpless; you have provided for helping the bankers, the little home owner, stockmen, and various others. None of those have done anything at the request of the United States Government. When these people voluntarily reduced their production they reduced and curtailed their income, and many of them are in bad financial condition at the present time, and that is one reason why some of

them have been compelled to produce excess oil in order to get money to pay off the indebtedness on their property.

Many of those in the east Texas field have not yet been able to pay for their property. Many of them do not know where they are going to get the money. It costs about \$4,000 a well, or, in other words, \$38,000,000 to standardize the east Texas field, and I say you should provide the means whereby these operators can come to the United States Government, these men who have done what the United States Government has requested, and enable them to borrow money from the United States Government. Certainly the security which they can offer cannot be questioned.

I thank you, gentlemen.

The CHAIRMAN. Thank you very much.

Mr. Zook.

STATEMENT OF RALPH J. ZOOK, REPRESENTING THE GOVERNOR OF PENNSYLVANIA AND THE PENNSYLVANIA GRADE CRUDE OIL ASSOCIATION

Mr. ZOOK. Mr. Chairman and gentlemen of the committee; I represent the Governor of Pennsylvania, and the Pennsylvania Grade Crude Oil Association, composed of 400 producers; 30 of the 39 refineries running Pennsylvania oil, and some 500 marketers throughout the United States.

The Pennsylvania grade oil produced in western New York, western Pennsylvania, West Virginia, and Ohio, has some 31,000 acres of productive territory, and we have 126,000 wells.

The point I wish to bring to your attention is the United States Tariff Commission's report no. 30, "Average Cost of Producing Oil in the Different Producing States of the United States for the Years 1927 to 1930," and the statement that the Pennsylvania grade oil industry is losing at the rate of \$1.25 per barrel on every barrel of oil they produce today, or at the rate of about \$25,000,000 per year.

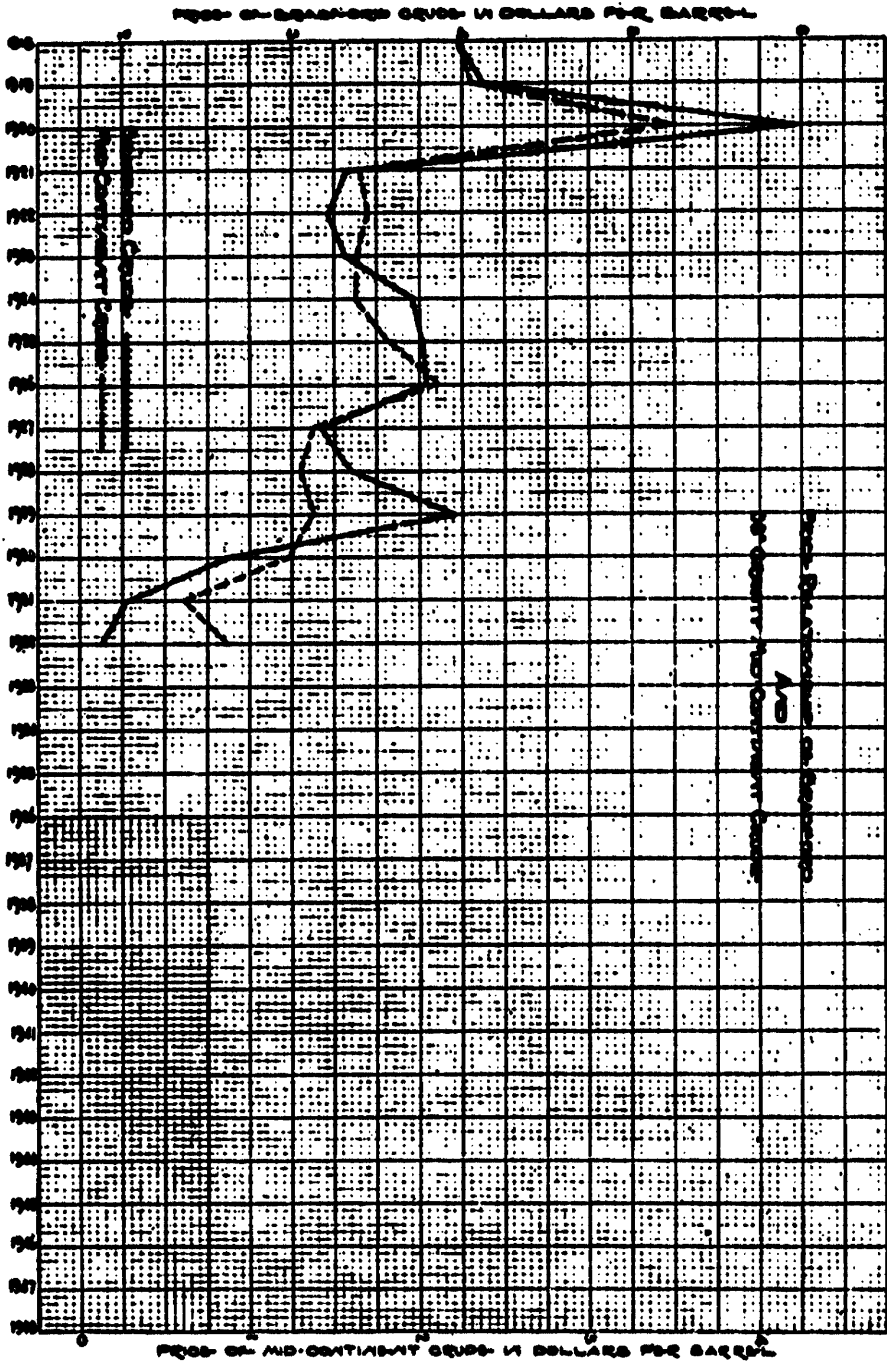
Second, the statement was made this morning that oil has been withdrawn from storage for the past 5 years, and I call your attention to the fact that Bradford district crude during those 5 years, brought \$2.76 per barrel, and the average through all the United States during that period was \$1.04 per barrel, and we would be very glad to operate under those conditions.

Right now we get \$1.37 per barrel for our Bradford district crude, and the average in the United States is around 50 cents per barrel.

To correct any impression that the Pennsylvania grade oil is not in competition with other crudes, I have a graph I would like to submit as evidence, if it is possible to submit a graph.

The CHAIRMAN. Very well.

(The graph is as follows:)



Mr. Zook. This graph shows the price relationship between Bradford district grade and mid-continent crude.

East Texas crude supplies the gasoline that comes to our Atlantic seaboard, and which sets the price of gasoline in western Pennsylvania. It is refined on seaboard, or in the Gulf, shipped back into western Pennsylvania, either by barges or pipe lines, and sets the market for our product, the principal amount of our product.

Probably 15 gallons of gasoline is made by each barrel of the Pennsylvania grade crude, and this is in direct competition with the gasoline made from east Texas crude.

Our industry cannot exist under present conditions. Losing \$1.25 a barrel, it is just a question of days. Some of our producers can't even get sufficient money to pay for new casings to put in their wells. They have to abandon their wells, let the water in, and walk away. It is not a case of coming back and resurrecting their property. If they walk away from it, 10 chances to 1 it is ruined.

I am not saying what the committee should do, but I am telling you the Pennsylvania industry is in this deplorable condition, and it cannot longer exist.

The CHAIRMAN. That finishes the oil business. I have here a telegram from Mr. Franklin, which I will put in the record.

(The telegram is as follows:)

OKLAHOMA CITY, OKLA, May 29, 1933.

Senator PAT HARRISON,

Chairman Finance Committee, United States Senate:

On behalf great body independent oil producers wish to urge inclusion in general industries recovery act of Secretary Ickes oil-control bill under which principal oil-producing States may coordinate production of oil and bring about balance between production and consumption, with the Secretary acting as umpire to protect correlative rights of States in market demand, the correlative rights of different pools within States in the allocations made within the States, and protect correlative rights of individual operators within the several pools. Fully 90 percent all independents and 75 percent all major companies are supporting this action as only means to end destructive practices which have brought oil industry to complete ruin, and impoverishing oil-producing States, threatening whole business and banking structure. Almost without exception opponents this measure will be found to be those who have violated State conservation laws and profited from chaotic conditions thereby created by producing and selling in interstate commerce more than their lawful allowable under State statutes and orders. I suggest rigid cross-examination of those appearing before committee in opposition to this measure to verify correctness above statement. Terms general recovery act insufficient bring about proper corrective measure owing to peculiar problems of oil industry, especially in production where drainage problems between leases occur, and where 1 percent of producers in any pool or any States, if unrestrained, can compel flood of production destructive to entire market conditions, not only in United States but throughout world. Oil is as much different from general industry as agriculture, as shown by experience in attempts made by States to bring order during last 4 years. I have been in Washington urging special legislation for oil industry since May 3, but was compelled to return home last Thursday when my companies, Wirt Franklin Petroleum Corporation and Cromwell Franklin Oil Co., were thrown in hands of receiver as direct result of chaotic conditions which Secretary Ickes' bill aimed to correct. Regret on account thereof my inability appear in person before committee. Please give us protection which only Federal Government able to give.

WIRT FRANKLIN,

President Independent Petroleum Association of America.

STATEMENT SUBMITTED BY RALPH T. ZOOK, BRADFORD, PA.

As representative of the Governor of the State of Pennsylvania, and as president of the Pennsylvania Grade Crude Oil Association, an organization composed of 400 producers, 30 of the 39 refineries running Pennsylvania grade oil, and 500 jobbers throughout the United States. I wish to submit the following information for the consideration of the committee.

The Pennsylvania grade crude oil is produced in the western part of New York State, western Pennsylvania, western West Virginia, and eastern Ohio, throughout a territory consisting of approximately 170,000 acres, and from 146,000 of the total 800,000 settled producing wells of the United States.

The United States Tariff Commission, in a survey under Report No. 80, second series, determined the cost of producing oil in the various oil-producing States of the United States and which developed the following average costs. With this cost, and in the second column is shown the present market price for Pennsylvania grade oil in the different States:

	Average cost, all companies	Present market price Pennsylvania grade
Ohio.....	\$2.00	\$0.90
West Virginia.....	2.21	1.02
Pennsylvania.....	2.80	1.33
New York.....	3.00	1.37

¹ Includes all of Ohio, part of which is not Pennsylvania grade oil. The Ohio-Pennsylvania Grade Oil Producers Association estimate the cost of producing Pennsylvania grade at well above \$3 per barrel.

A comparison of the average cost with the present market price shows clearly a deplorable condition in the Pennsylvania oil industry. The present market price is less than 50 percent of that needed to maintain the production of this area and shows the Pennsylvania producing industry losing at the rate of over \$25,000,000 yearly.

Refineries running on Pennsylvania grade oil are not economically equipped to refine other grades of crude and a continuation of the present destructive prices will mean the eventual elimination of the Pennsylvania producer and in time the refiner and marketer.

Attention was called this morning to the condition of the oil industry of the United States during the past 5 years and it was shown that drafts on crude stocks had taken place during that time. During this period the average price for the Pennsylvania grade area was approximately \$2.50 and for the entire United States \$1.04. I am sure any of us would be glad to operate under these prices compared with the present average price for Pennsylvania grade oil of \$1.15 per barrel and for the entire United States approximately 40 cents per barrel. Conditions during the past 5 years are entirely different from conditions today when the State of Texas alone is producing 1,400,000 barrels per day, over 50 percent of the total for the United States and approximately 60 percent of the necessary amount to supply market demands.

Fifteen gallons from each barrel of Pennsylvania grade oil comes in direct competition with gasoline made from east Texas crude, whether it is refined at Gulf points or shipped to the Atlantic seaboard and refined there. One of the major companies has established within the past few weeks a tank-wagon price for gasoline based on gasoline f.o.b. steamers Gulf ports, plus transportation and overhead to the different retail districts throughout the eastern part of the United States. This gasoline comes into direct competition with that made from Pennsylvania grade oil and determines the market price for 15 gallons of every barrel of Pennsylvania grade oil and to substantiate the price relationship between Bradford and mid-continent or east Texas crude, the attached graph is submitted which shows the price relationship from the years 1918 to date and these lines closely parallel one another. The figures from which the attached graph was compiled are shown on the data sheet at the end of this brief.

It is not for me to suggest the decision of the committee but to make the statement that under present conditions the Pennsylvania producing industry and later the refiners and marketers will become annihilated and take with it the banks, supply stores, merchants, and allied interest in the area covering western New York State, western Pennsylvania, West Virginia, and south-eastern Ohio, and we ask that you consider that an emergency exists. It is a question of a short time before producers do not have sufficient income to repair leaky casing, wells are abandoned, and water comes in which forever eliminates the possibility of again producing oil from these wells. Under present prices the Pennsylvania producer's days are numbered.

Price relationship Oklahoma crude 33 grade and Bradford crude

	Bradford	Oklahoma	Difference	Per cent of Oklahoma
1911.....	\$1.31	\$0.46	\$0.85	284
1912.....	1.60	.67	.93	238
1913.....	2.46	.94	1.52	261
1914.....	1.87	.76	1.11	246
1915.....	1.70	.60	1.10	283
1916.....	2.51	1.26	1.25	199
1917.....	3.26	1.81	1.44	179
1918.....	3.67	2.20	1.77	180
1919.....	4.12	2.28	1.84	180
1920.....	5.67	3.42	2.65	174
1921.....	3.33	1.65	1.68	202
1922.....	3.20	1.70	1.50	198
1923.....	3.33	1.66	1.77	218
1924.....	3.70	1.63	2.07	227
1925.....	3.76	1.67	1.89	201
1926.....	3.77	2.13	1.64	177
1927.....	3.16	1.38	1.78	229
1928.....	3.86	1.31	2.06	246
1929.....	3.65	1.37	2.58	268
1930.....	2.60	1.23	1.37	211
1931.....	2.02	.63	1.39	321
1932.....	1.88	.88	1.00	214

1911-20 from National Petroleum News; letter of Apr. 1, 1933.
 1923-32 from Oil and Gas Journal, Feb. 23, 1933, p. 55.

STATEMENT OF JAMES A. EMERY, REPRESENTING THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. EMERY. Mr. Chairman and gentlemen of the committee, so far your attention has been given to a special measure with relation to the control of oil. I beg to address the committee upon the general control bill, which I trust will receive such consideration as this very important but special problem you have had under consideration.

To conserve your time, I have been asked to appear on behalf of representatives of local State and national industrial trade associations, representing primarily about 56,000 manufacturers in all forms of manufacturing industry throughout the United States, and employing about one half of those engaged in such employment.

They have been engaged in a continuing study of the pending control measure through a standing committee of some 50 representative industrialists, and have continued this analysis as the measure developed. They have endeavored to formulate and present their views as opportunity afforded and information was obtained with respect to the form which the legislation was assuming.

They have full faith in the good will and fairness of the President. They agree with the objectives to be obtained. They respectfully doubt the soundness and practicality of some of the methods and

means suggested to successfully execute the objectives of the policies stated. They welcome the spirit in which the President proposes a "partnership with industry", but, as one of the partners invited, they believe it both a right and a duty to lay before this committee, charged with a heavy responsibility, suggestions which they believe vital to the successful operation of the plan.

It is within your power to impose drastic regulation affecting every manufacturing organization and the lives and employment of every employer and employees within it, and that vast body of the American people whom their operations affect. But, unless it be soundly conceived, it will operate to both economic and political injury.

We ask you, therefore, to note the terms and operating effect of this proposal now before you in the form of both the House and the Senate bills:

First. These measures aim to create conditions that will put back to work and retain therein at better prices of pay the largest possible number of our people. To this end the measure purports to grant a new measure of self-organization for cooperation in industry that will set up codes of fair competitive practice, controlling the deadly downward spiral of prices and wages resulting in cut-throat competition for survival, which has completely demoralized the normal exchange of goods and services among our population.

To execute the policy outlined, the President, in his discretion, may establish such agencies, appoint such representatives as he chooses, and delegate to them the vast powers conferred upon him.

Our confidence in his good faith and fairness that causes us to believe that the Administration creed will be fair and sympathetic. But perceiving the colossal nature of the task, the necessity for experience, information and judgment with respect to every detail of a highly complex and varied industrial organization, we doubt if such vast powers can be successfully administered by a single administrator. He should have at his elbow an advisory group, small in number but representing all the elements to be coordinated. We conducted a great war under such a plan which conferred not upon one administrator, but upon a liaison of cabinet officers and representative elements of business and labor the duty of planning and coordination. Enjoying both the confidence of the administration and the business of the country, they carried to successful execution a colossal program of organization. If we required such organization then, with but a single problem, at the peak of our wealth, we need it more now, with a shrunken capital, diminished income, many problems, and the need of the best experience, the highest intelligence and the most complete cooperation between all the elements of American society.

Second. We are convinced that it is essential to the success of the plan proposed that there should be ample executive authority to control or, if necessary, embargo imports. This becomes evident if we consider the effects which the proposal is intended to accomplish. It is aimed to increase wages, shorten hours, and in cooperation with other measures, raises the level of commodity prices. This inevitably increases the unit cost of production. To the extent that this is accomplished, it will obviously place domestic industry in a competi-

tive disadvantage with foreign producers, particularly in the debased currency countries. To the exact extent that such conditions divert the increased consuming power that we anticipate away from production, it will immediately react to stagnate reemployment or cause under employment by diminishing the domestic consumption of the products of American agriculture and industry.

The power suggested would be employed only in the discretion of the Executive. Nor will it lessen his authority for international negotiation. On the contrary, it is strengthened. This is evident from the fact that, in section 202, title II, of the public works section of this bill, the President is authorized to employ funds to bring our Navy to full treaty strength, motorize our military forces, and increase our air power. The exercise of this discretionary authority rests upon the outcome of the disarmament conference.

Section 3—and here, if I may, I would like to suggest an amendment which we offer with respect to that section. We suggest the following additional subsection to section 3 of this bill:

If any labor organization or any trade or industrial organization, association, or group, which has complied with the provisions of this title, or any person, shall make complaint to the President that any commodities, articles, or materials are being imported into the United States, and that such importation is detrimental to the effectuation of the policy of this title in that the business of any industry, trade, or subdivision thereof, as to which a code of fair competition under this title is in effect, is adversely affected thereby, and unfair methods of competition in the United States are resulting, the President may cause an investigation to be made of such complaint, and if after such public notice and hearing as he shall specify the existence of such unfair methods of competition shall be found he may, in order to effectuate the policy of this title, direct that the commodities, articles, or materials concerned in such unfair methods of competition, shall be excluded from entry into the United States, and upon information of such action by the President, the Secretary of the Treasury shall, through the proper officers, refuse such entry. The decision of the President shall be conclusive.

Any refusal of entry under this section shall continue in effect until the President shall find and instruct the Secretary of the Treasury that the conditions which led to such refusal of entry no longer exist.

Senator GORE. Do you not think that all of the protected interests would invoke that?

Mr. EMERY. All affected industries would.

Senator GORE. Do you not think they would all claim to be affected, all of the protected industries?

Mr. EMERY. It might be. It is nothing but making effective section 337 of the present tariff act which gives to the Tariff Commission, under normal conditions, the power to do these things.

Senator GORE. Normally the President could place them on the free list, could he not?

Mr. EMERY. The object of this is to immediately remedy the conditions that might be created, if it should become necessary.

Senator GORE. Let us suppose it is invoked by all of the protected industries and everybody else that claims to be affected. Suppose an embargo is put on all goods, then what?

Mr. EMERY. If the condition that you describe became necessary to protect the American people in a plan they had adopted—

Senator GORE. You would lay an embargo on all imports?

Mr. EMERY. That is within the discretion of the President.

Senator GORE. Do you not think that would have the effect of killing all international trade altogether?

Mr. EMERY. I would not go so far as that, but I would go so far as to say that in particular instances if this plan works as it is asserted to.

Senator GORE. If you do it in one instance, you will not stop there. They will all say they are affected.

Mr. EMERY. That is for the President to find. It is not in general application. It is to be ascertained on demonstrated facts. If it produces the effect it is said to produce, it will either do that or destroy the operation of the plan.

Senator CONNALLY. Would it not interfere with our tariff truce?

Mr. EMERY. We have no tariff truce.

Senator CONNALLY. We are trying to get one.

Mr. EMERY. Yes; we are. We think the domestic situation is more important than any other. Until we put our own house in order we will not be able to help the rest of the world.

Senator GORE. Do you think one-way international trade is possible?

Mr. EMERY. I do not. I do not think one-way international trade can ever operate. I think that people cannot sell who do not buy; but I think if you are going to put in a plan that will increase the cost of your own production, you operate to the disadvantage of industry where it has to compete with foreign products, especially at debased currencies and low wages.

Senator CONNALLY. If we do not put your amendment on, would you rather have this bill like it is under present conditions than not? If we do not adopt your amendment, would you be for the bill?

Mr. EMERY. No, sir; I would be against this bill.

Senator CONNALLY. And you represent the National Association of Manufacturers?

Mr. EMERY. That and a group of about 56,000 manufacturers, a list of which I have presented to your clerk.

Senator CONNALLY. But as the bill stands, you are against it?

Mr. EMERY. We believe it will operate to destroy the very policy it is intended to effectuate.

The CHAIRMAN. All right, Mr. Emery, proceed.

Senator GEORGE. What amendment do you suggest to protect the general consumer?

Mr. EMERY. Well, you have authorized the President to provide that protection by arming him under your plan here to condition any code of competition that he permits so that it effectuates that result. That is written into your plan.

Senator GEORGE. It is in very general language, but I find no explicit statement.

Mr. EMERY. That is one of the difficulties of the bill. It is general in all its terms. And it is least explicit in regard to those things about which industry is most deeply concerned.

Senator CONNALLY. The producer, under your bill, would be shot on sight, would he not?

Mr. EMERY. I do not say that. I have never been able to separate the American people into two fixed positions—one occupied by the consumer and the other occupied by the producer, because we are

both producers and consumers. It is difficult to segregate us into two fixed groups. Our consumption is entirely dependent upon our income, and that means our capacity to produce successfully labor, service, or goods.

In the third place, this measure is the most highly penal statute ever proposed in the American Congress. Upon its face, quite apart from the dubious validity of some of the powers granted, it is manifest that, though every power were valid in its inception, the manner in which any or all are exercised could, if arbitrarily employed, make them clearly invalid.

To one extreme proposal of authority we urge your special attention: To enforce the provisions of the bill the President may employ the equity powers of the Federal courts through all the district attorneys of the United States, prosecute criminally for violation of codes, agreements or regulations, use cease and desist orders through existing or newly established administrative agencies, cancel, suspend, or modify approved agreements or regulations, and compel organization in unorganized trades, industries, or subdivisions thereof.

Of course the term "President" is used throughout the bill, but since his powers are to be delegated to the one whom he selects to discharge the functions, that is to be interpreted as referring to whoever assists in administering the bill.

Finally, in his discretion, he may require any industry or enterprise to operate under a license, conditioned to enforce any code agreement or generally, to effectuate the policy of this bill.

Senator GORE. That is the power of life and death—the power of license.

Mr. EMERY. Certainly it is. Such license may be suspended or revoked in the discretion of the administrator. We believe such power is unduly drastic, unnecessary, in view of the many other powerful remedies of enforcement provided, and of the most questionable validity.

While stated as an application of the commerce power, it is defended by proponents as a declaration that every business, whatever its character, is in a technical sense now dedicated to a public use. If that means anything, it means that every form of enterprise among the ordinary occupations of the American people does not rest upon a common natural right, but is to be regulated as a privilege for which a license in the form of a franchise may be required and the continuance of the business continued in the discretion of the Executive. While proponents assert such a weapon will be employed only in extreme cases, it represents a power in terrorem. As there is no limitation upon its exercise, it might readily become the chief instrument of enforcement. As expressed in this bill, it represents the power of complete confiscation of every enterprise, large or small. It is the power of commercial exile and destruction. In exactly the form presented and as it would be applied, it was attempted to be exercised by the State of Oklahoma, and a year ago declared by the supreme court a denial to the citizen of the due process of law, which is as binding upon Congress, under the fifth amendment, as upon the States under the fourteenth. Nor can it be defended, says the court, as an experiment, for the whole purpose

of our political system is to put some rights and liberties beyond experiment.

Senator CONNALLY. Do you consider that the bill would reach individuals? Suppose I were running a little store downtown here, and under this bill could they require a license of me, and if I did not do what they told me to do, could they take my license away from me?

Mr. EMERY. Under this bill they could license any enterprise whatever that affects—and what it means by “affects” is to be construed by the administrator.

Senator CONNALLY. If I should buy a bill of goods here and ship them to New York, would that put me in interstate commerce under that provision?

Mr. EMERY. Yes, sir.

Senator CONNALLY. And if I did not do according to the regulations, they could close me up?

Mr. EMERY. If you are licensed, if you are among the ones licensed, you could be closed up, because the bill speaks of individual enterprises, and the determination as to whether or not you are to be licensed lies in executive discretion, and it lies within executive discretion not merely to invoke the code and agreement but to effectually administer its policies.

Senator CONNALLY. But it would be up to him to determine whether I should be licensed or not?

Mr. EMERY. Yes, sir.

Senator CONNALLY. If I were licensed and violated some of his dictatorial decrees, I would be put out of business?

Mr. EMERY. If you violated any of his conditions which he put in the regulations, and there is no limit to the regulations he can put in there; yes.

Senator CONNALLY. Would that affect Members of Congress?

Mr. EMERY. If you are engaged in interstate commerce. I do not know to what extent you are engaged in interstate commerce.

Senator GORE. What case was that to which you referred in connection with the Oklahoma law?

Mr. EMERY. That is the case of *New State Ice Co. v. Libman* (285 U.S. 262). I want to call that to the committee's attention, because that case expresses in terms of State action exactly the only means in which the licensing system could be applied here under consideration.

Senator CONNALLY. They vitiated your State statute?

Mr. EMERY. They invalidated it; yes, sir.

Senator WAGNER. I do not want to get into a legal controversy, but that is not the question involved here at all, because that case there applies only under conditions where the State is to say a man can go in business.

Mr. EMERY. I beg your pardon. That is not a statement of the case.

Senator WAGNER. That was the statement of the condition; unless you got a certificate of convenience and necessity, you could not operate.

Mr. EMERY. Here is what it says. They established in the State of Oklahoma an ice commission. Anybody who wanted to go into

the business of manufacturing or distributing ice had to make an application to this commission, and he had to demonstrate to the commission that the community he was about to serve, or communities, were not already sufficiently served with ice, that is, with enough ice, and he had to show it was necessary that there should be some additional facilities for the manufacture or distribution of ice. An ice company which had made application for such a license and had secured it undertook to enjoin the appellant in this case, because he had entered the ice business without a license, and he sought to enjoin him from competing with them because he had not been granted a license in the State of Oklahoma. The case went finally to the Supreme Court of the United States on the question of whether or not it was within the power of the State, under the fourteenth amendment, to deprive a citizen of the United States of the right to enter one of the ordinary occupations of life, like that of butcher, baker, and candlestick maker, and not merely for the purpose of being taxed. But the question here is not a question of taxing. What was attempted here was to have the State commission or anybody determine whether or not the man could go into one of the ordinary businesses of life or pursue an occupation until he demonstrated to some State body that that field was not overoccupied, and if he could not demonstrate that, he could not enter. Under this bill how was it operated?

Senator WAGNER. I do not think Mr. Emery ought to be permitted to attempt to make an analogy which is not an analogy. Here is what the State laws already do. There are many States, including my own, where you cannot do some things. If you employ people a certain number of hours above that required by law, as, for instance, you can employ women only in the daytime. You can employ them only 44 hours per week. That is quite a different thing from saying that unless you comply with these arbitrary conditions you cannot do business. Those laws are based upon the well-established constitutional ground of being in the interest of public morals, health, safety, and general welfare, and there is a clear distinction between the two.

Pardon me for interfering.

Mr. EMERY. Not at all. I am very glad you raised it.

Senator CONNALLY. The proof that you are both eminent lawyers is that you do not agree.

Mr. EMERY. Yes, sir; and that is why I appeal to this committee.

The power to license in here is going to rest on the authority of the Federal Government to recognize what is known as the individual police powers of the individual States, for the purpose of rationally regulating the form of business in particular States, in which the public is interested in respect to education, public morals, health, and so forth.

Senator CONNALLY. Do you not think if I were engaged in interstate commerce, the Federal Government would have the power to license that business? This is not on all fours with the Oklahoma statute. Of course that was purely under the police regulations of the State of Oklahoma. But under the commerce clause of the Constitution, if a concern is really engaged in interstate commerce, do you not believe the Federal Government could require a license under

the power to regulate, because regulation could mean prohibition?

Mr. EMERY. There are two conditions that ought to be considered in that. First, that the right to engage in commerce between the States is a natural right which antedates the Constitution and is not derived from it, and is not conferred by Congress.

Senator CONNALLY. No; but it is limited by the Constitution.

Mr. EMERY. But, as said in the case of *Bud Trade v. Olsen* (262 U.S. 1), it is a right which the Constitution recognizes. It is expressed in the Employer's Liability cases that the power to regulate commerce is a power to regulate that part of a man's business which represents intercourse between the States. It does not grant to the Federal Government at any stage the right to regulate either his local business or those acts of production which do not themselves constitute commerce. Nothing has been clearer than that. That was the decision in the Child Labor case, in the Child Labor Tax case, in the *Wolf Packing Co. v. Court of Industrial Relations* case, which is reported in Two hundred and sixty-two U.S. Reports, 522, when the State of Kansas undertook to set up a court of industrial relations and say that the business of manufacturing clothing or food or to produce fuel, and to say that the business of the State was so dedicated to a public interest that it was possible for a State to determine the wages of the employees and even to require the parties to continue the employment relation under compulsory arbitration. And as you will see later in this bill, what it partly provides in here is, in terms, compulsory arbitration, because it compels wages.

All the cases the Senator has talked about, with deference to his juridical and legal experience, are cases with respect to particular industries or with respect to particular persons. No State in the Union has ever dared to say that it could absolutely limit the hours of labor of adult persons except one State, and that was the State of Oregon, in *State of Oregon v. Bunting*, where it was held that a 10-hour day with certain factories, with 3 hours overtime, was an exercise of State police power. It went to the Supreme Court and was sustained by a verdict of 4 to 4, because Mr. Justice Brandeis joined the court after it was argued and could not participate in the decision.

Senator WAGNER. You do not say that is the only case of adult labor—

Mr. EMERY (interrupting). I say that was the only case where it was attempted to regulate drastically the hours of labor of adult men.

Senator WAGNER. We have gone further in New York State and absolutely prohibited women from working at night in factories.

Mr. EMERY. Have you ever attempted in the State of New York to regulate the wages of adult men?

Senator WAGNER. We have not, because there was never any reason for it. They were so well organized they were able to take care of themselves.

Mr. EMERY. I defy anyone to produce a case in any State of the Union, of any court of the United States in which it has held, and I remind you we are dealing with the Federal Government, and the Federal Government under this bill proposes to regulate the wages of everybody in the United States.

Senator WAGNER. In our public contracts we provide to work them not more than 8 hours a day.

Mr. EMERY. Yes. That is as a contractor. The Government can, as a contractor say "I do not want anybody to work for me unless they work just so many hours." But the Government cannot tell me how much wages I can work for, neither can it tell you.

Senator WAGNER. That was the old theory about a hundred years ago.

Mr. EMERY. Oh, yes. It is like the Ten Commandments; it has the experience of the ages behind it.

Senator WAGNER. I know; but they say you cannot tell a woman she cannot work at night, but you can.

Mr. EMERY. What did the Supreme Court say to the Congress of the United States when you tried to regulate the wages of women in the District of Columbia? It said you cannot do it; and if the United States Senate and United States Congress cannot regulate the wages of women in the District of Columbia, how could it regulate wages for the United States?

Mr. WAGNER. There are many reasons. In the first place, a change of view, and in the second place, emergency legislation.

Mr. EMERY. I never heard that emergency legislation, or that emergencies changed the powers of Congress. I knew that emergencies always justify the exercise under appropriate authority of means adapted to an end, which if the emergency did not exist would not be employed. That is the doctrine of the rental act, but I observe that these gentlemen who reported this bill to you in the House and in the Senate said that they rested the power to do all the things contemplated under this bill on the interstate-commerce clause and the common-welfare clause. I confess that I am startled to hear a lawyer say he finds a constitutional power in the general-welfare clause to do such things. I always understood it was a taxing power.

Senator WAGNER. I made that statement the other day, that I did not rest the authority on the welfare clause at all. May I ask you this, and then I am finished: You do not dispute the fact that so far as interstate commerce is concerned that in dealing with interstate commerce the Federal Government has the same police power to regulate or prohibit interstate commerce that States have with respect to intrastate commerce?

Mr. EMERY. I deny that the Federal Government can regulate any article in interstate commerce as may be done intrastate. They never have done it. They have never excluded any commodity from interstate commerce that was not either inherently contraband commerce or outlawed commerce, and by that I mean that inherently it was of such character that it could not be an article of commerce, and they have carefully refrained and said that they saw no power under the interstate commerce clause to exclude a wholesome commodity from commerce. The power of regulation could extend to prohibition if it was necessary for the protection of that commerce, in the manner I have stated, as you exclude explosives from commerce, or inflammable materials, because it may destroy that commerce. You exclude rotten eggs or diseased meat or cattle from interstate commerce. As Justice Harlan said, you have no authority

to work a fraud in commerce. No man has authority to engage in fraud in commerce. That is not commerce, and it has never been held by the Supreme Court at any time that Congress could exclude an article from interstate commerce. It was Mr. Justice Day who pointed out that in the exercise of the commerce clause Congress could not exclude any article from commerce which was not produced in a manner satisfactory to it, and that is what we are considering here. That was the child-labor case, and the child-tax case, because in a later case when they transferred it to the taxing power the court said on the basis of that that this is not a tax case but a penalty for the purpose of compelling States to produce goods under conditions which Congress demands.

Senator WAGNER. Yes; but our act limits it to interstate commerce.

Mr. EMERY. Yes, sir.

Senator WAGNER. When you are talking about the child-labor case, you are talking about an article manufactured within a State.

Mr. EMERY. Yes.

Senator WAGNER. And our act simply says we cannot deal with it unless it is in interstate commerce.

Mr. EMERY. What act?

Senator WAGNER. This act itself.

Mr. EMERY. Your act says "affects" interstate commerce.

Senator WAGNER. Yes; but you remember the Coronado case, do you not?

Mr. EMERY. Yes, sir.

Senator WAGNER. Where the court issued an injunction, sustained by the United States Supreme Court.

Mr. EMERY. Yes.

Senator WAGNER. Which affected the production of coal in Pennsylvania, because they said the conduct of the workers affected the price of coal in some other State. That is where there was no coal in interstate commerce, but they said the conduct of workers in this particular mine would affect the price of coal in another section of the country, in another State, and in your Shreveport case they adopt the same thing. So we are not dealing with novel things.

Mr. EMERY. You are talking about another matter altogether when you enter the Shreveport case. You are talking about something entirely different.

Senator WAGNER. Yes; but they said that the State could exercise its power to make a burden upon interstate commerce.

Mr. EMERY. It said it could so exercise its regulating power as to make it a burden upon interstate commerce.

Senator WAGNER. I know that, but we say we can only deal with commerce as it affects interstate commerce, and the courts have said time and time again that is all you can do.

Mr. EMERY. Of course, they have said that if two men enter into a contract which restrains interstate commerce or tends to monopolize interstate commerce, that is a case where the clause is applicable.

Senator GEORGE. I think it is perfectly clear unless the child-labor case is overruled there is no doctrine that Congress has a right to prohibit any article that it may choose or may elect from entering interstate commerce.

Mr. EMER. I would just like to put into the record at this point the statement of the present Chief Justice of the United States Supreme Court, made to the American Petroleum Institute before the Federal Oil Conservation Board, on May 27, 1926. This is so clear an enunciation of that, since it has been declared in the House bill and in the Senate bill to be one of the bases of constitutionality, that it ought to be here. **Mr. Hughes** said:

I am aware that it has been suggested that such Federal power to control production within the States might be asserted by Congress because it could be deemed to relate to the provision for the common defense and the promotion of the general welfare * * *.

Senator CONNALLY. That went into the record this morning, though I have no objections to it going in.

Senator McADOO. It went in only in part. I should like to have the whole of it go in.

Mr. EMERY (continuing reading):

The suggestion to which I have referred is an echo of an attempt to construe article I, section 8, subdivision 1, of the Constitution of the United States, not as a power to "lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States" but as conferring upon Congress two distinct powers, to wit (1) the power of taxation, and (2) the power to provide for the common defense and the general welfare. In this view it has been urged that Congress has the authority to exercise any power that it might think necessary or expedient for the common defense or the general welfare of the United States.

Of course, under such a construction, the Government of the United States would at once cease to be one of enumerated powers, and the powers of the States would be wholly illusory and would be at any time subject to be controlled in any manner by the dominant Federal will exercised by the Congress on the ground that the general welfare might thereby be advanced. That, however, is not the accepted view of the Constitution.

It is too elementary to require discussion, and it is impossible to believe that the legal advisers of the Board will suggest that it will proceed on any different view.

What may be included in codes of fair competition or permissible agreements is not defined in the bill but rests in the discretion of the administrator, upon the meaning which may be given to the term "fair competition" in the light of the objectives of the measure. This generality is subject to one specific and definite exception. By section 7 (a) every code, agreement, or license must contain certain conditions with respect to employment relations.

In the bill as introduced this requires employers to recognize the right of employees to organize and bargain collectively through representatives of their own choosing and not be required as a condition of employment to join any organization or refrain from joining a labor organization of their own choosing. Employers are further required to agree to observe maximum hours of labor and minimum rates of pay and working conditions prescribed by the President. By an act made in the House bill the employer and his agents are required to refrain from any interference with or coercion in the organization of labor and the employee may not be required to join "a company union."

Senator WAGNER. In reference to those three provisions, you have in mind the so-called "yellow-dog contract"?

Mr. EMERY. I have in mind the three provisions which are inserted in section 7.

Senator GEORGE. Your position is that those provisions must affirmatively appear in each one of these provisions?

Mr. EMERY. Yes, sir. These must affirmatively appear.

Senator WAGNER. Are not those three conditions merely the establishment of a right to the worker; that is, if he cares to exercise it he shall have the right of collective bargaining, and then the other thing, which Congress has already done; that is, to outlaw the yellow-dog contract in the Norris Anti-injunction Act?

Mr. EMERY. That is what is described an act which has withdrawn from enforcement in the Federal courts the power of injunction.

Senator WAGNER. Well, it says the contract is one against public policy.

Mr. EMERY. Thus, while employers as such are assured of no protection in the discharge of their onerous obligations, but must place their trust wholly in the administrator, it is sought to twist the pending legislation into a distinct effort to mold the employment relations of the United States into a single form, to the manifest advantage of a particular form of organization. This measure of dealing with the most fundamental rights of employers and employees. Their relations throughout the depression have been marked by a mutuality of good will, sympathetic understanding, and sacrifice, which have been its marked characteristic. That there have been exceptions, which all industry desires to see corrected, only emphasizes the rule. But the essential facts and principles of American employment relations rest upon rights of liberty and agreements that cannot be ignored. They have developed upon the theory that every man is entitled to bargain, individually or collectively, for employment on conditions mutually satisfactory to the parties, rather than undertake by disregard of fact and right to force them into one form of relations with trade unions. Many manufacturers deal with such organizations.

Probably three times as many have operated over long periods of time under employee representation plans, including many forms of mutual benefit characteristic of the most intelligent evolution of the employment relation. To make the pending proposal a means of disrupting long-established relations and require their reorganization into a single form which ignores the most fundamental rights of both parties would engender discord, controversy, and bitterness when it is most important that our employment relations should be characterized by good will, justice, and understanding.

The trade union is a recognized part of our social life, yet at times it frankly sets itself up as a separate and distinct governing agency to control those who believe they can best advance their own interests through other forms of organization and relationship. To deny them the right to continue to do so is violating Lincoln's famous declaration, "No man is good enough to govern a man without that other's consent." It must be, moreover, clear from an examination of the pending bill that the assurance of fair employment relations does not require the provisions of section 7, for section 8 provides that the President may condition any code submitted to him to assure the protection of the employees. He may, moreover, modify or suspend the operation of such code. If it does not provide that protection, he may further assure it through regulation, and again, where such

satisfactory agreement as to working conditions exists in any plant or industry, he not only possesses full power of investigation but he may specifically prescribe hours, wages, and working conditions as he finds it necessary to effectuate the objectives of this bill.

Moreover, this committee must perceive that as the bill is drafted it is within the discretion of the administrator to exclude from any code provisions required to be incorporated with respect to employment relations, and thus to transform the whole measure into a Federal control of employment relations in every local field, to the exclusion of every other feature.

Finally, if this committee is of the opinion that a statement of employment relations is essential to condition codes and agreements, we submit that, as fair-minded men, it should be stated in terms which not only fairly recognize the equal and mutual rights both of employer and employee. Of those who desire to refrain from any particular form of association, as well as those who desire to associate. To recognize no narrow and exclusive relationship, but, as is constitutionally required, every form of legitimate employment relations mutually satisfactory to the parties.

As the right to associate is the right not to associate. The one is as essential as the other. Antireligious wars have been fought upon that principle.

Furthermore, if it is determined to establish controls over employers, it must be obvious that, to the same extent, it is essential to the execution of the measure that similar controls be established over employees. If freedom is contracted as to the one, it must be correspondingly contracted to the other, or either, by violating the terms of regulation, make impossible the performance of the obligations created for the other. Both must enjoy liberty of action or each must be subjected to reciprocal restraints.

Above all, nothing could more certainly jeopardize the success of the experiment than to create the impression that the measure contemplated disruption of satisfactory existing relations and stimulated continuing agitation for the reorganization of employment relations. Nothing could be more certainly calculated to bring uncertainty into the whole field of industrial production. It is not a function of the Federal Government.

I submit to the committee, first, that the President possesses under the bill the power to condition any code or agreement that may be offered for his approval, or that of his representative, to adequately protect all of the rights of employees, because he may add any condition to them, prescribe any condition that is necessary for their protection. That is written into the third section of the bill, so that when you come down to the seventh section of the bill, as I say, you have supplied three essential conditions which must be in every agreement, and they are the only three essential conditions in the bill.

Senator GORE. Do they all relate to labor?

Mr. EMERY. Yes, sir.

Senator REED. Will you permit an interruption at that point? I realize that those who come in late may by our questions compel you to go over the same ground twice. As I read section 3 of this bill, in its requirement for codes of fair competition, it does not

at all exclude and impliedly includes the selling price of the products of the group who make the agreement, the territory within which each may sell, the amount of business that each may do, and it is conceivable that a group might make such disposition of business as to effect prices in that way, and with the approval of the President it becomes a code of law for that industry, the violation of which is a crime. Is that correct?

Mr. EMERY. What can be put into that code, Senator, is highly indefinite.

Senator REED. It may include such things as the selling price, may it not?

Mr. EMERY. I am very doubtful of that, because it says the President may include the codes, or code of fair competition. I do not know what he could put in there with the expectation of approving price control or control of production, because the Supreme Court in passing upon a case before the Federal Trade Commission said that that involves acts which are against good morals or involves fraud or deceit or tends toward monopoly, or acts which are oppressive or restrain trade.

Senator REED. It is our duty to protect the public just as much as it is to encourage industrial recovery.

Mr. EMERY. Yes, sir.

Senator REED. It seems to me that clearly under the law, as it stands today, for competitors to get together and make a pool fixing selling prices and eliminate competition is a crime under our present law.

Mr. EMERY. It certainly is.

Senator REED. But under this that same thing may be done if the President approves it or the person to whom he delegates the approval of it approves it. Then it becomes a crime not to do what today it is a crime to do; is that right?

Mr. EMERY. If that were put in there, if that were included in a code of fair competition, it is a fact that the failure to comply with it would constitute a crime.

Senator REED. In other words, this would not only repeal our antitrust laws, but at the same time make it a crime not to join some monopolistic condition.

Mr. EMERY. The case does not rest merely upon the voluntary organization of the body. One may be involuntarily organized into a code which may be written for him. What may be contained in that code, when he does not organize himself, remains to be seen.

Senator WAGNER. Of course when you come to imagining things, you can conjure any sort of thing. The same thing may be said about the power of the Governor to pardon; that if he had it he would pardon everybody that is in the jail. There is no such provision in here. As a matter of fact, there is a provision in here which requires that the code does not prevent monopoly, and does not discriminate against the small enterprise.

Mr. EMERY. You have eliminated the small enterprise.

Senator WAGNER. Or does not injure him.

Mr. EMERY. Yes, sir.

Senator WAGNER. And you know as a matter of fact when it comes to a question of unfair competition, that is one of the objects be-

hind the bill, that the competition today is the cause of the low wages which are being paid at the present time and the long hours of labor. Those are the two elements which have brought about this unfair competition, the sweatshop methods, which have dragged down the whole economic structure, and it is that sort of thing we are addressing ourselves to, and it is not fair to stop something that may be done. We are preserving competition, or, rather are we putting it on a basis of efficiency rather than exploitation.

Mr. EMERY. I wish that were stated in the bill.

Senator WAGNER. You cannot put every word into the bill. Everybody knows it except those who are now attempting to conjure these imaginary arguments in order to defeat it.

Mr. EMERY. We are not conjuring up any imaginary arguments.

Senator WAGNER. We have had conferences, Mr. Emery, with you, and I think it was pretty definitely stated what the purposes were behind the bill, and that the thing was to lift up and to prevent this unfair competition and this exploitation of labor, and that will put competition on a fair, decent basis, for the smaller as well as the large, and my own view is that this is going to help the small business man as against the large business man. It is going to give the small business man a chance, because the hours of labor and wages have got to be practically the same in the same community.

Senator REED. If I may resume again, I would like to complete my thought. We have been sitting here for several days listening to representatives of the oil industry urge this sort of thing for their industry, appointment of a dictator to have the power to fix prices and regulate competition, and they are frank enough to tell us that their motive is to raise the price of oil from its present low level to manufacturers of Pennsylvania and elsewhere who favor this bill about a dollar a barrel. I have been approached by a good many because in their minds it is an indirect way of repealing the present antitrust laws, and I want to know how that strikes you.

Mr. EMERY. I want to be perfectly frank about it, as to what we assumed was going to be the effect of this measure. We assumed that one of the causes of the present depression was the deadly downward spiral of prices and wages, which has completely demoralized the normal exchange of goods and services among our population. In other words, as men on the ladder, they fought with all the means they had, they cut prices along until conditions became such that they were unable to pay labor, and the result was a deadly downward fall in price levels. The effect is that you can do two things. You can compel competition to the death, on the one hand, and have regulation of competition under appropriate conditions. We believe men can be forced to form organizations in industry; that you can cause an effective measure of competition that will prevent the most destructive element that hits our consuming power and that is low wages.

Senator REED. I never heard of a pool in any industry that did not put up as a pretext the claim that they wanted to keep prices high enough to pay good wages.

Senator WAGNER. You never had Government supervision. That is where public protection comes in.

Mr. EMERY. I am sure you will agree with me that one of the most disastrous features of this depression has been that steady deadly competition that demoralized business, and every industry was overburdened with debt, and could not get the money to sustain them until we were all brought down on that level. So far as the people I represent are concerned—and we say it with as much interest in those to be protected as others—that the manufacturer who sells below cost is as much a liability or more so than an asset.

Senator REED. And if you establish a system of this kind, or like that in Germany, your cure is worse than your disease.

Mr. EMERY. The cure here is that you are after a reasonable amount of regulated competition between parties, but they must depend upon the administration of the bill. One thing certain about the bill is that the administrator must, if it is retained in the form it is now in, regulate working conditions and employment conditions and wages as now prescribed in the bill. Those are things he must do, and whether he does anything else depends on him.

Senator WAGNER. And that is your opposition to this bill, is it not? Do you not think labor is receiving too great protection here?

Mr. EMERY. On the contrary, I want it to receive every reasonable protection, but I want that expressed in terms that are fair to employer and employee and not a one-sided bargain here that attempts to drive our employment relations into one form.

Senator WAGNER. You say you wanted a mutuality there?

Mr. EMERY. Yes, sir.

Senator WAGNER. All we are saying is that if the laborers so choose, they may bargain collectively. That is a right the court has said they have and they have upheld contracts for collective bargaining, and the only thing we say is if they care to assert it, they have that right to collective bargaining and if they do not they can deal otherwise with their employers.

Mr. EMERY. They do not need any expression here. I want to suggest this as an amendment that would express that in fairness. I recommend it to the Senator, and he is a very fair man.

Senator WAGNER. You did not mind my interrupting you, did you?

Mr. EMERY. Not at all, Senator. You never interrupt me without profit.

We suggest that section 7 is not essential in order to afford the protection which you desire, because you could amend section 3, which is the section which controls codes and agreements; and if you did amend section 3 and strike out section 7 and add the following, you would adequately protect labor and the employer in fair terms that would recognize the rights of each, and it would read as follows:

Addition to section 3:

(e) In every code of fair competition in any trade or industry or subdivision thereof approved by the President under either subsection (a) or subsection (d) of this section the provisions for the protection of employees shall include the following conditions:

(1) That employers and employees shall have the right to organize and bargain collectively in any form mutually satisfactory to them through representatives of their own choosing.

(2) That no employee and no one seeking employment shall be required as a condition of employment to join or refrain from joining any legitimate organ-

ization, nor shall any persons be precluded from bargaining individually for employment.

You cannot take away from the people of the United States the right to bargain individually, if they so choose. We have great groups that operate collectively. They are entitled to it. But you cannot take from the mass of the people of the United States by Federal act the right to bargain individually if they so choose, because today the greater pools of employees are comparatively among the small employers. I think the employment today is 65 percent in manufacturing establishments that employ less than 100 people.

Senator WAGNER. Is there anything in this bill which takes away from an individual the right to bargain with his employer?

Mr. EMERY. Yes.

Senator WAGNER. How?

Mr. EMERY. You do it by inference and by implication.

Senator WAGNER. I do not see where.

Mr. EMERY. I will read it to you. I am afraid, Senator, you have not read your own bill. It is in section 7.

Senator WAGNER. I am afraid you have not.

Mr. EMERY. I have read so many of them I don't know which one you have had last. I read one. Afterwards it was changed, and after you had it, it was taken over the House and modified again, so that it was aimed very specifically at what might be called the "employee's representation plan", where companies who are dealing with their own employees on a system of employee representation or wage plan and so on, that were satisfactory to them, where they were mutually satisfied, they should have the same protection as otherwise.

Senator WAGNER. You cannot say to this man, "You cannot work people unless you employ this man."

Mr. EMERY. No, sir. What is the opposite?

Senator WAGNER. What is it?

Mr. EMERY. You will have to join the labor union in order to work here.

Senator WAGNER. Where is there anything here that compels him to join a labor organization?

Mr. EMERY. You are careful to assert his right to belong to it, but not the contrary.

Senator WAGNER. Do you not think he can join a labor union if he wishes? The only thing is it is carrying out the policy which Congress has declared and put on the statute books. The only thing is that this says you must be fair. That is the yellow dog contract provision you know so much about. The other one is that it provides that if the laborers desire to bargain collectively you may give them the right to bargain collectively. That is all it does.

Senator GORE. Is this your point, that there are certain rights of labor guaranteed in this bill and not entrusted to the discretion and power of the administrator, while on the other hand there are certain fundamental rights of the employers not expressly guaranteed, but are committed to the discretion and power of the administrator?

Mr. EMERY. Exactly.

Senator REED. Have you prepared an amendment to carry this out?

Mr. EMERY. Yes, sir. That is, only with respect to that subject. I raised other questions here before you came in. Unfortunately I did not have the benefit of your presence to call attention to.

I have only one other matter. I just want in that connection, if I may, to call your attention to this, because all we are saying is that this should be a fair equation and fair to both parties, and for all things, do not write anything into this act that operates to create a discord and break any long established relations mutually satisfactory to both sides. If it stimulates that kind of agitation, then any gain in the objectives at which this is aimed is frustrated at the start.

Senator GORE. In speaking of equation, would that in your judgment involve licensing labor organizations as well as employers?

Mr. EMERY. I said, if you are going to employ coercion to compel the employer to abide by a policy set up by the administrator, you have to have similar control over employees. If you say to the employer, "You must observe the wages and hours set up here," what is his protection if he enters, as he must, upon future contracts and agreements, and then he is to be confronted at some stage of his contract with new demands, new requests for longer or shorter hours, or whatever they may be. What protection has he?

Senator CONNALLY. I thought he was protected by the protection all of you have, to jack up the price some way.

Mr. EMERY. It is easy to jack up the price, but it is hard to market the goods at that time.

Senator GORE. The contract you have in mind is where a contractor or manufacturer agrees to manufacture an article at a certain price to be delivered six months afterward, fixing the price in the contract. You raise the point if labor should demand an increase in wages, what would be the effect on the manufacturer?

Mr. EMERY. These arrangements with regard to both wages and hours are subject not merely to demands on the part of the workers. It may be entirely justified, but they are at all times under control and discretion of the administrator. He himself may change these at any time. He may modify the agreements and he may suspend them, and as I pointed out a while ago, as long as that license clause remains in there, he has the power of death over it. He can confiscate his property and drive him into exile if he does not obey his orders. No dictator in the world has the power that lies in that license clause.

Senator WAGNER. Have you strengthened the bill with your provision?

Mr. EMERY. It would greatly improve it. Would you support it if we put those in?

Senator WAGNER. It is equally difficult to answer either way.

Mr. EMERY. I just want to call your attention in regard to that to the fair way, because it is often referred to. Take our British brethren over there. Here is the way they make provision in their fundamental law. This is from the Trade Union Acts of 1927, which is the controlling statute in relation to trade unions in Great Britain.

Senator GORE. How long is that act?

Mr. EMERY. It occupies about 2 printed pages.

Senator GORE. Will you put that in the record?

Mr. EMERY. I shall be very glad to do so. I do not have it with me, but I have it at the office. I would like to read these two sections. Section 6:

(1) It shall not be lawful for any local or other public authority to make it a condition of the employment or continuance in employment of any person that he shall or shall not be a member of a trade union, or to impose any conditions upon persons employed by the authority whereby employees who are or who are not members of a trade union are liable to be placed in any respect either directly or indirectly under any disability or disadvantage as compared with other employees.

(2) It shall not be lawful for any local or other public authority to make it a condition of any contract made or proposed to be made with the authority, or of the consideration of acceptance of any tender in connection with such a contract, that any person to be employed by any party to the contract shall or shall not be a member of a trade union.

They go very far in that act. You see that trade unions are recognized. You will see that all organizations, both employers' and employees', have not only the beneficent side but they protect the general public in that respect.

Senator GORE. That was passed after the general strike?

Mr. EMERY. Yes, sir; and it lived through the labor administration that held office for 2 years, without the slightest modification.

I want to call your attention to the fact that the House measure before you provides a method of securing revenue to meet the service charges required to sustain operations under the second title of this act. It provides for a 75-percent increase in Federal gasoline tax, the double taxation of that rare thing, dividends, a large increase in normal income-tax rates in the lower- and middle-class brackets of the law, affecting nearly 90 percent of our taxpayers. No increase of taxation is justified save by the extraordinary character of this emergency. Yet, how shall we bear its burdens unless they be fairly distributed?

To indulge in what in effect are discriminating selective sales taxes is to heavily overburden particular groups, reacting to the disadvantage of all with whom they have relations. To increase the rates upon diminished incomes and to tax the returns from investment not only where they are first earned but again in the hands of those who receive them is the most direct means of discouraging any further flow into investment, and new investment, sadly needed, is trickling now at about 5 percent of what it was in 1929.

We submit that a fairer method of raising the essential revenue is to spread a 1-point gross manufacturers' sales tax over our industries. That, in itself, is a serious burden. It will require in many if not most instances its absorption by the manufacturer. But he believes he can carry it with less serious consequences not only to himself but with regard to its effect upon employment, consuming power, and investment than the proposal contained in the House bill.

Finally, gentlemen, I would like to call your attention to one amendment which particularly, I think, deserves your attention in this bill.

Senator REED. Before you leave the tax bill, the House bill, as I understand it, as it comes before us, increases the income tax on a

taxpayer having an income of \$5,000—increases his income tax by 50 percent.

Mr. EMERY. No; not on \$5,000. It would be an increase of 25 percent. It is a 2-percent increase on the first \$4,000 and 2 percent additional—

Senator REED. At the present time he is paying 4 percent on his income.

Mr. EMERY. Yes, sir.

Senator REED. They add 2 percent to that, which is an increase of 50 percent.

Mr. EMERY. Yes, sir.

Senator REED. Would you say if a taxpayer's taxable income is \$50,000, the increase on him is only 4 percent?

Mr. EMERY. Just exactly the same.

Senator REED. And if he has an income of \$100,000, the increase to which he is subject is only 2 percent?

Mr. EMERY. Yes, sir.

Senator REED. Does that seem to you equitable?

Mr. EMERY. It does not seem very equitable, Senator. What concerns an industrialist is not really the effect of the taxes on him personally, his own personal taxes, but the effect upon what we all are striving to do, increase consuming power, and the small taxpayers have already diminished incomes, and to further burden them with heavy taxes at this time at the rate suggested, and with the commodity tax on things for their use, is to very seriously inconvenience them.

Senator REED. Let me ask you about the sales tax on the House bill. A citizen who has a small automobile and buys gasoline pays a sales tax under this, in the average State, both State and Federal, amounting to about 150 percent, is it not?

Mr. EMERY. I believe the average levy is about 6 cents a gallon with this increase.

Senator REED. So that it is about 150 percent sales tax, whereas if a rich man buys a tapestry or some old master of some sort, he pays no tax on that whatever. Does that seem to you to be just?

Mr. EMERY. It does not so impress me.

Senator CONNALLY. Let me suggest to you with regard to this income tax, I am going to offer an amendment at the proper time, leaving the computation just like it is, and change the House bill so we can say 10 or 15 percent of the computed tax. In that way the tax will be distributed equally over all the taxpayers, so you can soak the big man as well as the little one.

Senator REED. When Mr. J. P. Morgan comes to figure out his income tax he adds 10 percent to nothing.

Senator CONNALLY. Well, we are going to cut out the capital transactions tax. We are going to cut them out. My amendment will get more out of Mr. Morgan, if he pays any tax at all. My amendment will distribute a certain flat percentage on everybody that pays. If a man pays a \$10,000 tax he will pay \$1,000 more instead of 2 percent more.

Mr. EMERY. This is an emergency in which it is essential, in your opinion, to set out on a program of construction in order to afford you opportunities for employment, and it is a crisis in which we all

must share the burden, not a few, and if we distribute it fairly, a very small sales tax—

Senator CONNALLY. I am not for the general sales tax.

Mr. EMERY. We keep finding some new articles to pick out for taxation.

Senator CONNALLY. Yes; but when a representative of the manufacturers' association comes in here and tells me he wants a general sales tax on all that he represents, I look for a "nigger in the woodpile."

Mr. EMERY. We have been doing that for some time.

Senator CONNALLY. The reason for that is you are trying to get rid of the income tax—get it reduced—because you expect to pass it on to the consumer and make him pay it.

Mr. EMERY. We cannot do it in many cases. You must remember the great body of manufacturers are already paying excise taxes of from 5 to 10 percent as well as, if they had any profits, they would be paying taxes on that. But if one is going to take a view of this large picture that is presented to you, he has to weigh the result of taxation on this large program.

Senator GORE. Did your organization favor a general sales tax?

Mr. EMERY. Not a general one, but a manufacturers' sales tax.

Senator GORE. Before this emergency came up?

Mr. EMERY. Yes, sir.

Senator GORE. The plea, to use it in the emergency, is simply the same plea in a different situation?

Mr. EMERY. You are after here a small amount, about \$220,000,000.

Senator GORE. The trouble is if we once lay it on, it will be a thousand years on us, and it will grow like this gasoline tax you have just mentioned.

Mr. EMERY. Well, if we keep laying it on industry by industry for a thousand years we would eventually reach them all. We are suggesting now a tax on individual articles.

May I just a moment mention this section 205, title II of the bill (H.R. 5755), which is a limitation on the purchase of articles, materials, or supplies, as follows:

No articles, materials, or supplies shall be acquired for public use or for use upon or in State, municipal, or private projects, financed in whole or in part by Federal funds under this or other acts of Congress, unless such articles, materials, or supplies have been manufactured in the United States of articles, materials, or supplies mined or produced in the United States, if available at a reasonable cost.

We suggest that the amendment in that regard ought to conform to the amendment which you adopted in the post office appropriation bill, and which is a part of section 2, page 25, Public, 428, Seventy-second Congress. It will accomplish the purpose you have in mind, but will be in language reading as follows:

(b) Notwithstanding any other provision of law, and unless the head of the Department (or) independent establishment, or governmental agency concerned shall determine it to be inconsistent with the public interest, or the cost to be unreasonable, or unless it shall be contrary to controlling State or local law, only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the United States substantially all from articles, materials, or supplies mined, produced, or manu-

factured, as the case may be, in the United States, shall be acquired for public use or benefit, or for use upon or in State, county, municipal, or private projects which shall be financed under this or other acts of Congress in whole or in part by Federal funds. This section shall not apply with respect to articles, materials, or supplies for use outside the United States, or if articles, materials, or supplies of the class or kind to be used or the articles, materials, or supplies from which they are manufactured are not mined, produced, or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality.

Senator REED. I think there are some materials that are available in this country in such limited quantity, and the prices are so reasonable, that this amendment would exclude 90 percent of them from competition under the conditions set forth.

Mr. EMORY. That is in the discussion before the House and Senate, and we adopted this as the most reasonable.

Senator REED. I am in sympathy with your suggestion. I think the language of the House bill is open to that objection. Take manganese. Six percent of our national requirements of manganese is produced in this country. The House provision would exclude from competition for Federal business any steel made up of manganese produced outside the country. In other words, we wouldn't get the benefit of the competition of 94 percent of the American steel production.

Mr. EMORY. That is true of other articles.

**STATEMENT OF AL F. WILLIAMS, TOPEKA, KANS., REPRESENTING
THE GOVERNOR OF KANSAS AND THE ASSOCIATED INDUSTRIES
OF KANSAS**

Mr. WILLIAMS. My name is Al F. Williams. I reside in Topeka, Kan., and I appear before this committee with proper credentials, personally representing the Hon. Alfred M. Landon, governor of Kansas, and likewise representing the Associated Industries of Kansas, an organization representing the major manufacturing and business concerns of the State, comprehending within its membership approximately 80 percent of the production, from an industrial standpoint, in Kansas. I likewise appear in behalf of and representing the Retail Oilmen's Association, affiliated with the Independent Oil Operators Association of Kansas, which in a major way comprehends the independent distribution of oils and gasoline in the State and comprise in its group practically all independent oil men under the designations stated. I likewise appear in behalf of the Kansas Motor Club, which is affiliated with the National Automobile Association, generally known as the A.A.A.

The purpose of my appearance here today is to protest on behalf of the Governor of the State of Kansas and those associations named against the favorable consideration by your committee and the enactment by Congress of any law increasing the tax upon gasoline. As I understand the situation to be, the proposal now before your committee is that the present existing 1-cent gasoline tax be increased to 1 $\frac{3}{4}$ cents per gallon on all gasoline sold in the United States.

Although representing industrial organizations, manufacturing concerns, and producers, as well as speaking authoritatively for the Governor of the State, the background of my argument is based

upon the effect the addition of this tax would have upon the farmers of our State.

Industry recognizes in a major way that there can be no definite successful "come-back" until the farmer of the United States receives a fair return for the products of the farm and field. Until he is taken out of his present deplorable situation and condition and is able to breathe again economically, there can be no adequate return to industry in the way of successful operation of business.

Out in our State we recognize very clearly that our mines and mills and workshops, our factories, oil wells, and business institutions cannot continue to successfully function unless the farmer of our State is possessed of sufficient means that he may provide himself with the necessities and some of the luxuries of life.

Kansas is essentially a farming State. Its broad prairies and great fields of waving grain provide the sources of wealth that support all the people who live within its borders, and if the farmer is in dire need and distress, has no market and no money, business so necessarily dependent upon his success languishes and dies. And, therefore, as a representative of business it becomes necessary for us to urge that the farmer be protected as a necessary incident to the success of business itself. In the last 2 years Kansas farmers, like those in other States, but possibly to a more marked degree than in many, have been unable to meet their ordinary living expenses. Tax payments have been retarded and in many instances have entirely ceased. Mortgage indebtedness and interest payments as well stand in default to the amount of millions of dollars, but the tragedy of the whole situation is that it has taken the life, pep, and hope out of the farmer's make-up. And while in Kansas our farmers have not lost their heads or become violent, owing in a large degree, I am glad to say, to the advice and counsel of the leaders of the various Kansas farm organizations, still they have reached a plight that the State recognizes as being extreme.

The last legislature in Kansas, which adjourned a few weeks ago, passed a law eliminating all penalties and interest on unpaid taxes up until September of the current year. They likewise passed a law giving district judges in the State the right to fix an up set price upon real estate sold under foreclosure for the obvious purpose of preventing sales under foreclosure at less than the property normally would be worth, and thus giving to the farmer an opportunity to save himself.

We have gone as far as we can to help. We are conscious of the dangerous position we occupy. Industry recognizes this in a very major way, because if it is to succeed the farmer must succeed as well. They are interdependent one on the other.

Under the terms of our Kansas statutes and constitution, gasoline taxes are collected entirely and solely for use on public highways, and the farmer in our State is not required to pay gasoline tax on any gasoline used purely and wholly for agricultural purposes. We have again come to the assistance of the man who is engaged in providing the food supply of the Nation, and although we have a gasoline tax of 3 cents per gallon and collected during the calendar year 1932 approximately seven and one-half million dollars gasoline taxes,

it did not comprehend any payment of gasoline tax by the farmers in our State.

In round numbers, the farmers of Kansas would have been required to pay during the year 1932 approximately a million eight hundred thousand dollars in gasoline taxes had it not been for the exemption granted them for agricultural reasons. But under the provisions of the Federal act they pay approximately \$600,000, and if this additional tax is put upon them they will pay around a million dollars a year to the Federal Government, and it will have to come out of their meager earnings and limited income.

It is our contention and argument to this committee that if full recovery is to come back to this Nation, it must come primarily first to the farmer, because he was first to be hit: and that revenue-raising measures, while admittedly necessary, should not go to the point where the farmer's return will be retarded and thus in a definite way put a check upon the substantial return of all industry. I am not unconscious of the fact that the recent increase in grain prices has been of substantial benefit to the farmer, curtailed, however, in a very definite way by the fact that only a small percentage of farmers control the visible supply of farm products that they gained by the recent price advance, and therefore the net result in the way of benefits to the farmers of our State have been extremely small, and when general commodity prices are noted to have advanced along with grain prices the net benefit is really negligible. All classes of industry are thoroughly imbued with the idea and opinion that any additional tax laid upon the back of the farmer will seriously impair economic recovery in the United States.

Kansas has done her share and has exempted her farmers from this class of taxation in view of the important position as a food-producing element in our national life which is occupied by the farmer. In Kansas the farmers own and operate approximately 67,000 farm tractors and own more of such machines than any other State in the Union save Illinois. They likewise own and operate 34,000 trucks, which is exceeded by the farmers in only nine other States, irrespective of population. The farmers of Kansas own and operate practically one third of all motor propelled or driven vehicles in the State. An additional burden laid upon them at this time, when they are just beginning to breathe again, might be the last straw, and I urge upon this committee the necessity of taking these facts into consideration. Kansas farmers have not as a rule been a complaining class. They have endured their griefs and troubles, their ups and downs, with most commendable fortitude. They have accepted the present conditions without becoming socialistic or red, and it is my personal opinion that their attitude has largely been induced by the feeling that, as the era of reconstruction came closer, due consideration would be given to them in their extremity and an opportunity offered by which they could come back again and save their farms and homes from total loss.

It is this slant I wish the committee to take in the protest I make on behalf of those whom I represent here today. The Governor of the State of Kansas is keenly conscious of this situation. In a farming State like Kansas we get a closer contact with these conditions. Living with it every day, as we do, we have forced upon us the im-

ment of it all, as well as the sadness and the misery that goes hand in hand, day by day, with these conditions.

All industry in our State rises or falls as the farmer succeeds or fails. When the farmer has money, business is prosperous with us, and when the farmer is unable to purchase his necessities or some luxuries from time to time, business in all lines of industry languishes. Industry naturally does not desire to see a burden laid upon it, and this applies both to the oil industry in its various phases of production and distribution as well as to those business concerns whose main purpose is the manufacturing and handling of merchandise and its distribution to the general public. We all feel that gasoline now pays more than its share of the public burden; that simply because it seems easy to add an additional burden to it there is no justification for so doing. No other commodity in the world, so far as known, is so utterly out of proportion to its actual cost as is gasoline, and the use and consumption of this article has decreased in Kansas in a substantial way with the addition of these taxes laid upon it from time to time. We built our roads in Kansas with our gasoline tax, and after we have constructed them the gasoline tax is used for maintenance. Not one penny is taken for any other purpose except the purpose of roads. We feel that the Federal Government should leave to the various States the right to raise money upon gasoline free from any Federal imposition. There should be no gasoline tax levied by the Federal Government. And while we only have a 3-cent tax in Kansas and Florida has a 7-cent tax, and there are various other States intermediate, we feel it is a problem that should be controlled entirely by the State. I am therefore hopeful that in this consideration your committee will view with favor the elimination from the bill under discussion any increase in gasoline taxes and, if possible, provide some other method that may be proposed to raise the required revenue, going so far as to suggest even the elimination of the existing 1-cent tax now prevailing.

Senator GORE. What is your present rate of State taxation on gasoline?

Mr. WILLIAMS. Three cents. We had a 2-cent rate and increased it as an emergency measure 2 years ago to 3 cents. It was to eliminate itself by operation of the statute within the year, and like practically all taxation statutes, as soon as it came to the end of the road they reenacted it. We still have our 3-cent tax there. But in the operation of that tax law we have exempted the farmer from paying any gasoline tax on any gasoline used in purely agricultural purposes. We have even gone a little bit further, as you will note, in trying to take care of the farmer in the development of agricultural pursuits and obtaining to the agricultural business.

A satisfied citizenship means more in the present condition of unrest than any other one thing if we are to again come back on even keel as a nation. Any tax that destroys the morale of the citizen takes away from him the hope of providing a reasonable return for himself, lays upon his back an excessive and unusual burden out of line with the requirements of the occasion, deadens his ambition, curtails his desire to work, makes him more anxious to insist that the

Government provide a living for him, and in fact upsets the traditions of our Government.

I am conscious this committee is working under stress. Any form of taxation is obnoxious and in an extreme situation as the country is now going through, where money must be raised to finance the various projects in the mind of the President of the United States, there will be objections made to practically every method of taxation suggested, but I sincerely trust that in the wisdom of the members of this committee and their colleagues they may see fit to enact only such a measure as will carry taxation requirements of such a character that the burden may be more equally distributed, that specific industries will not be crushed and that excessive burdens will not be laid. With this kind of a program the people of Kansas will be glad to respond. We are not claiming exemption from our share of public duty. We are not willing to admit we have no part in the President's plan to beat back in the United States, but we do say that agriculture and all business dependent upon it should not be forced to bear the load and thus retard a speedy return to prosperity.

Senator McADOO. Isn't your tax difficult to administer between what is actually used on the farm and what is used otherwise?

Mr. WILLIAMS. It has caused some trouble, Senator. There have arisen a lot of questions as to the common honesty of the individual and, still, that is always a question in every community and everything, as I assume, human nature being the same in one confine as the other, and there are seasons in which our gasoline exemptions, because they are claimed as exemptions, get stupendously large, seemingly out of all proportion to the amount of gasoline the farmer could use. But by and large it has not been an unsuccessful operation. Our farmer has been exempted under the 3-cent tax approximately \$1,500,000. That would mean \$500,000 paid under a 1-cent tax to the Government—something under \$600,000 to be exact if this additional tax goes on, and it will run the tax the farmer will pay to the general Government on the three-quarter cent increase, making a total paid one and three-quarters cents, approximately \$1,000,000 to the Government.

Senator REED. How much do you estimate the farmers of Kansas will gain under this farm relief act? Two or three hundred million dollars, won't they?

Mr. WILLIAMS. It is entirely problematical, Senator. I couldn't estimate it, and I don't believe anyone else can estimate it. If the farmer will get substantial relief in one direction and have it taken away from him in another, there has not been a great deal done.

Senator CONNALLY. The farmer has already gotten considerable increase in the commodity prices since the 4th of March, hasn't he?

Mr. WILLIAMS. They would have, if they had the commodity. The gravity of the situation is that the big end of the wheat and the corn, which typifies our production, and largely wheat, is no longer in the hands of the producer.

Senator CONNALLY. I understand that, but when he makes some more, if the price keeps up—

Mr. WILLIAMS. If he makes some more, and our crop is estimated somewhat at 30 or 40 percent of normal crop—

Senator CONNALLY. Do you know how much wheat has gone up since the 4th of March?

Mr. WILLIAMS. Yes; if I remember, it was something like 78 cents Saturday, and we sold our wheat for 29 and 30 cents in the field, and that is a mighty low margin. But right in harmony with your question as to the advantage of the prices of farm products, the products the farmer raises, following along with them, is an increase in commodity prices of everything that the farmer has to buy, and I may direct this to your attention, and I think it is germane to this subject as anything that can be said; the farmers of Kansas have been living for 2 or 3 years from hand to mouth. They have had no luxuries. The barest kind of an existence is all they have had, and many of them have hardly been able to eke out a miserable existence. So if they can get just a little leeway in the way of additional funds coming from increased price of products they might raise, they are so necessitous in the demands for the things that they have been deprived of for the last 3 or 4 years that when they go into the market to buy them and find commodity prices have jumped anywhere from 10 to 25 percent, the net gain to the farmer will be found to be extremely small.

I want to say that increasing this gasoline tax to the farmers in Kansas will hurt every business man in the State.

Senator CONNALLY. I grant you that. I was simply offsetting what the Senator was talking about with relation to the farm relief bill, whether it helped you or not. You have already had some help.

Mr. WILLIAMS. Oh, yes; and I might say to you frankly we are grateful to the General Government for the relief that has been given, for those things that God may give us. Lord knows we are thankful for what you can hand out. We are not in the position of asking for a dole, and Kansas is not here in that situation. We want only those things that are right, and we want to do our part, but we believe the gasoline tax is a basic proposition that should be left to the States anyway.

The CHAIRMAN. Mr. Williams your time has expired.

(The following statement was later submitted by Mr. Williams:)

STATEMENT SUBMITTED BY AL. F. WILLIAMS, TOPEKA, KANS.

My name is Al. F. Williams. I reside in Topeka, Kans., and I appear before this committee with proper credentials, personally representing the Hon. Alf M. Landon, Governor of Kansas, and likewise representing the Associated Industries of Kansas, an organization representing the major manufacturing and business concerns of the State, comprehending within its membership approximately 80 percent of the production, from an industrial standpoint, in Kansas. I likewise appear in behalf of and representing the Retail Oilmen's Association affiliated with the Independent Oil Operators Association of Kansas, which in a major way comprehends the independent distribution of oils and gasoline in the State and comprises in its group practically all independent oil men under the designations stated. I likewise appear in behalf of the Kansas Motor Club, which is affiliated with the National Automobile Association, generally known as the A.A.A.

The purpose of my appearance here today is to protest on behalf of the Governor of the State of Kansas and those associations named against the favorable consideration by your committee and the enactment by Congress of any law increasing the tax upon gasoline. As I understand the situation to be, the proposal now before your committee is that the present existing 1-cent gasoline tax be increased to 1½ cents per gallon on all gasoline sold in the United States.

however, in a very definite way by the fact that only a small percentage of farmers control the visible supply of farm products that they gained by the recent price advance and, therefore, the net result in the way of benefits to the farmers of our State have been extremely small and when general commodity prices are noted to have advanced along with grain prices the net benefit is really negligible. All classes of industry are thoroughly imbued with the idea and opinion that any additional tax laid upon the back of the farmer will seriously impair economic recovery in the United States. Kansas has done her share and has exempted her farmers from this class of taxation in view of the important position as a food-producing element in our national life which is occupied by the farmer. In Kansas the farmers own and operate approximately 67,000 farm tractors and own more of such machines than any other State in the Union save Illinois. They likewise own and operate 34,000 trucks, which is exceeded by the farmers in only nine other States, irrespective of population. The farmers of Kansas own and operate practically one third of all motor propelled or driven vehicles in the State. An additional burden laid upon them at this time, when they are just beginning to breath again, might be the last straw, and I urge upon this committee the necessity of taking these facts into consideration. Kansas farmers have not as a rule been a complaining class. They have endured their griefs and troubles, their ups and downs with most commendable fortitude. They have accepted the present conditions without becoming Socialist or Red, and it is my personal opinion that their attitude has largely been induced by the feeling that as the era of reconstruction came closer due consideration would be given to them in their extremity and an opportunity offered by which they could come back again and save their farms and homes from total loss.

It is this slant I wish the committee to take in the protest I make on behalf of those whom I represent here today. The Governor of the State of Kansas is keenly conscious of this situation. In a farming State like Kansas we get a closer contact with these conditions. Living with it every day, as we do, we have forced upon us the immensity of it all as well as the sadness and the misery, that goes hand in hand, day by day, with these conditions.

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that the Government provide a living for him, and in fact upsets the traditions of our Government.

I am conscious this committee is working under stress. Any form of taxation is obnoxious and in any extreme situation as the country is now going through, where money must be raised to finance the various projects in the mind of the President of the United States, there will be objections made to practically every method of taxation suggested, but I sincerely trust that in the wisdom of the members of this committee and their colleagues they may see fit to enact only such a measure as will carry taxation requirements of such a character that the burden may be more equally distributed that specific industries will not be crushed and that excessive burdens will not be laid. With this kind of a program the people of Kansas will be glad to respond. We are not claiming exemption from our share of public duty. We are not willing to admit we have no part in the President's plan to beat back in the United States, but we do say that agriculture and all business dependent upon it should not be forced to bear the load and thus retard a speedy return to prosperity.

**STATEMENT OF S. B. FOX, TAX CONSULTANT AND COUNSEL,
INDIANAPOLIS, IND.**

Mr. Fox. Mr. Chairman and members of this committee, I want to take just a minute or two of your time on this question of relief of taxation.

Let us go back to the year 1862.

The act of July 1, 1862, imposed an income tax of 5 percent on all incomes from \$600 to \$10,000, and then the act of June 30, 1864, imposed a 5-percent tax on all incomes from \$600 to \$5,000, and a 7½ percent tax on all incomes from \$5,000 to \$10,000, and a 10 percent tax on all incomes in excess of \$10,000.

The reason I speak of this is I am coming up to the fact of trying to eliminate any increase of taxes on anybody in this country, in view of meeting the interest on \$3,000,000,000 which has been proposed, and in view of that fact, I am going to ask to have this exhibit made a part of the record, if it is permissible.

Senator GORE. What is that?

Mr. Fox. An exhibit on taxation.

Senator GORE. Is it a historic sketch?

Mr. Fox. Yes.

Senator GEORGE. That will be filed as part of the record.

Mr. Fox. The act of March 2, 1867, repealed the progressive income tax and imposed a 5 percent tax on all incomes in excess of \$1,000 until 1870, and the act of July 14, 1870, reduced these taxes to 2½ percent for the balance of 1870 and 1871, when the tax law expired and was not reenacted.

The act of September 1913 imposed a progressive or graduated tax on individuals of 1 percent beginning at \$3,000 net.

On February 25, 1913, the sixteenth amendment of the Constitution of the United States was certified as adopted. This ordains Article XVI, which is as follows:

That Congress shall have the power to lay and collect taxes on incomes from whatever source derived, without apportionment among the several States, and without regards to any census or enumeration.

This exception, that exemptions of persons with incomes of less than \$3,000, was so construed at that time as being confiscatory and unconstitutional, so it, therefore, should be considered now as then. There is no reason for any exemption from taxation, for it is with-

out a doubt a discriminating tax and a burden only upon those who are not exempt and who are penalized by being compelled to pay many times more than if the tax were equally divided and uniform.

Unless it operates with uniformity upon all persons of the same class it is not a uniform tax and is an unconstitutional tax. When all are taxed equal, without any exemption, then you have an equal and uniformity in here, which to some extent is the very idea of a tax.

While it is true Congress has a right to fix the rates of taxation, also the exemptions, I do not believe it is the intention of Congress to continue the present discriminating method of taxation.

When income-tax laws were first passed there were no exemptions and the rates were much higher than the proposed rates made in this suggestion of equal taxation to all in proportion to their incomes, and exemptions from operation of tax always creates inequalities.

Everybody should pay a tax in the United States, starting at zero; put a flat tax on, as you suggested awhile ago, Senator.

Senator CONNALLY. I didn't suggest that.

Mr. Fox. You spoke of it awhile ago; so I have proposed a straight flat tax.

Senator CONNALLY. I didn't mean what you say, that there should be no exemptions.

Mr. Fox. That there should be no exemption, because exemption has always caused evasion.

Senator CONNALLY. I didn't mean that.

Mr. Fox. I mean that.

Senator CONNALLY. You may make that proposition, but don't say I did.

Mr. Fox. There is no place in the United States where tax has not made evasions, so I am proposing there shall be no evasion of taxes of any kind, not even for dependents; that there shall be no depreciation on property, no obsolescence to any corporation for property. And if this was done, if depreciation alone was treated as it should be, it would mean \$150,000,000 to the United States Government for tax purposes alone, and if a straight flat tax is placed on everybody in this country, starting from zero up, making everybody responsible for a tax in this country, this country would eliminate its deficit of \$1,600,000,000, with the exemption clause included, and provide a surplus to this Government.

The attributes of equality and uniformity interest, however, to some extent in the very idea of a tax.

The inhibition to tax in any other than that which accomplished the result that each member of society bears only his proportion or share of the whole expense of the Government does not differ essentially from a provision that taxation shall be equal and uniform.

Second. It is a well-settled fact that the legislature has the power to classify "objects of taxation", but it is equally well settled that selections cannot be made out of a class for taxation, and others of this class be exempted.

The matter of taxation as it now stands places the burden of taxation upon those who have an income of over \$2,500 a year, and who constitute a minority of the country. Of course, it is agreed that the exemption of the income of \$2,500 is reasonable and in further-

ance of a public purpose, because the sum of \$2,500 is the average annual cost of living of a family. This is a supposition and not to be taken for granted as true in our country, but if it be once conceded that exemptions of a much larger amount can be made which might place the whole burden upon the rich and if pushed to an extreme to be a confiscation and not the proportional taxation authorized by the Constitution.

A law containing arbitrary exemption can in no just sense be termed uniform in my judgment and it is for this reason that I am opposing any personal or dependent exemption of any taxpayer whatsoever.

Third. The income tax law as it now stands is marked by discriminating features which affect the whole law. It discriminates against the single person who makes \$1,000 or more and those that do not. Then it again discriminates against those that are married and make only \$2,500 and those that make more. It thus vitiates, in my judgment, by this arbitrary discrimination, the whole legislation. The legislation, in this discrimination it makes, is class legislation.

Fourth. Under wise and constitutional legislation every citizen should contribute his proportion, however small the sum may be, to the support of the Government, and it is no kindness to urge any of our citizens to escape from that obligation. If he contributes the smallest mite of his earnings to that purpose he will have a greater regard for the Government and more self-respect for himself, feeling that though he is poor, in fact he is not a pauper of his Government. And it is to be hoped that whatever woes and embarrassment may betide our people, they may never lose their self-respect. These qualities preserved they will ultimately triumph over all reverse of fortune.

Fifth. It is, therefore, very essential that there should be something done in the next Congress that will equalize the burden of taxation and consideration should be given particularly to the questions of exemption and credits of dependents. Also of all other credits taken and of which there are no records kept.

Sixth. As another suggestion let me say that if the taxes of the individual were figured on the basis of a straight income without any deduction whatsoever it would be more equally distributed.

This, of course, to be a flat tax and no surtax whatsoever, and if this method was carried out there would be no refund made and there would be eliminated 65 percent of the present number of employees in all branches of the income-tax division of the Internal Revenue Department all over the country.

It would simplify making all returns and also the forms and would reduce the size of forms and eliminate all the printing matter that they now carry on these forms and eliminate the cost thereon. Every wage earner in this manner would become a taxpayer and there could be no dodging of income or claims for reductions made.

It has been proven by returns filed in Indiana as of March 31, 1933, 10,000 more returns than in the same period of last year, due to the reduction of credits and lowering of exemptions, so it shows conclusively that if the entire income was taxable, that we would have surplus every year in excess of Government expenses and espe-

cially if same were figured on the basis as I have suggested and every taxpayer in the United States would be satisfied, rich or poor alike, as the taxes would be equal and in accordance with their income.

Seventh. In following my theories this would eliminate entirely the Board of Tax Appeals, your Court of Claims, and also 50 percent of the general counsel, which would mean a saving of approximately 200 millions of dollars in expenses, and there would be no occasion for any suits being taken either in the Court of Claims or the Supreme Court of the United States, for the simplicity of this taxation there would cease to be any errors whatsoever in the calculation, as it would be under one rate and one rate only. This in addition to the additional revenue from the schedule on page 42 you find that there could not be a deficit in this country, and should be given every consideration from the point of taxation during these distressed times.

DEPRECIATION AND OBSOLESCENCE

First. The meaning of "depreciation" is "lessen in value", so it has been taken by all corporations to lessen their taxes and set upon their books a reserve for the same, only for the sake of a credit, but the actual cash is never placed in that reserve account with the bank or invested in securities as an actual reserve for replacement when needed.

Second. Depreciation given either to the individual or a corporation is only a relief to the amount of depreciation on their taxes, and when the property is sold it is added onto the sale price, so therefore it should not be allowed as the Government does not get interest for the years the taxpayer is allowed the deduction on his tax.

Third. Depreciation is misused by every corporation in the United States, for after they have fully depreciated their equipment they again set up the same equipment at original figures and depreciate the same over again, proving again that the same should not be allowed.

Fourth. Depreciation on real estate is allowed solely for the purpose of making minor repairs, but this is misused, also, for they also take credit for the repairs; so it is a duplication in these cases also.

Fifth. Obsolescence means disused. Anyhow this, too, is misused, for a corporation will set aside machinery, building, or furniture for a certain period of time and take the whole cost of same as a credit on their income-tax return and get the credit on taxation; then, after a period of time, they will repair the building, machinery, and furniture and again put them in use after taking full credit for same and set them up on their books as new, and then again depreciate the same, using the same credit of depreciation for the second time.

Sixth. This is another way of evading taxes, and, if properly scheduled, would make a difference of millions of dollars to the Government and again eliminate the examination of returns, which cost millions of dollars a year to the Government as it now is, for no two men, I dare say, in the Department figure depreciation and obsolescence in the same manner.

REFUND OF TAXES

Section 110 of the 1932 act.

This act should read that no refund of taxes will be allowed for prior years of 1917 to 1926, inclusive, to any individual, corporation, partnership, or fiduciary, unless suit has been filed in court prior to the passage of this act, which waives the statute of limitations until settled.

There are many leaks in the Internal Revenue Department that are causing the refunds of millions of dollars which are brought to the attention of the various taxpayers, that know nothing about it, and which is refunded, and the little man, of course, has no way of getting his refund that he may justly be entitled to. The above change would stop, then, all old claims now on file.

IRREVOCABLE TRUST

Section 166 of the 1932 act: This act should read "when the grantor of a trust has at any time the power to revest in himself title to any part of the corpus of the trust." If such power is vested in him either alone or in conjunction with any person not having a substantial adverse interest in the disposition of the part of the corpus in question, then the income of such part of the trust for such a taxable year shall be included in computing the next income of the grantor of the trust.

The words "at any time during the taxable year" should be stricken out in the act, for the reason that a trust can be written, and which have been written, that cannot be taxed as income to the grantor. Trusts are being written now only to evade inheritance taxes at the time of death, and is only done by the wealthy of the country as the poor as well as the middleman have no inheritance tax to pay.

DISCRIMINATION

Corporations are not allowed a deduction of \$3,000 exemption against their profit, while the individual who may be single and makes \$1,000, or a married man who makes \$2,500, are exempt entirely and pay no tax whatsoever and which is unconstitutional as an infringement of the fourteenth amendment of the Federal Constitution. This section was designed to cover all cases of possible discriminating and partiality against any class and with equal protection of the law. Equality of protection is thus made the constitutional right of every person, and this same equality of protection implies not only that the same legal remedies shall be afforded to him for the prevention of redress of wrongs and the enforcement of rights, but also that he shall be subject to no greater burdens or charges than such as are equally imposed and thus made to bear an unequal share of the public burden.

COLLECTION OF TAXES AT THE SOURCE

It should be the duty of all partnerships, corporations, or individuals who have in their employment individuals whose salary is

less than \$2,000 a year, to collect, either weekly or monthly as they may be paid, 1 percent of any such sum as may be paid the employee and return the same to the Collector of Internal Revenue of that district on or before the 10th of the following month with a list of the names of the employees and amount paid and tax collected from each.

Every employee who has a salary in excess of \$2,000 a year, form no. 1099 shall be sent to assorting section of Internal Revenue, Washington, D.C., showing salary and bonus, dividends, or interest that may be paid to them during the year and made in duplicate, giving one to each employer to be attached to their return when filing same.

If the taxes are not paid by the 10th of the following month, there should be added to them 5 percent penalty plus interest at the rate of 1 percent a month until paid.

Senator GORE. You wouldn't let anybody get through the sand at all?

Senator REED. He didn't hear you, Senator.

Senator GEORGE. The next witness is Mr. Berman.

STATEMENT OF BENJAMIN F. BERMAN, REPRESENTING THE UNION MADE GARMENT MANUFACTURERS OF AMERICA

Mr. BERMAN. I am here representing the Union Made Garment Manufacturers of America and also the International Association of Garment Manufacturers to bring to this committee our approval of the principles embodied in this bill, particularly the provisions of title I on industrial recovery.

A meeting was held last week in New York City by the board of directors of the International Association of Garment Manufacturers at which representatives of cooperating associations and of the larger and important manufacturers were present. The sentiment expressed was in favor of a program of Government cooperation with the garment industry to not only foster but to definitely promote fair competition, and to inaugurate fair standards of wages and hours of work.

We of the garment industry stand ready to cooperate with the Government in order to bring about a realization of the ideals which prompted this legislation and we welcome this opportunity to contribute our efforts toward this end.

I do not believe it is generally realized, even by the trade itself, that except for food, garment manufacturing is the major industry of this country. Its annual volume approximates \$4,000,000,000, and the 1931 census reported about 700,000 wage earners—the largest number engaged in any manufacturing industry. Time does not permit a further analysis but the Department of Census statistics will reveal the scope of this field. When you consider that it produces wearing apparel for the 125,000,000 people of our Nation, the importance of this industry cannot be minimized.

We are opposed to sweatshop conditions and their horrors from the standpoint of humanity—a square deal for the worker—and because of the unfair competition which has been undermining our whole economic structure. We welcome this opportunity to stamp out sweatshop conditions which have brought disgrace on the heads of

reputable manufacturers—the 90 percent so ably described by President Roosevelt a short time ago.

It is not generally known that the prevalence of sweatshops in the garment industry is due in the main to the price levels set by convict-made merchandise. Merchants wanting to compete with those handling products of convict labor insisted on lower prices. In order to be able to accept these lower prices unscrupulous manufacturers reduced their wage scales below a living wage and sweatshops were inevitable.

The present bill will wipe out the sweatshop. Congress has already recognized the evil of convict-labor competition and in this very bill has prohibited its employment on public works.

This restriction does not go far enough and a very definite and all-inclusive limitation must be placed on the system which has been a major cause of the sweatshop.

With this thought in mind I have prepared some amendments which I would like to suggest to this committee:

Page 2, line 7, after "practices," insert "To prohibit the interstate shipment of prison products for other than governmental use."

The second amendment, page 8, line 2, strike out the period and insert "that the interstate shipment of prison products for other than governmental use be prohibited."

The inclusion of these amendments will complete this bill and will enable us to cooperate to the fullest extent. The garment industry will be among the first to put its house in order.

I merely want to add that we are very much in favor of this legislation. We think it is going to help the sweatshop conditions which have been prevalent in the garment industry, and which are in need of correction. They can be corrected if this measure Mr. Hunter is going to elaborate on at the hearing on Wednesday is adopted. He will elaborate on these conditions and will give you a complete and detailed picture.

In the statement I have made, there are two amendments which will also be further explained by Mr. Hunter, and those are with reference to the question of prison-made products and their shipment in interstate commerce.

Prison-made products, gentlemen, have been one of the main causes of sweatshop conditions, because they have so depressed the price level that it has made it incumbent upon certain manufacturers who, not caring particularly about their labor and their wage scales, to meet these conditions, and I feel that if the committee gives as much consideration to the statement that I have placed in there as it has to the hearings this afternoon, that something worth while will be accomplished.

Senator REED. If you were the warden of a penitentiary, what device would you adopt to keep your inmates busy?

Mr. BERMAN. Here is the situation; most of the prisoners in prisons today are engaged in sewing trades, work that is primarily a woman's work, and this work does not fit them for rehabilitation. It does not enable them to find work when they get out, in afterlife. I feel very definitely the prisoners should work, but I feel the work should be so distributed that it will not affect any one particular industry.

Senator REED. What kind of work would you give them?

Mr. BERMAN. I am not a qualified sociologist, although I have given some thought to it. Work can be so diversified that it will have an educational tendency to train the prisoner so that when he does get out in the world he can find work that will enable him to get on and become a useful citizen rather than be thrown on society with the necessity of learning a trade, so that when he falls into bad company again he is likely to succumb.

Senator REED. You favor this bill because you think it is going to increase prices, don't you?

Mr. BERMAN. Not necessarily. I think it is going to help raise the garment industry out of the slough of despondency it is now in.

Senator REED. It will increase prices, won't it?

Mr. BERMAN. It will have some tendency to increase prices; yes.

Senator WAGNER. That is something we are all hoping for, in these depressed days, increased prices, is it not?

Mr. BERMAN. Yes, sir.

Senator WAGNER. Are the members of your organization members of the Manufacturers' Association?

Mr. BERMAN. We are not members of the Manufacturers' Association and not affiliated with them at all.

Senator GORE. The garment workers are about the worst sweated class of employees, are they not?

Mr. BERMAN. Yes, sir.

Senator GORE. You were perhaps here when the question of whether or not labor organizations should be required to obtain a license, subject to revocation, along with employers was discussed. What do you think of that?

Mr. BERMAN. I would say this, Senator: Our firm, which employs about 1,000 employees, has, ever since its inception, been employing union labor. That has been for 30 years. And our relations with union labor have always been favorable, and we have no complaint in dealing with union labor, in any way they see fit to organize.

Senator GORE. Here is the point. As a manufacturer, you may be required to take out a license, and that license may be subject to revocation. Do you think the same principle ought to be applied to organized labor?

Mr. BERMAN. Well, I think what is fair for one is fair for the other.

Senator GORE. You don't object to convicts producing goods that are consumed by the inmates of public institutions, where taxation is saved in that way?

Mr. BERMAN. Absolutely not. I am very much in favor of a system which provides for use by the State or State institutions of the products of convict labor.

Senator GEORGE. Thank you very much, Mr. Berman.

The CHAIRMAN. Is Delegate Dimond here, of Alaska?

Mr. DIMOND. Yes, sir.

The CHAIRMAN. I understand you want about 3 minutes.

STATEMENT OF THE HONORABLE ANTHONY J. DIMOND, A DELEGATE TO THE CONGRESS FROM THE TERRITORY OF ALASKA

Mr. DIMOND. I wish to refer to the public works section of the bill, title II, and I will start my remarks with a question, which I will try to answer as I go along. Is it possible, under title II, under the public-works section, to build any highways, or to do any highway work, in the Territory of Alaska, in the District of Columbia, in Puerto Rico, or the Virgin Islands? If it is, then, of course, the amendment which I shall propose is not necessary.

The CHAIRMAN. In other words, you want Alaska included?

Mr. DIMOND. Yes, sir.

The CHAIRMAN. Just like the District of Columbia desires to be included.

Mr. DIMOND. Pardon me?

The CHAIRMAN. The District of Columbia desires to be included, and you want to be included.

Mr. DIMOND. Yes, sir.

Mr. Chairman, 202 and 203, as written, do specifically include the Territory of Alaska and the District of Columbia, and Puerto Rico and the Virgin Islands, and if that stood alone, there would not be any doubt about it, but when we get to section 204, we find the following language:

For the purpose of providing for emergency construction of public highways and related projects, the President is authorized to make grants to the several States (note the word "States") not to exceed \$400,000,000 in aggregate amount as follows—

In other words, section 204 is the highway section of the bill and the argument has been made to me by the several lawyers that although section 202 and 203 provide for the building of highways for the territories of Alaska, for the District of Columbia, and so forth, yet 204 may be so construed as to limit 202 and 203, so that the administrator or the controller general may say that the only highway construction under the act must be done under section 204. The first, 202 and 203 are general sections. They provide for public works of all kinds, including highways. Then we come along to 204 which is expressly limited to highways, and then they cite the usual rule of statutory construction, that where we have a general section and a special section, dealing with a special topic including in the general section, that the special section will govern. Section 204 cannot, in its present form, be extended to Alaska, District of Columbia or Puerto Rico. By its express provisions it is limited to the States. And then further along we find included among the States is the territory of Hawaii.

The CHAIRMAN. Have you a suggested amendment?

Mr. DIMOND. Yes, sir.

The CHAIRMAN. That is in the brief you will file?

Mr. DIMOND. Yes, sir; the suggested amendment.

The CHAIRMAN. The committee will consider it when we go into executive session.

Senator GORE. In Alaska you have 6 months' daylight and 6 months' light. Are you interested in this minimum-hour business and minimum wage?

Mr. DIMOND. We are interested, of course.

Senator GORE. You are only going to work about 5 months? That will save about 1 month?

Mr. DIMOND. We don't sleep much in the summertime, and in the wintertime we sleep a good deal.

The point is this: I realize there are two constructions that can be placed upon this act; but I call the attention of the committee to the statement made by a jurist some time ago when he said if a statute could be misconstrued it will be misconstrued, and several very capable lawyers, both in and out of Congress, have told me this statute could be misconstrued, and therefore I present what I am sure will be a clarifying amendment.

(The amendment is as follows:)

Proposal made by Delegate from Alaska to amend S. 1712 by inserting at the end of section 204 a new subsection to be known as subsection (3) to read as follows:

"(3) The provisions of this section shall not prevent or preclude the construction, repair, or improvement of public highways in the Territory of Alaska, the District of Columbia, Puerto Rico, and the Virgin Islands under the provisions of sections 202 and 203 of this act: *Provided, however*, That the cost thereof shall not be paid out of the funds authorized for highway construction by the provisions of section 204."

The foregoing proposal to amend S. 1712 is made for the reasons that some doubt exist as to whether under the bill as it stands highway work can be done in the Territory of Alaska, the District of Columbia, Puerto Rico, and the Virgin Islands.

Sections 202 and 203 of the bill, providing for the planning and execution of a great program of public works, including highway construction, applies to the States and to the Territories of Hawaii and Alaska as well as to the District of Columbia and Puerto Rico and the Virgin Islands. If these two sections stood alone, there could be no doubt of the right of the administrator to carry on highway work in the Territory of Alaska, the District of Columbia, Puerto Rico, and the Virgin Islands.

Section 204, however, provides specifically that the President may authorize an expenditure of not to exceed \$400,000,000 on highways but this expenditure is limited to the several States and to the Territory of Hawaii. The Territory of Alaska, the District of Columbia, Puerto Rico, and the Virgin Islands are not mentioned and are therefore excluded. The reason is that section 204 is linked up with the Federal Highway Act and the Federal Highway Act has never been extended to the Territory of Alaska and other regions excluded from section 204.

The danger is of a construction of the entire act to the effect that no highway work can be carried on except under section 204. This argument may be advanced that although sections 202 and 203 authorize public works, including highway construction in the United States and all of its possessions, the provisions of sections 202 and 203 with respect to highways, must be limited by the provisions of section 204 which excludes the Territory of Alaska, the District of Columbia, Puerto Rico, and the Virgin Islands from all highway work under the section last mentioned.

In the Territory of Alaska particularly, highway work is of the highest importance, and a fair portion of all funds which may be

spent in Alaska under the provisions of the act should be spent on highways because there it will do perhaps more for the development of the Territory than almost any other type of work. The amendment suggested is merely clarifying and will not give to the Territory of Alaska, the District of Columbia, Puerto Rico, and the Virgin Islands a greater portion of the funds appropriated by the act than they would otherwise receive.

**STATEMENT BY WILSON V. LITTLE, GENERAL SECRETARY
AMERICAN WAREHOUSEMEN'S ASSOCIATION, CHICAGO, ILL.**

My name is Wilson V. Little. I am general secretary of the American Warehousemen's Association with offices at Chicago. This association consists of two divisions—a merchandise division and the Association of Refrigerated Warehouses. For 42 years our association, which consists of in excess of 500 member companies located in over 200 cities throughout the United States, has been functioning continuously as the national business organization for the public merchandise and refrigerated warehouse industries. It has long been recognized as the spokesman for these industries by the Government departments here in Washington; by the Chamber of Commerce of the United States; by educational and research agencies of all kinds; by bankers and by all others having any interest in public merchandise and refrigerated warehousing.

The business activities of our member companies consist primarily in serving as agents for manufacturers and other producers in the maintenance of stocks of their products in their various markets and in making physical deliveries from those stocks to their customers therein.

Although service organizations, our member companies are part and parcel of the Nation's distribution system, and their business consists of transactions in interstate commerce.

We appear here today in the belief and assumption that the industries represented by the American Warehousemen's Association come within the scope of the industrial-control feature of bill S. 1712, to which you are now giving consideration.

These industries wish strongly to support this measure and trust that the text of the bill will not be changed by your committee or in the Senate in any way that will preclude the public merchandise and refrigerated warehousing industries from its present provisions.

In this connection, at the hearing of your committee on May 26, Mr. Loomis, representing the dairy interests, suggested an amendment to section 8 of the bill. My associate, Mr. W. M. O'Keefe, executive secretary of the Association of Refrigerated Warehouses, a division of the American Warehousemen's Association, will incorporate herein a statement with respect to this suggested amendment and in which the American Warehousemen's Association, merchandise division, fully concurs.

In expressing the above sentiment in support of the industrial control feature of S. 1712, and the desire of the public merchandise and refrigerated warehousing industries unquestionably to come under its provisions, the American Warehousemen's Association has been authorized to speak also in behalf of the following local, State,

and regional warehousemen's association and their constituent memberships, which, along with the membership of the American Warehousemen's Association, comprehend the vast majority of the public merchandise and refrigerating warehousemen of the country, California Warehousemen's Association, Pacific States Cold Storage Warehousemen's Association, Colorado Transfer & Warehousemen's Association, Connecticut Warehousemen's Association, Central Warehousemen's Association of Illinois, Iowa Warehousemen's Association, Kansas City Warehousemen's Association, Kansas Warehouse & Transfermen's Association, Maryland Warehousemen's Association, Massachusetts Warehousemen's Association, Michigan Warehousemen's Association, Missouri Warehousemen's Association, New York State Warehousemen's Association, Central New York Warehousemen's Club, New Jersey Merchandise Warehousemen's Association, Warehousemen's Association of the Port of New York, Ohio Warehousemen's Association, Oregon State Warehousemen's Association, Pennsylvania State Warehousemen's Association, Southern Warehousemen's Association, Texas-Southern Warehouse & Transfermen's Association, Washington State Warehousemen's Association, Wisconsin Warehousemen's Association, New York State Association of Refrigerated Warehouses, Missouri Valley Chapter-Association of Refrigerated Warehouses, Cold Storage Warehousemen's Association of the Port of New York, Pacific Northwest Association of Cold Storage Warehousemen, Texas Cold Storage Association.

Senator CONNALLY. Why are you in favor of this bill?

Mr. LITTLE. We think it will remedy conditions in our business, both as to prices and as to wages, and the general prosperity of our business.

Senator REED. You don't have sweatshop warehouses, do you?

Senator GORE. These are refrigerators. They can't sweat them out?

Mr. LITTLE. We have very little trouble from the labor element. As a matter of fact, public warehouses are more or less fiduciary institutions. We have to maintain responsible organizations. Very often the people in our organizations grow right up in them. They have to be responsible, and therefore it becomes more or less of a cooperative interest.

Senator GORE. You don't employ much labor in proportion to the amount of business you carry on?

Mr. LITTLE. No. It is a service organization.

Senator REED. Do you have members on the Pacific coast?

Mr. LITTLE. All over this country.

Senator REED. How will they feel about having their wage rate and working hours and rate of charges to their customers fixed for them by somebody here in Washington that they never see?

Mr. LITTLE. We don't anticipate that that is going to be done.

Senator REED. That will be done if they can't agree among themselves to a code that is satisfactory to the President.

Mr. LITTLE. Speaking of the Pacific coast situation, our business is already under the public utilities, or State warehouse commissions. This is a regulated quasi-public utility.

Senator REED. This transfers that regulatory authority to Washington.

Mr. LITTLE. It is my understanding that local conditions will be given consideration.

Senator WAGNER. The bill so states, that the locality will be taken into consideration.

Senator CONNALLY. Has your association got a code of ethics now?

Mr. LITTLE. Yes, sir. The Association of Refrigerated Warehouses, which is a division of the American Warehousemen's Association, had a Federal trade practice under the auspices of the Federal Trade Commission.

Senator CONNALLY. So you figure you will make everybody else come in on that if you have this bill, and that is one of the reasons you are for the bill. You will make the other fellow come in and abide by your code. Is that it?

Mr. LITTLE. Yes; we think it is for his good.

Senator CONNALLY. If he thought so, he would come in anyway. But you are going to make him come in, because you think it is better for him. Are you in the missionary business?

Mr. LITTLE. I think this is all missionary.

Senator CONNALLY. You are going to make him come in under this, aren't you?

Mr. LITTLE. I question that.

Senator GORE. Do you think this will increase your receipts so that you can pay higher wages?

Mr. LITTLE. Yes, sir.

The CHAIRMAN. The next is Mr. W. M. O'Keefe, executive secretary of the Association of Refrigerated Warehouses.

STATEMENT OF W. M. O'KEEFE, CHICAGO, ILL., EXECUTIVE SECRETARY, ASSOCIATION OF REFRIGERATED WAREHOUSES

Mr. O'KEEFE. My name is W. M. O'Keefe. I reside in Chicago. My position is that of executive secretary of the Association of Refrigerated Warehouses, a division of the American Warehousemen's Association, which represents the commercial cold-storage industry of the United States.

Our association has representation in practically every State in the Union and its member companies handle millions of pounds and packages of perishable foods annually. We do not own the products, our service consisting almost entirely of furnishing storage space and providing refrigerators for the preservation of the goods while in storage. In other words, we are one of the so-called "service" industries.

Some few days ago we were indirectly informed that an attempt might be made to have service industries, or some of them, exempted from the application of this industrial control measure (S. 1712), and it is particularly on that account that I appear before you today to say that the commercial cold-storage industry of the country wishes to be included within such law.

In stating the foregoing, we, of course, assume that the bill will be drawn and administered without fear or favor to cover all engaged

in any industry, and force adherence to sound basic practices and prices under standards established by the strong majorities within industry, and with full cooperation between Government authority and those majorities.

At your session last Friday, May 26, Mr. Loomis, representing the dairy interests, I believe, suggested an amendment to section 8 of the bill which, as I read it, would remove from under the industry recovery bill all industries handling agricultural commodities and would place such industries under the administrator of the Agricultural Adjustment Act.

We would have no objection to this amendment if it applied solely to those industries, like the dairy industry, which handle only the basic agricultural products specifically named in the Agricultural Adjustment Act. However, in the case of our industry—the commercial cold-storage industry—we handle many commodities not covered in the agricultural bill as well as several of the products included under that act.

It would therefore be most impractical for the administrator of the Agricultural Adjustment Act to treat with all of the operations of the commercial cold-storage industry. We belong under the Industry Recovery Act, and as I stated previously we are here for the purpose of having Congress place our industry in that status.

If, therefore, you gentlemen are inclined to consider the amendment to section 8 of the bill suggested by Mr. Loomis, we respectfully ask and strongly urge that you change its phraseology to read as follows:

During the period in which said act is in force, the Secretary of Agriculture is authorized to carry out the purposes of this title with respect to such industries as are engaged exclusively in the handling of commodities which come under his jurisdiction in the administration of said act, and codes of trade practice and/or trade agreements entered into under such act shall be deemed to be in compliance with this title.

The CHAIRMAN. Thank you very much.

STATEMENT OF BENJAMIN C. MARSH, REPRESENTING THE PEOPLE'S LOBBY, WASHINGTON, D.C.

Mr. MARSII. Mr. Chairman and members of the committee, my name is Benjamin C. Marsh. I am executive secretary of the people's lobby.

This, Mr. Chairman, is a tri-partite bill, and I want to address myself to the three parts. I did not know it was constitutional to deal with three subjects in one bill. I assume it is. But after the first section—and I know you want me to be brief—I want to read a paragraph from the book "The Modern Corporation and Private Property", by A. A. Berle and G. C. Means, which throws a lot of light on it. Mr. Berle was one of the men interested in drafting the bill and one of the advisers.

Senator GORE. This bill?

Mr. MARSH. One of the President's advisers.

Senator GORE. Did he draft this bill?

Mr. MARSH. I don't know whether this bill or not.

The future may see an economic mechanism now typified by the corporation, not only on an equal plane with the State, but possibly even superseding

it as dominant form of social organization. The law of the corporations according might well be considered as the potential constitutional law for the new economic state, while business practice is increasingly assuming the aspect of economic statesmanship.

Now, Mr. Chairman, this first section attempts, in a way, economic planning, but you cannot have economic planning while you have rent, interest, and profits. Russia is the only country where you can have a ghost of a chance for success for economic planning. I am not opposing it, but I do think we ought to be practical, and I want to read a few specific suggestions, and then take up the bill in detail under the third section.

The preamble to the industrial recovery bill stating the purpose is, "To remove obstructions to the free flow of interstate commerce, which tend to diminish the amount thereof" is misleading. Production and commerce are limited by the inequitable distribution of the national income, with one fiftieth of the families getting nearly one fifth of the national income, by high land values, which constitute a brake of 6 or 7 billion dollars on prosperity, and by about \$160,000,000,000 of debt, with its annual tribute of at least \$7,000,000,000 a year, by patent laws, by private banking and by taxes on consumption. Four percent of the people own four fifths of the national wealth.

The House bill increases obstructions on commerce by increasing sales taxes, and the Wagner bill would be little help, unless amended to give the Federal Government complete control over profits and prices in industry, and over retail prices and rents, as well as making the shorter work week and the minimum wage mandatory.

I submit, however, that nothing in this bill gives any assurance that anything will be done unless the President wants to do it, and I trust this administration will not go down in history as a "may" administration. It says, "The President may." Let these various trade associations do so and so, and if they don't do so, then the President may. If you effect this—just what shall I call it?—morganatic or common-law marriage of the Federal Government and trade associations, then we should require the stock market to be closed while it is in force, and prohibit the issue of any securities by the mergers authorized thereby.

You passed a new securities bill. In 1932 the total of new corporate issues was about \$325,000,000 as compared with \$8,639,000,000 in 1929. I know Senator Wagner wants to achieve the desired ends under this section, or the whole bill for that matter, but it is quite obvious what the intent of the trade association is—to profiteer. I was here during the war. We had the War Industries Board, and there were some 20,000 new millionaires created while you were controlling industry, and then trouble started right afterward. If you are going to have this bill, you have got to have Government control go right straight through. Little new financing is needed.

Senator GORE. Would you have the Government regulate not only wages but rent, interest, and profits?

Mr. MARSH. If it doesn't regulate interest and profits and rents and retail prices, you will be in the same fix Henry Ford was in when he tried this: He raised wages to \$5 a day, and rents went up, and the wage earners were worse off than before. You can't afford that, because conditions are too serious today. Government cannot repeal

economic laws nor make profiteering trusts good by going into partnership with industry. We have tried governmental control over relatively few public utilities, and that doesn't encourage hope for success with half a million corporations unless you include the amendments we suggest.

It is my impression that without these amendments at least one third of those who should be gainfully employed would be hurt by this bill. They can be protected, but, as I consider it, the building trades are not affected in this section. I don't believe they would be considered to be in interstate commerce. Teachers, hundreds of thousands, many of them out of employment, and the professional classes generally, would be apt to be injured by it without these amendments.

It seems to me the public-works section and the tax section should be separate. Their incorporation unfortunately raises the question of why this bill was introduced, instead of definite revenue revision, to which I wish to devote some time.

There were two bills which were finally dropped—the 30-hour bill of Senator Black, which was mandatory; the minimum wage law, which was mandatory. We endorsed both those bills with the proviso that there be this Federal control of rents, Federal control of retail prices.

I believe those bill are limited in their application to 2 years without further action by the President. We hope you will accept those amendments.

Then, coming to the construction section, 203-4, it says to make loans for construction—

Provided, That in deciding to extend them and or grant hereunder to any State, county, or municipality, the President may consider whether such action is in good faith * * * reasonably designed to bring the ordinary current expenditures therefore within the prudently estimated revenues thereof.

I think that would have to be amended if you are going to carry on the public-works sections. I would request now, as I wanted to request the House Ways and Means Committee, which gave me 5 minutes, after they gave the president of the United States Chamber of Commerce an hour and a half—I want to ask you to get two experts in here, Joseph J. Wexler—let him make specific amendments and Prof. Joseph J. McGoldrich, of Columbia University, who made the statement that the municipal budget of New York has a deficit of \$250,000,000.

Senator GORE. State or city?

Mr. MARSH. The city of New York. As I read this section, the city of New York, of course, they have a municipal election this fall, and they are all ducking the taxation question—cannot borrow a cent; Detroit cannot borrow a cent; Chicago cannot borrow a cent.

Senator GORE. The Federal Government is going to let them have the money.

Mr. MARSH. But the Federal Government insists on their keeping their house in order, and they haven't done it. I don't know how they are going to raise the money, unless they make more drastic changes than they have. Most of the large cities of the country, where there is serious unemployment, cannot balance their budgets without drastic changes in their tax system.

This morning's New York Times has a story as to who is going to get the benefit out of this bill. "Manhattan land now \$5,500,000,000." You can raise wages and reimburse those landowners. It is not going to help the country as a whole particularly, and the West may object to it after a while.

Coming down to specific suggestions of the section, which I regret has to be considered as part of the general bill, you see the administration relied upon your judgment in one respect: Reemployment and relief taxes. "The taxation provision to be inserted later as section 208."

Here is what we recommend:

Increase normal and surtaxes to raise \$750,000 more.

Tax net income of corporations progressively, at least for 2 years, as an emergency measure.

I would like to make a part of the record, Mr. Chairman, a table compiled by Mr. Wechsler, certified public accountant, showing that on December 31, 1931, 442 industrial corporations had cash or equivalent balances of \$3,472,000,000. I haven't the balance sheets for all of them, but at the end of 1932, 81 industrialists had cash and equivalent of \$1,431,000,000.

Senator GORE. How many?

Mr. MARSH. Eighty-one industrialists, \$1,431,000,000.

(The table is as follows:)

Composite balance sheets of 107 corporations as of Dec. 31, 1932

	81 industrials	19 utilities	7 railroads	Total
Cash.....	\$939,923,688	\$240,535,044	\$121,603,992	\$1,202,152,724
Government securities ¹	591,521,405	41,742,845	1,809,632	635,073,612
Investments.....	1,073,357,910	3,722,471,298	2,057,352,268	6,853,181,474
Property.....	4,934,612,372	6,962,015,882	5,527,929,544	17,424,557,898
Receivables.....	675,320,028	185,038,755	51,370,165	912,728,949
Other assets.....	1,447,832,219	263,599,411	283,872,342	1,995,303,972
Total assets.....	9,562,597,622	11,416,403,234	8,044,027,773	29,023,028,629
Current and other liabilities.....	498,187,167	368,079,846	277,407,293	1,163,674,306
Funded debt.....	930,418,248	2,998,946,467	2,557,199,557	6,486,564,282
Reserves.....	638,974,104	1,058,795,796	915,687,064	2,613,457,024
Capital stock.....	5,041,916,302	5,301,000,352	2,355,057,609	12,697,974,263
Surplus.....	2,453,101,741	1,669,580,773	1,938,676,240	6,061,358,754
Total liabilities and capital.....	9,562,597,622	11,416,403,234	8,044,027,773	29,023,028,629

¹ Includes some marketable securities.

Comparative statement showing percentage of cash to capital invested for the years 1927 to 1932

Year		Cash and equivalent	Capital stock, surplus, and capital reserves	Percent of cash to capital invested
1927	442 industrials.....	\$3,091,000,000	\$21,894,000,000	14.12
1928	do.....	3,711,000,000	23,415,000,000	15.84
1929	do.....	3,612,000,000	25,938,000,000	13.92
1930	do.....	3,574,000,000	25,377,000,000	13.55
1931	do.....	3,472,000,000	25,260,000,000	13.74
	Total.....	17,460,000,000	122,884,000,000	14.21
1932	81 industrials.....	1,431,000,000	8,184,000,000	17.59

Now, what the big corporations are doing is this: They are withholding the payment of dividends on account of the slight increase in surtax rates, so that their rich stockholders will not have to pay those higher surtax rates.

I haven't an extra copy, but you will find it in the hearing of the Ways and Means Committee. On the balance sheet of the 31st of December last, of the United States Steel Corporation. I would like to have this included in the record, and I would also like to have included the summary of 107 corporations as of December 31, 1932, worth \$29,000,000,000. If course, including the larger corporations and showing their surplus in cash and liquid assets.

For instance, at the end of 1930 the corporations had \$10,226,000,000 of Government bonds.

Gentlemen, America has plenty of income. You do not need all of this economic planning, and it will be futile unless you redistribute your national income through taxation. It is useless to raise wages \$5 a month, and then slap two or three times as much on in sales taxes.

Senator REED. Mr. Marsh, the proposed sales tax of 1 percent you say we would slap on two or three times as much as \$5 a month in sales taxes. That would be at least \$10 a month.

Mr. MARSH. No; I did not say 1 percent. I said if you put on such a sales tax.

Senator REED. Well, a sales tax that would produce \$10 a month would necessitate the spending of \$1,000 per month on taxable articles.

Mr. MARSH. Yes, sir.

Senator REED. Obviously the burden on the working man is not going to be \$10 a month, is it?

Mr. MARSH. No; I didn't say 1 percent sales tax would, but I will point this out; I presume all of you have seen this report of the Ways and Means Committee entitled, "Double Taxation" in which they point out that people with incomes under \$8,000 pay most of the thirteen and a half billion dollars of Federal, State, and local expenditures, using round figures; and therefore we suggest since your job is to increase the consuming power of the people, you can do this by repealing consumption taxes, and every dollar of sales tax you add reduces consumption.

We don't need a sales tax. They are collecting about \$500,000,000 in gasoline taxes, Federal, State, and local.

Senator GORE. I think it is more than that.

Mr. MARSH. Well, those figures are a year old. But I say at least \$500,000,000, which is totally unnecessary. You can raise at least \$1,000,000,000 by taxing corporations' surpluses above the minimum—they have to have some minimum of course—with progressive rates, similar to what you apply to individual incomes. Then you can tax the income from Government bonds; amend the partnership tax section to stop evasions which are now costing from fifty to seventy-five millions; amend the capital loss tax section to stop evasions. You should also levy a small direct tax on land values.

Take this proposal, gentleman, to liquidate this over 10 years, or some such matter—this public-works program. You had that during the war. Take the next fiscal year, you are going to pay an

interest, the Federal Government, \$725,000,000, and increase in 2 years of \$126,000,000. You should finance this program of public works and current expenses, largely by taxation, instead of borrowing. Any person today who has money enough to loan the Government \$1,000,000 and objects to paying a progressive tax is guilty of moral treason, and don't think you are taxing them high. The last figures I have were for 1931, and the Democratic platform, by the way, is specific on taxation, according to the ability to pay.

Senator REED. It was specific as to sound money, too.

Mr. MARSH. I beg your pardon?

Senator REED. The Democratic platform was specific as to sound money.

Mr. MARSH. I am confining myself to the immediate legislation under consideration.

Senator WAGNER. That is a broad term, "broad money."

Mr. MARSH. Don't get me off on that. Does the chairman object if I stick to this bill?

There were 75 people in 1931 each of whom reported a net income of \$1,000,000 and up. After they had paid all their surtaxes, they had left, on the average, \$1,812,000; and considering the purchasing power of that, it was as good as \$2,400,000 that they had left, on the 1929 ratio of prices.

Senator GORE. You mean \$1,000,000 left?

Mr. MARSH. They had left an average, in 1931—

Senator GORE. Oh, an average. You didn't say an average.

Mr. MARSH. An average of \$1,812,000.

I would like to have made a part of the record a proposed amendment regarding the reorganization provision of the revenue act drafted by Mr. Wexler, with an argument for it, and an amendment so as to get at some of this capital loss which is being used, and point out that if you want to get J. P. Morgan, tax the banking surplus of Morgan & Co. and you will get a lot of money. They can take the loss individually, but the firm has a huge surplus. That is because you Democrats did not make banking a national monopoly in 1913 instead of passing the Federal Reserve Act.

Secondly, I would like to make part of the record a proposed amendment to eliminate evasion of taxes through the elimination of partnerships, also drafted by Mr. Wexler.

Senator GORE. I didn't get the point in that.

Mr. MARSH. People are utilizing the provisions of the revenue act and are going into partnership, and they are allowed to eliminate profits upon which they would otherwise pay taxes.

Senator BYRD. How are they allowed to eliminate profits in partnership?

Mr. MARSH. He has explained the whole thing in the argument, Senator Byrd.

Mr. Wexler, may I state, has an advantage I have not. It has been his professional duty to help the wealthy escape taxes. He is quite successful, and he is the one to tell you how to block up the holes to prevent any evasions, both in administering it and so far as the law itself is concerned.

Senator CONNALLY. Is he still at the business of helping the rich get rid of their taxes?

Mr. MARSH. He is in that business, a certified public accountant.

Senator CONNALLY. And you bring an amendment here by him to catch them, putting himself out of business?

Mr. MARSH. Apparently you gentlemen have not been able to do it, and therefore we called upon somebody who thinks he can do it, because he has had the experience. Oh, it is within the law. The job of a lot of lawyers is to help their rich clients either keep out of jail or evade their taxes. We are dealing with the system and not with this "New Jerusalem" that is being discussed here generally, and I know you gentlemen are very anxious, indeed, to stop evasion of taxes, and remember, that if you would shift \$5,000,000,000 or \$6,000,000,000 of taxes now paid by those with incomes under \$2,000 to those with incomes over \$5,000, or start at \$3,000, so as to get me, you would then increase the purchasing power very largely without any of these other taxes which you seem to think necessary. But why undertake the doubtful before you do the obvious? As I stated to my good friend Senator Wagner, if the Democratic Party will live up to its principles to end special privilege, the need for a lot of the legislation now discussed will be obviated.

I would like to add to the record also this amendment of Mr. Wexler's with regard to raising \$200,000,000 additional revenue. "Just one little change in the tax law will do the trick and will obviate the need of a sales tax, namely, removing the privilege of capital-loss deductions."

Senator REED. You would tax capital gains, would you?

Mr. MARSH. Yes; I think we have to realize that so much loss has been taken because the time has expired, and we should tax them if they have the money. I think you have to leave a person a certain amount of income, but even if for a year he shows theoretically a loss, and he has had large profits, he should not be allowed to deduct all of that loss to the extent he pays no taxes at all. Any wage earner, no matter what his loss, or any professional man, could not escape indirect taxes simply because he is borrowing money to live on. He has to pay his tax or go without, so far as indirect taxes are concerned, and most of our revenue is raised by indirect taxes.

I should also like to submit a proposed amendment to the revenue act relative to the taxation of individuals and corporations so as to apply this progressive tax to corporation dividends, also prepared by Mr. Wexler, and one relating to tax-free interest now excluded from gross income.

(The amendments referred to are as follows:)

PROPOSED AMENDMENT RE REORGANIZATION PROVISION OF THE REVENUE ACT OF 1932

It is difficult to estimate the losses to the Government as a result of certain liberal provisions in the revenue act with reference to reorganizations. Sections 112 (1) of the Revenue Act of 1932 defines reorganization as (a) a merger or consolidation; (b) a transfer by a corporation of all or a part of its assets to another corporation, if immediately after the transfer, the transferor or its stockholders, or both, are in control of the corporation to which the assets are transferred; (c) a recapitulation; (d) a mere change in identity, form, or change in organization.

Section 112 (b) (3) states that no gain or loss shall be recognized if stock or securities in a corporation, a party to the reorganization, are, in pursuance

of a plan or reorganization, exchanged solely for stock or securities in such corporation or in another corporation, a party to the reorganization.

A party to the reorganization is defined as including a corporation resulting from a reorganization, and includes both corporations in the case of an acquisition by one corporation of at least the majority of the voting stock and at least a majority of the total number of shares of all other classes of stock of another corporation.

An illustration of what is happening under this law will clarify the purpose of the proposed amendment. A public utility holding company desires control of a small operating company. The stock of the holding company is listed on the New York Stock Exchange and is readily marketable. The stock of the operating company is closely held by 5 or 6 individuals. The holding company may own a small proportion of the stock of the operating company and in order to secure a majority control may offer to exchange its marketable stock for the closely held stock of the operating company. A stockholder of the operating company has 500 shares which cost him \$100 per share, a total of \$50,000. He is offered 2,000 shares of preferred stock of the holding company which is quoted at \$90 per share on the exchange, a total value of \$180,000. This stockholder has a profit of \$130,000 (the difference between the selling price, \$180,000, and the cost, \$50,000) for it is evident that the stock of the holding company could readily be turned into cash. However, we find that under the reorganization provision of the law the \$130,000 profit is entirely exempt from tax. The holding and the operating companies are deemed parties to a reorganization since the former obtained control of the majority of the stock of the operating company. The stockholder, under the law, is merely deemed to have exchanged his interest from the operating company to the holding company, and accordingly the profit is not subject to tax.

It appears that the reorganization provision was intended to relieve stockholders who received cash in the transaction involving the exchange of shares from taxation. For example, if stockholders in company A transferred their interest to company B, and received shares of B in place of shares of A, it was deemed undesirable to exact a tax for the reason that the stockholder has not received any cash from which to pay such tax.

Another section of the law, however, provides that where a stockholder exchanges common stock in a company for preferred stock in the same company, such transaction is deemed taxable. It has even been held that where a taxpayer exchanges one type of Liberty bond for one of another issue, a taxable transaction has resulted.

In the case referred to above, the taxpayer has exchanged common stock of a closed corporation having no market value for preferred stock of a large holding corporation having a ready realizable value. It is evident there is no reason for relieving the taxpayer of a tax in this case inability to realize cash.

The purpose of this proposed amendment therefore is to tax transactions where the consideration received may readily be turned into cash. It is evident that if cash had been received in the first place, there would be no question at all as to the taxability of the transaction.

As amended, the law would read as follows, the words italicized representing the proposed changes:

"SEC. 112 (b) (3). No gain or loss shall be recognized if stock or securities in a corporation a party to a reorganization are, in pursuance of a plan of reorganization, exchanged solely for stock or securities in such corporation or in another corporation a party to the reorganization, *unless such stock or securities received in exchange have a ready realizable market value.*"

"SEC. 112 (b) (4). No gain or loss shall be recognized if a corporation a party to a reorganization exchanges property, in pursuance of the plan of reorganization, solely for stock or securities in another corporation a party to the reorganization, *unless such stock or securities received in exchange have a ready realizable market value.*"

PROPOSED AMENDMENT TO ELIMINATE EVASION OF TAXES THROUGH THE MEDIUM OF PARTNERSHIPS

Section 183 of the Revenue Act of 1932 provides that the net income of a partnership shall be computed in the same manner and on the same basis as that of an individual except for charitable contributions provided in section 23 (n) which is allowable to the individual partner only.

Very often, individuals transfer property such as stocks and real estate to a partnership and thereafter, business is conducted in the name of the partnership. It is evident that ownership through a partnership possesses certain legal attributes which distinguishes it from ownership by individual partners. For example, a partnership cannot own real estate in the firm name.

When a partnership sells property originally contributed by one of the partners, the question arises in determining the profit, what the cost or other basis may be. It is the value at the date the contributing partner transferred his property or is it the cost to the contributing partner? The Treasury Department in the past has ruled that in such cases, the cost to the continuing partner must be used in determining the partnership profit. It is apparent that such method creates a great many complications in the partnership book-keeping for the reason that the taxable profit may not agree with the profit to be divided amongst the partnership interests.

The Treasury Department for that reason has changed this method to the following: The partnership profit is determined by using as the basis the value at the date contributed to the partnership, and by adding thereto the profit of the individual partner making such contribution, represented by the difference between the value at the date of contribution and the cost to the contributing partner. To make this clear, suppose that A owns securities which cost him \$5,000 in 1920. In 1930, when these securities were worth \$10,000, he transferred them to a partnership in which he has a one fourth interest. A year later the partnership sells these securities for \$12,000. It is evident that there is a \$2,000 profit to the partnership, and that the contributing partner will be credited with \$500 as his 25 percent share. To this share the commissioner would add the \$5,000 profit earned by the contributing partner and representing the appreciation from his cost to the date of his contribution to the partnership. Thus the contributing partner would be taxed on the total of \$5,500.

This would seem to be a fair solution. But the Board of Tax Appeals in the recent case of Edward P. Archbald, docket no. 61660, has reversed the Commissioner and has held that the contributing partner is not taxable on that portion of the profit that accrued prior to his contribution to the partnership. The Board maintained that the partnership existence cannot be disregarded in the chain of ownership, that since the adoption of the income tax law the existence of partnerships has been recognized, and quoted numerous legal decisions showing the clear-cut distinctions between the partnership and the individual partners.

Should the Board of Tax Appeals now be upheld by the courts, it is apparent that a tremendous loophole for evasion will be created. All the taxpayer will have to do to dispose of property upon which he has a tremendous profit will be to create a partnership. For example, A purchases real estate costing \$10,000 in 1925. The property is now worth \$100,000. To avoid the large tax, all A will have to do will be to form a partnership with some other individual having similar property and then allow the partnership to sell the property at its present value of \$100,000. After the sale, the partnership would continue indefinitely. Under the Appeals Board decision, this partner would not be taxed on the appreciation up to the date of the formation of the partnership and the contributing partner would not have to pay a tax until the partnership was dissolved, which might never occur. If the contributing partner died before the partnership dissolved, any appreciation would not be taxable for the period while he was alive. In this manner, the tax would be entirely avoided.

The following amendment is, therefore, suggested to section 182, supplement F, Tax of Partners, the words italicized representing the proposed change:

"A—General rule—There shall be included in computing the net income of each partner his distributive share, whether distributed or not, of the net income of the partnership for the taxable year. *Upon the sale by a partnership of property contributed by a partner at the time of organization at its then value, a further gain or loss shall be determined and allocated to the contributing partner, based on the difference between the cost or other basis to the contributing partner and the value at date of contribution to the partnership.*"

PROPOSED AMENDMENT RELATING TO TAX-FREE INTEREST EXCLUDED FROM GROSS INCOME

A brief summary of the case for removing the tax-exempt privileges existing at the present time, with respect to Federal and State obligations, is presented herewith.

As a result of high income-tax rates, wealthy individuals in increasing numbers are seeking the benefits of tax-exempt securities, thereby creating a condition wherein the burden of taxation is inequitably spread. The taxpayer with limited income is compelled to shoulder a larger proportion of the tax than the taxpayer of large income, where such income is invested in tax-exempt securities.

The tremendous growth of Federal and local debts is apparent from the following figures which illustrate why the tax-exemption features must cease if the Government is to collect sufficient revenue for its needs.

Federal debt (U.S. Federal Trade Census)

Jan. 1, 1931.....	\$15,912,844,000
Dec. 31, 1931.....	17,528,480,000
Jan. 1, 1932.....	17,515,271,000
Dec. 31, 1932.....	20,448,139,000

The increase in debt during 1931 was approximately 10 percent, whereas in 1932 it was approximately 16 percent. The increase in 1933 from all indications will be much larger as a result of public-work programs and unemployment relief.

Now, let us look at the State and local debts.

Year	Amount	Per capita
1890.....	\$1,137,200,000	18.16
1902.....	1,869,439,000	23.73
1912.....	3,821,896,000	39.73
1922.....	8,689,739,000	79.92
1932.....	17,810,200,000	142.48

† Estimated.

There was an increase of approximately 26 percent in the 10-year period from 1912 to 1922, and a further increase of 107 percent from 1922 to 1932. At this appalling rate of increase it will not be very long before the greater portion of the wealth of the country will be invested in tax-exempt securities. Indications are also that the rate of increase will be maintained since the bulk of construction consists of State and municipal projects.

The importance of tax-exempt interest is emphasized by the fact that an investor with a taxable income of approximately \$100,000 would have to receive a return of at least 13.33 percent on any contemplated purchase of taxable securities to warrant his selection of such securities in preference to 6 percent tax-exempt securities.

While there is no express provision in the Constitution prohibiting the taxation of securities now tax exempt, the decisions of the Supreme Court have held that by implication, our Federal and State Governments may not tax each other's obligations. The oft-repeated dictum supporting this contention is that the "power to tax is the power to destroy." It has been the belief of many defenders of the present system that if tax exemption were eliminated, both Federal and State Governments would have to pay a higher rate of interest to secure funds. The fallacy of this argument is apparent under our present economic conditions. The rate of interest paid by municipalities or States is hardly influenced by the tax-exempt feature but is largely governed by its state of security. For this reason, our State and Federal Governments have been very active in reducing expenses and balancing their budgets in order to maintain their credit. Thus we find that a large city like New York has difficulty in borrowing money at a 6 percent rate, whereas other municipalities have no difficulty in securing loans at 4 percent or 5 percent. It is evident therefore that the chief concern of the investor is safety and that tax exemption is not the most important feature under present conditions.

The decisions of the courts based on the theory that the power to tax is the power to destroy, must therefore be revised in the light of present conditions. Under the present system of tax exemptions, both State and Federal Governments are allowing the taxpayer to go scot free, as a result of which neither benefits. It is similar to a situation wherein two countries who have always traded each other's surplus production, erect high tariff walls and thereby prevent the interchange of trade to the detriment of both.

Assuming even, that governments, both State and Federal, will be required to pay a higher rate of interest and therefore be placed in keener competition with nongovernment instrumentalities, an advantage may be seen for such a condition. Where funds are secured too easily, experience has shown that unwise expansion and waste result. In the long run the Government is put into business, a condition that should be avoided if our present form of government is to survive. An example of such wasteful expenditures is the Bronx municipal market in the city of New York, and the Staten Island piers, which have been practically 100 percent failures, although they have cost the taxpayers a great many millions of dollars.

The rate of increase in the amount of State and municipal obligations has been steadily increasing and the question of tax exemption, if not eliminated, will assume alarming proportions in the near future. The stream of funds seeking tax exemption in the light of our higher surtax rates, and as a result of increased State income tax laws, is growing larger and larger.

A study of the court decisions affecting tax exemptions indicates a growing conviction as expressed by minority opinions of liberal judges that such tax exemptions may very well be dispensed with and that beneficial results will accrue both to the Government and the average taxpayer. For example, in the *Indian Motor Cycle Co. v. United States*, the Government sought to collect an excise tax on motor cycles sold to a municipality. The court decided that such tax could not be collected and held by implication, both Federal and State Governments could not tax each other's obligations. A dissenting opinion by Justice Stone held that the implied immunity of one Government from taxation by the other should not be enlarged. Practical effect of increased immunity is commonly to relieve individuals from a tax at the expense of the government imposing it, that there is little substantial benefit to the government for whose theoretical advantages immunity is invoked. Are not the tax exemption features of Federal, State, and local obligations within such field of enlargement?

It would be impractical to remove the tax-free interest provisions of the revenue act, retroactively, since each issue represents a contract which legally cannot be abrogated. However, an amendment is proposed as to future issues of governmental obligations to eliminate tax-free interest provisions of the revenue act.

PROPOSED AMENDMENT

Add to section 22 (b) (4) tax-free interest—"This section is revoked as to issues created subsequent to the enactment of this amendment."

PROPOSED AMENDMENT TO THE REVENUE ACT RELATIVE TO THE TAXATION OF INDIVIDUALS AND CORPORATIONS

Individuals are subject to both normal and surtax rates. That portion of their income derived from dividends is taxable only as to surtax. The reason for this is that dividends paid by corporations have already been subjected to the equivalent of the normal tax, namely, the 13¼ percent tax paid by the corporation.

This practice, however, has not functioned as well as it should have in the past for the simple reason that many corporations find it a great saving in taxes to their shareholders to refrain from paying dividends. Especially in close corporations owned by 2 or 3 people has this practice been indulged in. Why declare a dividend when, perhaps, 50 percent or 60 percent of such dividends must be paid over to the Government in the form of taxes? Accordingly, numerous corporations have accumulated their surplus, and shareholders are content to have the profits thus accumulated reflected in the appreciation of their stocks.

True, the law provides a 50 percent additional tax on the net income of the corporation where it can be shown that such corporation has purposely accumu-

lated its surplus beyond its reasonable needs to prevent the imposition of surtaxes on its shareholders. But this law has been very ineffective. What are reasonable needs and how are intent and purpose to be proven? It is very well known that in the eagerness to establish reasonable needs of surplus profits, corporations have expended and continue to expend rather than distribute their profits to shareholders. A good deal of the excess plant and equipment may fairly be attributed to this source.

To correct this condition, it is proposed to eliminate dividends from taxation to individuals and instead tax corporations in the same manner as estates or trusts are now taxed, namely, as individuals. Are not corporations in effect trusts, wherein the directors act in a fiduciary capacity in managing the business of the grantors or stockholders? A corporation would then be given an exemption of \$1,000, and its income would be subject to normal taxes or 4 percent and 8 percent and surtax rates as provided for individuals. Objection may be made that such high rates of taxation would prevent a corporation from growing, but do not individuals, operating as single proprietors or partnerships, pay their regular tax and expand?

Experiences show that it is more practical to collect a tax at the source than through the recipient. For example, corporations paying salaries to aliens residing in a contiguous country withhold and pay the tax directly to the Government for such aliens, thus eliminating any possibility of evasion. A corporation pays dividends say to 100 stockholders. Many of these stockholders may fail to report such dividends and many stockholders receiving the dividends may not be taxed thereon because it may not fall in their surtax brackets. Would it not be far more practical to exempt the stockholders from all tax on their dividends and require the corporation to pay the entire tax on its earnings each year. Accordingly, the following proposed amendments are submitted:

PROPOSED AMENDMENTS TO CORPORATION TAX

Eliminate subdivisions (a) and (c) from section 13, title 1, tax on corporations, and substitute the following:

"Sec. 13. Tax on corporations.—(a) The tax imposed by title 1 on individuals shall apply to all corporations."

Eliminate from section 22, gross income, subdivision (a), general definition, line 6, the word "dividends" and add after the words "from any source whatever", the following: "Not including dividends from stock of corporations taxable under this title."

DOUBLE TAXATION

Double Taxation—the 325-page preliminary report of a subcommittee of the House Committee on Ways and Means on Federal and State Taxation and Duplications Therein, throws several floods of light on unemployment—its cause and cure.

It shows that the major part of taxes collected by Federal, State, municipal, and other local governments come out of the masses of the people, and because levied in violation of sound canons of taxation reduce the purchasing power of the masses and so restrict employment.

A total of 3,974 forms of licenses, permits, and occupational taxes are levied by different taxing authorities, including 427 amusement licenses, 577 merchants' and retail dealers' licenses, and 449 occupational taxes, including taxes on professions.

The gasoline tax is a general example of sublime stupidity in taxation. The committee gives the rates imposed by States:

"Two cents: Connecticut, Missouri, Rhode Island, and the District of Columbia.

"Three cents: California, Delaware, Illinois, Iowa, Kansas, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Dakota, Pennsylvania, and the Territory of Hawaii.

"Four cents: Colorado, Indiana, Maine, Maryland, Nebraska, Nevada, New Hampshire, Ohio, Oklahoma, Oregon, South Dakota, Texas, Utah, Vermont, West Virginia, Wisconsin, and Wyoming.

"Five cents: Arizona, Idaho, Kentucky, Louisiana, Montana, New Mexico, Virginia, and Washington.

"Six cents: Alabama, Arkansas, Georgia, Mississippi, North Carolina, and South Carolina.

"Seven cents: Florida and Tennessee."

It adds:

"In addition to the above tax on gasoline, a few States have sales taxes which tax the gross receipts of retailers of gasoline. A few of the counties and cities in the above States also tax gasoline. A large majority of the States allow refunds where gasoline is used for other purposes than as motor-vehicle fuel. This source of revenue has become very important within the last decade. In fact, in 1931, the net earnings from the State motor-vehicle fuel taxes were over \$500,000,000."

The incidence of this tax is illustrated:

A resident of Mobile, Ala., using 623 gallons of gasoline annually would pay the following taxes:

Federal tax (1 cent)-----	\$6.23
State tax (6 cents)-----	37.28
County tax (1.5 cents)-----	9.35
City tax (1 cent)-----	6.23
Total -----	59.19

And this isn't the worst, for we read:

"A resident of Palatka, Fla., using the same amount of gasoline would pay a total tax of \$56.07 and a resident of Harrison County, Miss., would pay \$62.30. The Mississippi resident would also be somewhat affected by the general sales tax of that State."

It is fairly obvious that with such a tax no citizen of Alabama, Florida, or Mississippi will indulge in joy riding, unless he has the income to be liable to an honestly direct tax on income.

If he uses gasoline to go to work, or to look for work, or in his business, such a tax is legalized robbery.

The committee states:

"The taxes on cigars are not proportionately as heavy (as on cigarettes) but they may amount to as much as 25 percent of the selling price."

"The Federal Government enacted a tax of 3 percent on the sales price of electrical energy, in 1932. About 23 States and territories have special taxes on this subject—either sales taxes, gross, receipt taxes, or franchise taxes. * * * Therefore the duplication of these taxes may result in a rate of tax as high as 8 percent."

(The fact should not be overlooked that the sales price of electrical energy is 25 percent to 50 percent higher than it should be—for domestic consumers.)

"There are approximately 326 duplications between the Federal Government and the States and territories. The number of duplications between the State and local governments has not been ascertained." Perhaps too many to count.

The analysis of sources of revenue given by the committee shows that in 1932 nearly half of Federal revenue, amounting to \$2,118,000,000, was derived from consumption taxes; in 1931 nearly three quarters of State revenue from taxes, amounting to \$1,984,000,000; in 1931 nearly three fifths of county governments revenue, amounting to \$957,000,000; and in 1930 nearly three fifths of revenue receipts of cities of over 30,000 inhabitants, amounting to \$3,418,000,000; and in 1931 over half of the tax revenues of local governments, "other than State, county, and city", amounting to \$1,188,000,000.

The consumer pays the taxes as well as the freight.

Approximately \$5,600,000,000 of the receipts of these five government units as given in this report, amounting to \$9,665,500,000, were a levy upon consumption either as taxes or excess prices paid for services—such as the \$339,000,000 "earnings of public-service enterprises" reported by cities of over 30,000 population for 1930.

Almost the sole evidence presented in the report, of sanity in methods of obtaining revenue, aside from the Federal income and estate tax, is that special assessments produced in 1931 about \$215,000,000.

As most government expenditures are reflected in land values, and the value of land is about \$100,000,000,000, this is a modest beginning.

Some of the points made in the report gently indict our tax system, such as the statement:

"The greater part of the general-property tax is paid by persons with net incomes of less than \$5,000." They could truthfully have said with less than \$3,000.

"Figures recently collected show that the enormous sum of \$5,266,000,000 is collected from the general-property tax or from franchise taxes levied in lieu of property taxes."

Discussing "How Expenditures Have Increased", from 1922 to 1931, the report states regarding Federal expenditures:

"The greatest increase (in amount of money) has been in the items of pensions, veterans' insurance, and adjusted-service certificates, an increase of \$413,000,000, or 90 percent."

"The total increase in expenditures in the 9-year period amounts to \$425,000,000, or 11 percent."

It is highly significant that the increase in veterans' appropriations accounts for practically the entire increase in Federal expenditures from 1922 to 1931.

The canons of sound taxation violated are:

Taxes must not impair the patrimony of the State—that is, the welfare of the people—they must be levied in proportion to ability to pay, and they must be levied in accordance with service rendered.

A note states that the report has been printed for purposes of information and discussion, "but it has not yet been considered or approved by the committee or any member thereof."

THE TOTAL TAX BURDEN

The report estimates that the total revenue from taxes collected by all governments, Federal, State, and local, in 1931, was \$9,519,000,000, but that at present they amount to over \$10,000,000,000.

It comments:

"While it has been recently often stated that our tax burden was from \$12,000,000,000 to \$14,000,000,000, we believe these figures unsubstantiated, unless all governmental revenues are included, rather than merely tax revenues."

Their estimates of expenditure, however, gives a more complete picture:

Federal (1932)-----	\$5,007,000,000
State (1930)-----	2,290,270,000
Municipal (310 cities over 30,000) (1930)-----	3,310,681,000
Town and other civil subdivisions (1931)-----	1,200,000,000
Total -----	12,307,951,000
County expenditures are not reported, but county tax receipts were in 1931-----	937,900,000
Total -----	13,245,851,000

There may have been some reductions in State and local expenditures, but the aggregate this year, 1933, must be about \$13,500,000,000.

A sage conclusion is reached:

"It is not sufficient in approaching a subject of this magnitude to consider it solely from the Federal or State point of view. It is more important to consider the effect of the various systems of taxation upon the taxpayer, whether individual or corporate. It makes little difference to the taxpayer to whom he pays the tax; the important matter to him is the total amount he has to pay."

Congress must revise the revenue bill at the special session.

If it considers the question sensibly, and in the light of facts presented in this report, Congress must realize that it should—

Repeal at least \$500,000,000 of consumption nuisance taxes—the repeal of vital import to millions of consumers.

Not only reduce slightly the income-tax exemption and increase the normal rate but increase rates in the higher brackets to those of England—several times ours.

Tax the large accumulated surplus hoarded income of corporations, and income from Federal bonds.

Increase estate tax rates and retain the entire yield for the Federal Government.

Congress can appropriately leave to State and local governments the taxation of land values, which will provide almost sufficient tax revenue for them, and permit the repeal of most of the consumption taxes, which are the basic cause of taxpayers' strikes.

The imminent writing down of debts, and of interest rates will facilitate this program of common sense in taxation—long overdue.

This report should be considered in connection with the fact reported in the January Bulletin of the National City Bank, that during 1932, corporate new capital offerings (with December figures preliminary) were only \$318,000,000 compared with \$8,639,000,000 in 1929, and \$4,944,000,000 in 1930, and the findings of the business week, that the total expenditures in 1929 of the 47,212,000 persons with incomes of \$5,000 or less exceeded their income by \$10,442,000,000.

Mr. MARSH. I do not debate this bill, Mr. Chairman, on the grounds of legality. I know that when strict constitutional observance has led the Nation to the point where 4 percent of the people and this is admitted—own four fifths of the wealth, the thing is so serious that I very much doubt whether the Supreme Court of the United States—I know it has no legal right to—would assume to declare unconstitutional any legislation which Congress decides to be necessary to meet this situation.

I want to thank you, and can you tell me, Mr. Chairman, if you can hear Mr. Wexler on Wednesday, on this matter?

The CHAIRMAN. We have many witnesses scheduled for Wednesday, and I doubt whether it would be convenient for the committee to hear him.

The committee adjourns now until Wednesday, at 10 o'clock.

(Whereupon, at 5:30 p.m., the committee adjourned to Wednesday, May 31, 1933, at 10 a.m.).

NATIONAL INDUSTRIAL RECOVERY

WEDNESDAY, MAY 31, 1933

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10 o'clock a.m., in room 312, Senate Office Building, Washington, D.C., Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), King, George, Gore, Cossigan, McAdoo, Byrd, Keyes, and Metcalf.

The CHAIRMAN. The first witness this morning will be Mr. Steward.

STATEMENT OF LUTHER C. STEWARD, PRESIDENT NATIONAL FEDERATION FEDERAL EMPLOYEES

Mr. STEWARD. Mr. Chairman and gentlemen, I wish to comment very briefly on the administrative portion of the bill you have under consideration.

In section 2 (a) and 201 (a) and (b) there is a provision for the appointment of the officers and employees to carry out the purposes of the act, without regard to civil service laws, and without regard to the rates of classification fixed in the act of 1923 as amended.

In view of the serious curtailment of Federal personnel that has already taken place, and which will unquestionably further take place, we feel that it would be sound business practice if the forces required in the administration of this act be selected and utilization be had of experienced Federal employees who are and will be in the near future released from service, not due to any inefficiency, but owing to circumstance over which they have no control.

I merely submit that to the committee as a sound business policy, aside from the elimination of that many experienced employees who would otherwise be added to the present-day list of unemployed.

STATEMENT OF RALPH HUNTER, REPRESENTING THE INTER- NATIONAL ASSOCIATION OF GARMENT MANUFACTURERS

Mr. HUNTER. My name is Ralph Hunter, and I a president of Hall, Hartwell & Co., of Troy, N.Y. I am appearing before this committee as chairman of the board of directors of the International Association of Garment Manufacturers.

The International Association of Garment Manufacturers demands proper wholesome conditions in the garment industry.

The association was organized at Toledo in 1908 and represents needle trade manufacturers, located in 38 States from Maine to California, ranging through the cotton garment and apparel fields, including overalls, work clothes, men's and boys' shirts, women's cotton dresses, men's and boys' cotton trousers, sheep-lined coats, pajamas, and so forth.

Our official attitude in regard to this bill is recorded in the telegram which we have sent to President Roosevelt pledging full cooperation in the industrial recovery program; also we have notified Secretary Perkins that we can be counted upon for assistance in the proposed investigation of the shirt industry.

The garment industry is confronted with two serious obstacles to wholesome working conditions: First, the unfair competition from the products of prison workshops; and, second, the sweatshops.

After many years of struggle, the Hawes-Cooper law was passed in January 1929, but a period of 5 years was allowed before the law became operative in order that the States might have time to reorganize their prison industries in conformance with the law. The law, therefore, does not become effective until January 1934. Seven critical months intervene. Furthermore, over half the States have not as yet enacted State legislation in conformance with the Hawes-Cooper law; and action is pending both before the Supreme Court of New York State and the Supreme Court of the United States in regard to the constitutionality of the law. The Hawes-Cooper law will eventually bring relief to our industry, but not during this emergency period.

Prison labor contractors have a production cost impossible for free industry to compete with. Our association holds no brief for any manufacturer who has cut wages below a living rate. A man should get out of business before he trades human health and welfare for dollar profits. The prison contract goods have been the greatest contributing factor to low wages. Sweat shops are vultures, preying on our industry. During this depression they have hovered over the market, furnishing merchandise for retailers' promotion sales. Today, shirt-producing facilities are some 30 to 40 percent greater than before the depression. In many cases new producers are taking advantage of destitute families and of conditions in certain localities where factories have been closed. Sweat shops, fly-by-night industries, and other parasites have sprung up.

The tale of the sweat shop is told in the following magazine articles which I will file with the Committee:

Robbing the Working Girl, by William G. Shepherd, published in Collier's Weekly, November 1932; Stripped Shadows, Apparel Art Magazine, January 1933; and in the attached articles in the Delineator, Readers' Digest, Literary Digest, and in the last issue of the Nation's Business.

Mr. O'Connel, the former president of the National Retail Dry Goods Association, drew national attention to the serious condition of the workers and to the almost insurmountable difficulties in the way of retail merchants who did not desire to handle goods produced in sweatshops.

The General Federation of Women's Clubs was aroused over the condition of women workers. The New York State Federation led

off in August of last year by calling a conference of retailers, manufacturers, and consumers at which sweatshops, low wages, and prison competition were discussed. A committee representing all three groups was appointed which found that the unfair competition of prison goods was a direct factor in causing sweatshops as it led to price chiseling and consequent wage reductions. The General Federation of Women's Clubs has carried on a vigorous campaign to arouse the public against unfair competition from prisons and sweatshops. Miss Jaffray, chairman public welfare department, General Federation of Women's Clubs, is here to confirm what I have said.

I am not a lawyer and, therefore, have not presumed to have drafted an amendment to this bill. But I understand that an amendment is being drawn to cover the question of convict labor. I am advised that the matter has been called to the attention of Senator Wagner, Mr. Richberg, and others, who have participated in drafting this bill. I want to express my support of any such amendment which will effectively place convict labor under the operation of this bill, as without such effectiveness, it will be futile for some industries to attempt to stabilize themselves in the face of existing factors of destruction.

I also note certain suggestions along this line have been presented at the hearings. I do not desire at this time to differentiate as between these amendments. All I ask is that the situation be taken care of. If the amendments, which have been presented to the committee, are effective and satisfactory to the members of the committee, we are in full and complete accord.

The International Garment Manufacturers Association has always invited and will continue to invite all garment manufacturers to membership, except those holding contracts for prison labor, and I believe that we fully comply with Senator Wagner's demand that no legitimate manufacturer shall be excluded from a trade organization. We pledge our full support in carrying out the provisions of the proposed law which your committee has under consideration and we urge that these provisions be such that they will effectively and permanently free the garment industry from all unfair competition.

STATEMENT OF WILLIAM A. BRADY, REPRESENTING THE THEATERS OF AMERICA

Mr. BRADY. I represent the theaters of America, and everybody in it, men and women; the Actors' Equity Association, Dramatists' Guild, Authors' League, Musicians' Association, League of Theaters, with branches in every city in the United States, National Association of Stage Employes, Decorators' Union, Producers' Protective Association, embracing in their membership all of the legitimate owners of theaters, musicians, producers, actors, dramatists, authors, and other men and women who earn their livelihood in the theaters.

We thank the committee for hearing us. We know you are busy, so I came alone, without witnesses.

I am the oldest man of the theater, the dean of the guild, as they call me.

The CHAIRMAN. And one of the greatest fellows in the business.

Mr. BRADY. Thank you, Senator.

We endorse the industrial bill and sincerely believe it will be a godsend to all of us if its provisions can be successfully worked out.

I come to appear against the admission tax on the legitimate theater. We have appeared many times on this question, and last year we were assured by the Secretary of the Treasury, under Mr. Hoover, that the admission tax would raise \$40,000,000. It was a very bad guess. If the admission tax could be segregated, you would probably find the tax upon the legitimate theater amounts to a million or so.

There can be no question, gentlemen, that the theater is in worse condition than any other business in the country. I say that without fear of contradiction. Ninety percent of our theaters in America are closed, 85 percent are in the hands of a receiver or in bankruptcy. It is a terribly broad assertion when I say that 90 percent of our people, the actors and the actresses, and the working people in the theater, are living on charity.

Senator COSTIGAN. You are speaking now only of the legitimate theaters?

Mr. BRADY. Only of the legitimate theaters, not the movies. The playhouses, the places where Shakespeare used to be produced. The places such as every little one-night stand in the country should have, where the school children can go and see the finer things written by the great authors of the world.

We have supported our own people. We have raised, and raised, and raised, and we have now in the city of New York and throughout the country our charity. Actors and actresses are working in New York City at the present moment for their board.

The admission tax is a sales tax. There is no question about that. And why should the theater, the weakest of all businesses, be picked out for a discriminatory tax?

We hear of loans to banks and railroad companies and insurance companies, and God knows what else. We honestly believe in the relief of the farmer. Somebody asked me last night if I was down here to try to borrow \$1,000,000 from the Reconstruction Finance Corporation. I said, "No, perhaps it wouldn't be such a bad thing, because, after all, our real estate, choicely placed in every city in the country, would provide ample security for any loan."

But we are not here for a loan. We are here on our knees begging you to not tax the drama. No other country in the world does it. Other countries, weak countries, subsidize their drama. I happened to be in Vienna the night of a revolution—almost—and the hotel was barred and soldiers were in the lobby of the Bristol Hotel. The theaters were packed.

People told us that the theaters did more in war time to preserve the morale of the people than any other institution in the country, not barring the church or any other institution.

There is no question about the failure of the admission tax. There is no question about the fact that it was not computed properly by the former Secretary of the Treasury, though he came in here with his witnesses, and you heard him state that we could get forty, fifty,

sixty, eighty, a hundred and ten million dollars out of the admission tax, but you didn't get it.

My dear friends, the Senator at the head of the table worked for us, and we were beaten in this committee by 8 to 7. We went on the floor of the Senate. Senator Wagner upheld us and fought for us, and we were beaten by a majority of about 35 to 28. So it is an open question in the minds of the Senate whether or not the legitimate theater of America, the actors and actresses of America shall be crushed by a cruel and destructive tax.

Now, gentlemen, I want to call your attention to a joke—to a great joke. I have in my hand the prospectus of the Metropolitan Opera House. I call your attention to the back. "Tax exemption granted." Granted by whom? It was not granted by your committee. It was not granted by Congress. Somebody in the Treasury Department a year or so ago sends out an order and grants exemption to the Metropolitan Opera House. Gentlemen, a foreign institution!

I am offering for your attention a list of the company. Those names that I have marked with an asterisk are foreigners. There are but three Americans in the whole organization.

Mmes. Pearl Besuner,* Lucrezia Bori,* Leonora Corona,* Ellen Dalossy,* Aida Donninelli,* Minnie Egner,* Philine Falco,* Editha Fleischer,* Helen Gleason (new), Margaret Halstead (new), Clara Jacobo,* Gertrude Kuppel,* Frida Leider (new),* Gota Ljungberg,* Dorothee Manski,* Queena Mario,* Nina Morgana,* Maria Muller,* Eide Norena (new),* Lilly Pons,* Rosa Ponselle, Elizabeth Rethberg,* Thalia Subanieva,* Crete Stuckgold,* Elda Vettori,* Phradie Wells,* Rose Brampton (new),* Ina Bourskaya,* Karin Branzell,* Grace Divine,* Doris Doe,* Dorothea Flexer,* Louise Homer, Maria Olszewska (new),* Faina Petrova,* Carmela Pouselle, Ernestine Schumann-Heink,* Gladys Swarhout,* Henrietta Wakefield.

Messrs. Max Altglass,* Angelo Bada,* Hans Clemens,* Richard Crooks (new), Rafaelo Diaz,* Gustaaf De Loor (new),* Frederick Jagel,* Edward Johnson, Rudolf Laubenthal,* Giacomo Lauri-Volpi,* Giovannia Martinelli,* Lauritz Melchior,* Giordano Paltrinieri,* Tito Schipa (new),* Alfio Tedesco,* Armand Tokatyan,* Marek Windhelm,* Richard Bonelli (new), Armando Borgioli,* George Cehanovsky,* Louis D'Angelo,* Guiseppe De Luca,* Claudio Frigerio,* Arnold Gabor,* Alfredo Gandolfi,* Millo Picco,* Frederick Schorr,* Gustav Schutzendorf,* Antonio Scotti,* Lawrence Tibbet, Paolo Ananian,* Arthur Anderson, Ludwig Hofmann (new),* Pompilio Malatesta,* Tancredi Pasero,* Ezio Pinza,* Leon Rothler,* Siegfried Tappolet,* Frederick Vajda,* James Wolfe, Vincenzo Bellezza,* Artur Bodanzky,* Louis Hasselmanns,* Wilfred Pelletier,* Karl Riedel,* Tullio Serafin,* Giulio Setti,* Giuseppe Sturani,* Giuseppe Cesati,* Pietro Cimara,* Fausto Cleva,* Giuseppe Conca,* Riccardo Dellera,* Antonio Dell' Orefice,* Carlo Edwards,* Wilfred Pelletier,* Erich Riede,* Karl Riedel,* Kurt Ruhrseitz,* Giulio Setti,* Hanns Niedecken-Gebhard,* Alexander Sanine,* Armando Agnini,* Miss Rosina Gulli,* Mr. Ottokar Bartik,* Miss Rita De Leporte,* Mr. Giuseppe Bonfiglio,* Mr. Alexis Kostoff,* Mmes. Elizabeth Mayer,* Lillian Moore, Jessie Rogge,* Mildred Schneider,* Messrs. Lionel Mapleson,* Otello Ceroni,* Armando Petrucci,* Frederick Vajda.'

It was pretended at the time that the exemption from street tax had been granted that the Metropolitan Opera House is an educational and artistic institution. Well, may I call attention to this week's Saturday Evening Post, in an article written by the greatest musical critic in this country, a man who has written two original American operas, Mr. Deems Taylor, in which he says, referring to the opera:

We have imported opera much as we import caviar and Scotch grouse—as something rare, exotic, and expensive. The fact that it has been a wholly alien product has only added to its fascination.

In reference to it further, he says :

There is just one important reason why the American opera audience is so small: It is a fact that opera, as produced in this country, is sung in virtually every language except that of the inhabitants of this country.

And that organization was exempted from taxes. Why not exempt the American drama? Why not the American actors?

And that is not the only instance. I could go further and show where they have exempted other foreign institutions from taxes, and it may be interesting for the committee to find out why. Who are the stockholders of the Metropolitan Opera House? That would be a very interesting proposition.

They call it an educational institution. I call it a real-estate institution. They own a piece of property on Broadway worth \$10,000,000. Their directors go into the billions, and we fellows who are trying to work, trying to strain to make a living, our men and women are discriminated against for the benefit of a foreign institution.

Before I close, I want to appeal to your justice and your fairness. You have in this bill a tax on passes. You charge 10 percent for a pass. In other words, I am not allowed, according to your law, to invite my mother, my wife, my children, my friends, into my own theater without paying a 10-percent tax.

Passes are a very important thing to the theater. I want to say this pass tax was originally introduced in the law because of the passes that would be given to politicians for prize fights in the city of New York. Somebody came down here from New York City and protested against the fact that all the front seats at the great prize fights were occupied by politicians. Therefore they put a 10 percent tax on passes into the theater.

The pass counts a lot to us. We produce a play. We do not happen to get by critics, but we know our play is substantial and has an appeal to the public. Sometimes we have to work 4, 5, 6, or 8 weeks and keep our theater filled in order to establish for that play the endorsement of New York City, Chicago, Boston, or Philadelphia. We can only do that through passes. Therefore, in order to put out passes we are compelled to pay 10 percent of the face value of the free admission to the Government. I quote one instance. In the city of New York a theater, following the system I have just told you about as to making a play, paid to the Government in 1 month \$4,525 and played in the month to less than \$800 gross receipts.

The pass brings out another thing. Here [indicating] are tickets for 3 or 4 theaters in the city of New York—passes. They are sent out and distributed by the hundreds of thousands, thrown on hotel counters, in restaurants, in department stores, everywhere in the world that they can find people to pick them up. They say, "Admit two to the theater." It is a joke. By the way, a man named Brady has got his name signed to it, in imitation of my signature. Thank God it is not this Brady.

Those are thrown all over the city of New York, and Chicago, and sometimes San Francisco and Los Angeles. You pick it up and say, "Bully, we can go to the theater tonight. Come on, girl." He goes down to the theater and puts that in and they say. "80

cents, please", keeping down to the 4-cent exemption. Therefore, we reputables are compelled to compete with these disreputables who are ruining the theater by throwing cheap tickets all over the place, and that can be stopped by the elimination of the 10-percent tax.

Suppose you had a clothing store, suppose you had a club, suppose you were selling any kind of goods. Think of it. You have to pay 10 percent to bring your friend into your house. It is wrong. It should be eliminated.

I make my last appeal, gentlemen. I have been here many times in the last 30 years. I think I am facing a man who can testify to the facts, can you not, Senator, that myself and the theaters of America did worthy work among you in the time of stress between 1916 and 1918?

Senator McADOO. Yes; I concede that the theater did great work for the Liberty loans.

Mr. BRADY. It did great work for the Liberty loans; and you remember I was the head of the whole thing and cooperated with you. Therefore, I should be given a certain amount of trust or belief here when I say to you you are crushing the theater with this tax.

The CHAIRMAN. Thank you very much, Mr. Brady.

STATEMENT OF W. IRVING FISHER, YALE UNIVERSITY

Dr. FISHER. I come to defend an amendment to this bill. On page 13, line 23, section 203, after the word "project" add the following:

Provided, That any State is authorized to finance its proportion of such cost by the issuance of self-liquidating, weekly dated stamp money certificates. Such certificates shall be prepared for use in any such State by the Secretary of the Treasury under such regulations as to denomination, form, size, color, reissue, and so forth, as he may prescribe. Such certificates shall be redeemed for the face value thereof by the Secretary of the Treasury in lawful money of the United States when there shall be affixed thereto postage stamps of the United States equal to 104 percent of the face value of such certificates. At all times when there shall be affixed all such postage stamps as are required to be affixed on the back of such certificates prior to the date of transfer, such certificates shall be legal tender for the face value thereof for the payment of all debts except obligations owing the United States, within the territorial limits of any State or States which may determine to finance their proportion of the cost of such public works by the use of such certificates. The Postmaster General, the Secretary of the Treasury are authorized, after conferring with the proper officials of such States, to promulgate all needful regulations for the issuance, circulation, and redemption of such certificates, and for the carrying out of this proviso. In transactions of less than the face value of any such certificate within the limits of any State using the same, such certificates shall not be legal tender unless stamped by the person tendering same for one additional week after such tender. Within the limits of any such State, banks of deposit receiving such certificates as deposits may charge 2 percent of the face value of such certificates so deposited as a service charge.

This was brought before the Committee on Ways and Means in the House in somewhat different form, and the particular form there offered was rejected. Afterwards a member of the committee, Congressman Lewis, introduced this form. That also was not given a majority vote. He and Mr. Harriman, head of the Chamber of Commerce of the United States, were the first to propose this form.

This kind of money, for it is money when issued in this way, although ordinarily called scrip, when issued by a locality, as it

has been in many places, is a peculiar kind of money, and for that reason only it has been rejected. In fact, specifically so. So far as I know no other reason has ever been offered.

I have known of this proposal now for about a year. It has passed through all classes of minds, and I don't know yet any rational objection that has been offered to it. I know of no economist who finds it unsound.

I have in my hand an example of the local scrip certificates, the latest ones put out, namely, by Logansport, Ind. It is now, or something like it, in use among perhaps 1,000,000 of people in the United States in a large number of localities, in 30 different States, and I have answered letters in the last 2 months from people inquiring about it from every State in the Union.

It has been proposed in Congress by Senator Bankhead and Congressman Pettingill, and their bills I have here, if anyone would like to read them, although they were proposed, not with reference to this particular bill as an amendment, but in reference to the relief measures before the House, also proposed in order that we should have less public works and more of reemployment of labor at their old jobs; that it should be issued by the Government in \$1 denominations for each laborer reemployed for 100 days consecutively of work, on condition that the employer would continue that for an equal length of time at the same rate of wages, of which the \$1 would be merely a part.

The main idea of this money is that it cannot be hoarded, and that it is compelled to step lively. On the back of it there are a series of spaces in each of which is to be put a stamp, according to the date. This particular one, which has just been issued, has the first stamp affixed, July 6. Then every week following that a stamp of 2 cents must be affixed in order that it shall be acceptable and circulate, and as long as that stamp is affixed, and all the previous stamps are affixed, it will circulate. Under this bill it would be legal tender and circulate because of its legal-tender quality. Where it has been circulated is because there have been pledges by the retail merchants and others in the community, agreeing to accept it, and when they accept it and the city accepts it for taxes, everybody accepts it without question, and it does circulate, and circulates far better than ordinary money, because every one likes to get it out of his hands if he can before the next Wednesday when a stamp must be put on in order that the other fellow may have the pleasure of putting on the stamp instead of his putting it on himself.

In form it is a stamp tax, a sales tax, but of such a nature that instead of retarding business, as the ordinary sales tax does, it stimulates business for the reason I have just mentioned. It really creates new business, and therefore in a sense it is not a tax at all. It is also different from the ordinary tax, in that it does not have to be paid in advance, but after the money is in circulation. That is a hundred dollars worth of money circulates and it doesn't have to be paid for until the end of the year. In that respect it is something like a bond or a deferred tax.

There was also proposed before the Ways and Means Committee that it should be used to save the necessity of imposing any other taxes than this stamp tax, if you desire to call it a tax. In that way

it would save the necessity of imposing any tax, income, or otherwise, for the \$220,000,000 which is now required in the bill.

I understand that Senator Bankhead is now going to introduce it in order that it may liquefy the deposits now tied up in closed banks, but this proposal is that the States which are now able to get the 30 percent help from the United States Government under this law for public works may supply their 70 percent in this manner, which will mean that it will not cost them anything except as it costs their people 2 cents each week to pay for the money advanced. This is, as you see, new purchasing power, put immediately into circulation, and it creates new business. Its main advantage is, however, that being new money and creating new business, it primes the pumps, so to speak, and starts borrowing at banks and reconstructing our deposit currency, which is ten times as important as pocket money.

Senator GORE. I was not here when you started. How do you emit this money in the first instance?

Dr. FISHER. I read the amendment that is proposed. In this particular case it is issued differently from the ways it has been issued. It has been issued in four or five different ways. In this particular case the United States Government would simply provide to any States that wanted this money for the purpose of paying its 70 percent of the cost of public works there, and it will be legal tender in that State, and would be paid off in the course of a year through the imposition of a tax, 2 cents every week.

Senator GORE. Everybody that handled it would put a new stamp on it, on Wednesday?

Dr. FISHER. No; not everybody.

Senator GORE. Every Wednesday a stamp would have to go on?

Dr. FISHER. Yes; and therefore not everybody would have to put a stamp on. If it circulated 3 or 4 and even 5 times a week, the average tax on the transaction, instead of being 2 percent, would be 2 percent divided by the number of times it is turned over.

Senator GORE. This money would be paid over to the State and paid out in wages, the purchase of materials, and so forth, just like any other money?

Dr. FISHER. Yes; paid out to labor on the public-works projects.

Senator GORE. At a dollar, in the first instance?

Dr. FISHER. Yes; it could be in dollar denominations. It could be in other denominations.

Senator GORE. If a person didn't put on a stamp on Wednesday, could he do it retroactively, just so he brought the number of stamps up to the required number?

Dr. FISHER. It would have to be put on to make up any arrears before it could circulate. Very often a man might take it into a store without having a stamp and the storekeeper would say, "I will attend to that", and add 2 cents to the purchase price.

Senator GORE. The point is it would pass as a dollar every time it turned over.

Dr. FISHER. Yes. It is not altogether new. In fact, it was invented many years ago, but first tried in 1931 in Germany, and worked very well in the locality where it was tried. It also has been tried in a little town in Austria called Virgel. I had a representative visit there in order to make sure how it was working, and he

reported it was working very well, like ordinary money, except it turned over twice as fast and was accepted by everybody except the post office, which was not a local institution, and the railroads, who were not a local institution.

The following States have passed legislation in regard to this, enabling their localities to adopt it: Pennsylvania, Utah, Iowa, Indiana, North Carolina.

Arizona has passed resolutions to recommend stamp currency to Congress. That was last January.

The following States have had the matter of legislation up and, so far as I know, have not passed any, although some of them may have: Delaware, Kansas, Oregon, Washington, Arkansas, Oklahoma, Connecticut.

Mr. Hector Lazzo, of the Marketing Service Division of the Department of Commerce, has made a thorough investigation into the experience of the United States in the use of this stamp scrip in the self-help or barter movement which has been going on during the last year and a half, and he can give you an impartial opinion, if you want to ask him to come, of the experience in the United States. I have also written a book which, I suppose, covers more material on this subject than anyone else, and anyone who would like to examine that—

The CHAIRMAN. What is the name of that book?

Dr. FISHER. Stamp Scrip. When it is local I call it scrip. It is not properly called money, because it is not legal tender. It circulates like any other scrip, through voluntary acceptance.

Governor Pinchot, of Pennsylvania, sent a telegram recently to Senator Wagner. I haven't seen the telegram, but I know that largely through his influence Pennsylvania adopted this measure.

I would be very glad to answer any questions if you are interested.

The CHAIRMAN. Thank you very much.

Senator GORE. It will accomplish your purpose if Congress would provide that his scrip issued by States might be legal tender?

Dr. FISHER. Yes; legal tender in that territory.

The CHAIRMAN. Are there any witnesses here who desire to put their statements in the record and take about a minute of time to explain them?

Senator GORE. Mr. Chairman, I inserted the other day a letter from Mr. Rochester. I had a note from him enclosing another letter which he had addressed to the President, I think under date of May 10. He wanted that letter to go into the record. I haven't had a chance to read it, but I think, out of fairness, it ought to go in. I will supply it to the reporter.

The CHAIRMAN. Very well.

(The letter referred to is as follows:)

WASHINGTON, May 10, 1933.

The PRESIDENT,
The White House, Washington.

MY DEAR MR. PRESIDENT: Information has come to me since my retirement from the Federal Oil Conservation Board that some letter written by me had apparently not met with your approval. If this be true, it is a matter of real regret to me. I know of but one letter written by me which could possibly concern the President. This was a purely personal and friendly communication of no great importance and certainly of no intended disparagement of any man or interest. Any other conception of it would be utterly at variance with

my thoughts. I would be pleased for you to see this letter in its entirety, if it is your wish.

My respect for you and for those who afford me the privilege of their friendship and confidence would preclude any act or utterance on my part which would knowingly hurt anyone. I wish you to believe, Mr. President, that while my convictions may be strong and my language at times somewhat harsh, never has there been anything said or done by me, nor by any member of the Federal Oil Board, that was not conceived in absolute honesty and for the best interests of government.

It is my privilege to enjoy and subscribe fraternally to the same laudable principles of honor and integrity that have guided your own destiny. I am sure you will feel that I could not, and certainly would not, speak other than with forthrightness and honest sincerity. If I may, therefore, I should like to present for your information certain basic facts concerning the background and procedure of the Federal Oil Board, of which it was my privilege to serve as secretary for more than 8 years.

The Federal Oil Board was "constituted" by President Coolidge, December 19, 1924, through a letter addressed to the Secretary of War, the Secretary of the Navy, the Secretary of the Interior, and the Secretary of Commerce. Before taking this action the President had before him the viewpoint of the ablest oilmen in the country and opinions from the foremost experts in Government service. It was Mr. Coolidge's conviction that the Federal Government not only had definite responsibilities but definite power to preserve and protect the country's petroleum resources in the interest of public welfare and national defense.

Four Cabinet officers, functioning as a Board, were directed to "study the Government's responsibilities and to enlist the full cooperation of representatives of the oil industry" in an effort to "safeguard the national security through conservation of our oil." Thereafter for each fiscal year the Congress made available a small appropriation for the work of the Board. Though the Board could and did compel the services of any and all Government technologists, it could not compel acceptance of its findings. Neither could it be sure that the oil industry would not, conversely, repudiate its recommendations.

Many in the oil industry felt that what the board did was sound and proper; others in the oil industry felt that what the board did was unsound and improper. The fact remains, however, that the sole purpose and duty of this board was to study national petroleum conditions and offer advice as to what could and should, in its opinion, be done to preserve—the country's oil reserves in the interest of public welfare. The viewpoint of this board—the honest judgment of four cabinet officers—was based upon accumulated statistical data sponsored by officials of great technical and scientific bureaus of the Federal and State Governments. In truth, these Cabinet officers were but trustees for the American people, unfettered by prescribed regulatory power of legal inhibitions. Clothed with moral responsibility only and high motives these ranking heads of great executive departments in conscientious fashion performed a duty fraught with difficulties that would have dismayed men of less stalwart character. To their credit may it be said that they were patient, painstaking and fair. The same cannot be said of all in the oil industry.

Among certain articulate elements of the industry the impression has been that my sympathy could never veer very far from the principles and theories espoused by the major oil companies of the country. Of course this is pure nonsense. I have personal admiration for men of real character in all branches of the industry, irrespective of the capital structure of their companies. I have not now and never have had any personal interest or monetary holdings in any oil company. Neither have I at any time been under obligation to major or independent units. But the secretary of the Federal Oil Board did enjoy the privilege of soliciting opinions and the judgment of the best minds in the industry as to the real or fancied value of the Board. Whenever this was done it was with the sanction and approval and by direction of the Board, for the sole purpose of learning from representative men in industry their estimate of the good accomplished and how a greater service might be rendered not to industry alone, but to Federal and State Governments, land owners, royalty owners, and the public generally. These men of actual and practical experience in the oil business could and did speak with authority. They offered praise when praise was due, they criticized and ripped into the Board and its policies at will. This was precisely what the Board wanted and required—honest opinion from respected men in industry.

Some of the letters received by the Board from recognized authorities in the oil world were amazing in their estimate of the good accomplished by this Federal agency. Persistent efforts were made to induce any who might be interested to examine these letters. The files of the Board were open always to the public. This was a policy handed down by the first chairman of the Board and followed by succeeding chairmen. A year or so ago, when there was no talk of abolishing this Board, an extensive canvass was made of industry leaders to determine prevailing sentiment, to bring out new thoughts or facts that might have been developed.

The replies then received were in bulk submitted to the individual board members for their personal information. Important trade journals were advised of the remarkable nature of the letters received, as were others in and out of the industry. The actual heads of important companies had in amazingly clear fashion revealed just what they thought about their own industry and Government's efforts to improve economic conditions therein. The viewpoint expressed by these men was wholesome and fair so far as their opinion of the Oil Board was concerned. Had they not wished to acknowledge letters of inquiry from the Federal Oil Board certainly there was no way to compel them. To these men of industry the country owes a debt of gratitude for their courage and willingness to dig into and dissect the problems that need to be solved if ever the oil industry is to be freed from insidious suspicion and an avarice so pronounced that it excels in stupidity even the intemperate views of those who would have the country believe that everybody and everything identified with the oil industry is corrupt and wicked.

But despite the widespread acknowledgment of the constructive work of the oil board, President Hoover on the eve of his departure from the White House recommends to the Congress that certain governmental bureaus and agencies, among them, this Board, be abolished. It had cost but \$10,000 a year, approximately, to maintain the Board. Its real value to the industry and Government was nearer \$10,000,000; perhaps a hundred million dollars might not be an extravagant figure when it is realized that through the exhaustive surveys conducted by this Board, vast reforms were made possible in all branches of the industry. Particularly is this true as to the elimination of waste, improved practices, advanced technique, and the prolongation of the life of public and Indian oil-bearing lands. Contacts made between the Board personnel and industry leaders had brought to light facts and conditions never before known concerning the physical condition of oil before and after capture and its relationship to production methods.

These and other facts enabled the Board to present to the public a series of reports distinctly constructive in character and admittedly helpful to all branches of the industry, the public, and Government itself. I have always thought it was a mistake on the part of Mr. Hoover to concur in the recommendation that the Federal Oil Board be abolished. The passing of this Board could but deprive a new administration of the benefits of long established sources of information and effective contacts—contacts essential to public welfare and capable of contributing much to the equilibrium of economics in the industry. In the consideration of our national oil problems, the Government wisely resorted to many sound and adroit moves, but the commission or agency that conceived the idea of discarding this Oil Board certainly lacked, in my humble opinion, the adroitness and statesmanship of those who had for 8 years ably and faithfully safeguarded the country's petroleum resources.

The secretary of the Federal Oil Board, on his own volition, sought vainly to interest important trade journals, men eminent in public life, and heads of oil organizations, to inspect the Board files, to study and utilize to proper advantage, the letters and other communications which reflected the best judgment of men qualified to speak for a huge industry.

It was hoped that these national figures and great organizations would exert an honest effort to induce the Government to preserve this Cabinet-manned board which, at trivial expense and for the first time in history, had sought to induce a great basic industry to check improvident and wasteful methods that were, and still are, endangering the limited and irreplaceable oil reserves of the country. But none of these men or organizations appealed to, moved an eye lash to save the board from disintegration. Why, is known only to themselves. Perhaps it was because these estimable gentlemen and important organizations felt that the secretary of the board was not so much interested in the welfare of the country as in preserving an unimportant Government job.

But today conditions are changed. The oil-producing States, a majority of the so-called "independents", the larger companies of the country, are united in appeal that the Federal Oil Board be continued as an integral part of the vast Government machine at Washington. A smaller group of "independents" asks that the board be abolished. Meantime, a great industry stumbles along, reflecting to other industries much of its own distress, while its million or more stock and bond holders grow poorer each day. Land owners and royalty owners despair amongst themselves. State and Federal Government alike suffer dwindling taxes and diminishing oil reserves. And all of this may be attributed to lack of prudence among men who could, by composing their differences, help themselves and their Government.

My hope, Mr. President, is that in your great wisdom you may enable the oil industry to realize the futility of its follies and appreciate more fully its responsibilities to Government, while at the same time opportunity may come to you to afford new and greater stimulus to Government's own responsibility to industry.

Respectfully yours,

R. S. ROCHESTER.

The CHAIRMAN. Miss Julia Jeffrey.

**STATEMENT OF MISS JULIA JEFFREY, REPRESENTING THE
GENERAL FEDERATION OF WOMEN'S CLUBS**

Miss JEFFREY. Mr. Chairman and members of the committee, from the General Federation of Women's Clubs I have come to assure you that Mr. Hunter from the Garment Manufacturers' Association has correctly stated the position of the General Federation in regard to the unfair competition of prison-made goods. It is more than 20 years since we started to work to protect women in the needle trades and the blind workers from this unfair competition. We realize that under the control which must come over prison industry to prevent unfair competition there will be many administrative details. We know that proper methods of employing prisoners can be developed and suggest that Senator Wagner request Dr. Stagg Whiting, whom the Senator knows, and who is a specialist in the field, to prepare a memorandum for this committee which will outline the administrative details necessary in the several States, so that this plan would then be available for those who are administering the general law.

From the General Federation we are strongly supporting President Roosevelt in his endeavor to bring order out of chaos, and we hope and have faith that this Congress will develop a plan which will prevent a recurrence of periods of depression such as the present. We hope that the plan will provide equal justice for labor, manufacturers, and the great body which we represent, the consumers.

The CHAIRMAN. Thank you very much.

**STATEMENT OF FAYETTE B. DOW, REPRESENTING THE AMERICAN
PETROLEUM INSTITUTE AND OTHER ASSOCIATIONS**

Mr. Dow. Mr. Chairman, my statement will be confined to one subject, namely, opposition to further Federal taxation of gasoline.

Senator McAnoo. May I ask, before the witness starts, if he will tell us what the membership of the American Petroleum Institute consists of?

Mr. Dow. May I first state whom I am representing on the case; the American Petroleum Institute is listed here, but in addition to

the institute I am speaking this morning for the Independent Oil Association of America. That is the association of which Mr. Wirt Franklin is president; the National Petroleum Association; the Western Petroleum Refiners' Association; the Mid-Continent Oil & Gas Association; Pennsylvania Grade Crude Oil Association, and in addition I was advised day before yesterday by Mr. Jack Blalock, of Texas, that his group are in accord with our position, and also to the same effect by Mr. Elliott, of California.

Senator McAdoo. That is on the question of gasoline tax only?

Mr. Dow. That is all I am speaking to—the question of gasoline tax.

So that there will be as little repetition as possible, I want to refer to and incorporate as a part of my statement the statement made by Judge Ames before the Ways and Means Committee on January 27, 1933, and the statement which I filed with this committee on May 3 of this year. That was on the occasion of the hearing which considered the proposed extension of the gasoline tax for 1 more year. I didn't ask any of the time of the committee, but I filed a statement. I also would like to refer to the statement which I made before the Ways and Means Committee on May 20 of this year.

Senator GORE. Which one of those was the fullest—the one you filed with this committee or the one you submitted to the Ways and Means Committee?

Mr. Dow. They cover in part the same material, except I was subjected to questions by the Ways and Means Committee, and I should say that probably that more recent statement is the one which contains the greater amount of material, although I did not repeat what Judge Ames has said in general.

Senator GORE. You mean by referring to those you are not going to cover the same ground?

Mr. Dow. That is it.

Senator GORE. How voluminous is that?

Mr. Dow. I spoke, I suppose, for 17 minutes before the Ways and Means Committee.

I call your attention first of all to the fact that you have, as passed by the House, a bill which authorizes the expenditure of \$3,300,000,000 and imposes a sales tax on just one commodity, and that a commodity which I think concededly has been fully taxed by the States and also by the Federal Government. I think that statement at once challenges the soundness of that particular feature of the bill.

Specifically, the bill provides for the expenditure of \$400,000,000 on roads. That is 12 percent of the total amount to be spent under the bill. But the gasoline tax is expected to raise \$92,000,000, more than three times the amount necessary to amortize that portion of the money which is to be spent on roads. It would require only \$26,400,000 to amortize that portion of the fund, an amount which would be raised by a tax of one fifth of 1 cent per gallon.

I do not concede that road building, which favorably affects and assists many commodities, should be paid for entirely by one commodity. But if you believe it should, then I call your attention to the fact that you are asking in this bill more than three times the amount of money necessary to amortize that proportion of the total fund which is to be spent on roads.

That is point no. 1. Point no. 2 is that for the calendar year 1934 you will collect from the 1-cent-a-gallon tax on gasoline \$135,000,000, and you will collect from your special excise taxes on the motor vehicle approximately \$65,000,000. That is \$200,000,000 for the fiscal year 1934, all of which is to be diverted from road building. If you were to consider that as a contribution of the motor vehicle to the road-building program, it would furnish more than seven and a half times the amount of money necessary to amortize the \$400,000,000 which is here to be spent on roads.

When the subject of the extension of the gasoline tax for one more year was presented to the House of Representatives by Mr. Ragon, a member of the Ways and Means Committee, he made a statement, two sentences of which I would like to read into this record. He said this very frankly:

The facts are we are forced to continue this gasoline tax for another year. It brings in about \$138,000,000. I am one who would like to see this tax removed as soon as we can. In the first place, I think it invades a field of taxation that has been preempted by the States, and in the second place, I think we should, as soon as we can, make a sharp line of demarcation between the two fields of taxation, the one in which the Federal Government should have priority and the one in which the States should have priority, but it is necessary to continue this tax.

And we have assumed, Mr. Chairman, it is necessary to continue that tax for another year, and it was for that reason I did not ask any of the time of your committee on May 3, but filed my statement.

Now, may I call your attention to this fact; the year 1930 is the last year for which I have the complete figures with reference to State taxation, but in the year 1930, before there was any Federal tax on gasoline, the States were collecting from gasoline taxes, license fees, and personal automobile property taxes, more than \$1,000,000,000 per year. Their total revenues from all sources were \$2,243,110,000, so that in that year the motor vehicle was paying 37.9 percent of the entire revenue collected by the States from all sources.

For the purpose of illustration, I have placed in my statement the proportion that the motor vehicle is paying in those States that are represented on this committee. It is a fair cross-section of the country. I shall not read them all, because I shall ask to have them put in the record, but here they are for those gentlemen whom I see present.

Oklahoma, 47.2 percent.

Senator GORE. That is of the total State tax?

Mr. Dow. That is of the total State revenues from all sources that are being paid by the gasoline tax, the license fees and the special property tax on automobiles.

For California, 38.9 percent.

For Virginia, 40.5 percent.

Rhode Island, 28.5 percent.

Mississippi, 58.4 percent.

We have therefore a situation where the States have been deriving—and since that time a number of States have increased their taxes—almost 40 percent of their entire revenue from all sources from this particular source, from special taxes upon special commodities or a special group of taxpayers, and since that time the Federal Government has added a 1-cent per gallon tax, which brings in \$135,000,000, and there is now a proposal to add \$92,000,000 more.

Senator GORE. That is just beginning this thing.

Mr. Dow. Senator, this situation changed pretty rapidly. Your committee stated in its report, when it recommended extension of the gasoline tax for 1 more year, this:

It is estimated that this extension will increase the revenue by approximately \$135,000,000. Your committee is of the opinion that the gasoline tax should be reserved for the States after June 30, 1934.

That was as of May 10 of this year.

The CHAIRMAN. I think, Mr. Dow, that the committee does not want to continue this tax indefinitely. You appreciate it is just the condition of the Treasury that makes us do it?

Mr. Dow. All right. Let us assume that is true, and let us address ourselves to that. You have a few specially chosen commodities in your present tax law on which there are excise taxes. One of those commodities, gasoline, is, if I may believe the Reports on Double Taxation of the committee of the House, a tax which already has been fully occupied by the States, a tax which has already reached the point of diminishing returns. Now, would it be out of point, Mr. Chairman, if I were to suggest that you ask your specialist in taxation, Mr. Parker, or the revenue officials or the Treasury officials, or both, to suggest to the committee some commodities not now taxed which might in their opinion be properly taxed?

The CHAIRMAN. We have had these experts working night and day. We have tried to work it out in every way possible, and this is the conclusion of the proposition.

Mr. Dow. I am sorry if it is the conclusion of the proposition, and I am sorry for this reason; that here is a proposal to spend \$3,300,000,000. Let us assume that half of it is to be spent on labor and the other half on materials. Are there not numerous commodities and numerous industries which would be benefited by that expenditure? Is it fair under those circumstances to place 42 percent of this burden upon one commodity? I do not think it is, and I do not believe this committee thinks it is. I know that this committee adopted this present gasoline tax reluctantly. I know it was rejected by the Ways and Means Committee, rejected by this committee, and only added because the Secretary of the Treasury changed his mind two or three times about the amount of money that was needed.

But may I call your attention to one further phase of this matter? The average State tax on gasoline at the present is 4.15 cents per gallon. The Federal tax is a cent more. That is 5.15 cents per gallon. If you compare that with the wholesale price of gasoline in the Mid-Continent field, it amounts to a sales tax of 240 percent. If you compare it with the average price of gasoline on the East Coast and on the Gulf Coast, it is a sales tax of 135 percent, and if you compare it with the average retail price of gasoline in this country, there is a present sales tax of 48 percent. Doesn't that make the case by itself? We are not talking about this subject simply because we have gotten into the habit of protesting against gasoline taxes. I want to assure you of that.

Senator GORE. Nobody has proposed, in discussing a general sales tax, that it should be 200 percent average?

Mr. Dow. I have heard of no such proposal. I have heard of proposals of $1\frac{1}{8}$ percent and $2\frac{1}{4}$ percent—

Senator GORE. Which is regarded as pretty high?

Mr. Dow. I have heard proposals last year of $2\frac{3}{4}$ percent.

Senator GORE. That was regarded as pretty high, about the limit?

Mr. Dow. I so understood.

The CHAIRMAN. Of course, Mr. Dow, you appreciate that in this public construction program \$400,000,000 is authorized to be given to the States for highway construction and that was the reason that prompted the Ways and Means Committee to put this increase on gasoline taxes?

Mr. Dow. All right, Senator. You were absent from the room when I made my first point, which gives me an excuse for repeating it: \$400,000,000 which you propose to spend on roads are 12 percent of the \$3,300,000,000. The \$92,000,000 which you propose to get from the gasoline tax are 42 percent of the total \$220,000,000 which you propose to raise in 1 year. More than three and a half times. And that added to the \$200,000,000 which you are collecting from this special tax in the year 1934, all of which will be diverted from road building for that year.

Senator GORE. Mr. Dow, there isn't any reason—this gasoline tax is a pretty simple tax, pretty effective as a rule. If these States want \$400,000,000 additional to spend on highways, they could levy $1\frac{3}{4}$ cents on gasoline and go ahead and build the highways. Instead of that the United States undertakes to give them this amount of money, which is not a gift, after all. It has got to come out of the live flesh of the taxpayer and devoted to this, and so that brings us the question—will you file a list of the gasoline taxes in the several States?

Mr. Dow. Yes, sir. It is in the Report of the Committee on Double Taxation.

Senator GORE. You say the average is 4.15 cents or 5.15 cents?

Mr. Dow. The average of the State tax is 4.15 cents per gallon, averaged over all the States, and the Federal tax is 1 cent more.

Senator GORE. Ranging from what to what?

Mr. Dow. Ranging from 2 cents to 7 cents as a State tax, and then a number of States have county and city taxes. I think the peak is Mobile, Ala., which is 11 cents.

Senator GORE. Would you think well of a proposition—it might be novel to you—to provide that none of this \$400,000,000 shall be given to any State that levies a tax on gasoline in excess of 4 cents a gallon? If they want to levy additional taxes, let them go ahead and do it, but there is no reason why the United States should invade that field of taxation, should make the gasoline industry pay this tax, and then give it back to the States.

Mr. Dow. I should prefer to have that figure set at 3 cents. I feel that 3 cents is about all of the tax that can be fully collected.

Senator GORE. Where do you figure the point of diminishing returns?

Mr. Dow. Well, the point of diminishing returns has been reached in those States which have a tax of 4 cents or more, certainly. Perhaps somewhat under that. We have an interesting table on that point, showing the decrease in consumption in these heavily taxed

States. But our practical difficulty with this situation comes to this, and I don't believe that the public, and perhaps even the members of this committee, fully appreciate it:

We have here, as I have said, a tax, wholesale, of at least 150 percent, and in some areas 240 percent, and retail at least 48 percent, and in some territories more than that. Now, it is simply impossible, as a practical matter, Senator, to pass all of that on to the public. We would like to do it. We are spending hundreds of thousands of dollars helping those States to collect their own taxes. If you can't pass it all on, then somebody, as this committee on double taxation found, somebody has a means of wrecking your price structure.

Senator GORE. Will you state again where you think the point of diminishing returns is, where your law begins to operate, at what price?

Mr. Dow. Well, of course, one must be frank about that.

Senator GORE. It would be an approximation, I know.

Mr. Dow. The question of the purchasing power of the public depends on the whole economic situation. It cannot be related to a single tax or single expense of any consumer. That is of course true, but the experience thus far, and our table indicates that, is that those States which have gone to 4 cents or above have placed the tax at a point where the law of diminishing return sets in.

Senator GORE. If I remember Oklahoma raised less revenue with a 5-cent tax than with 4.

Mr. Dow. Your State has reduced its tax 1 cent a gallon, and I think has raised more money by doing it.

Senator GORE. Two things happen; when you reach that point either the consumer decreases his consumption of oil, or it acts as a stimulation of bootlegging.

Mr. Dow. There is no question about that.

Senator GORE. Hasn't that grown to be almost a racket in some parts of the country?

Mr. Dow. There is no question about that.

The House committee in its report on Double Taxation had this to say:

A very high rate of tax creates an incentive to evade by bootlegging or otherwise, with a resulting loss of revenue to the States and competitive hardships to reputable dealers.

The CHAIRMAN. All right, Mr. Dow; if you have a further statement there, you may put it in the record.

Mr. Dow. Thank you.

STATEMENT SUBMITTED BY FAYETTE B. DOW

My statement will be confined to one subject—the proposal contained in the House recovery act bill to place a further Federal tax of three-fourths of 1 percent per gallon on gasoline.

I appear for the following trade associations in the oil industry: American Petroleum Institute, Independent Petroleum Association of America, National Petroleum Association, Western Petroleum Refiners Association, Mid-Continent Oil & Gas Association, Pennsylvania Grade Crude Oil Association.

It is my belief that there is no one in the oil industry who is not opposed to further Federal taxation of gasoline.

A few weeks ago when this committee had under consideration a bill to extend the gasoline tax for 1 more year, I appeared before the committee and filed a statement in opposition to the extension, and that statement has been

printed in the record. I did not take any of the time of the committee on that occasion because the passage of the bill seemed to be inevitable. Since that time the situation has materially changed. A bill has been passed by the House which extends the Federal tax of 1 cent a gallon on gasoline, not only for 1 year but for 2 years, and provides in addition for a further Federal tax of three fourths of 1 cent per gallon. Under these circumstances I think I am justified in calling certain considerations directly to the attention of this committee.

It seems obvious that a bill intended for industrial recovery should be beneficial to all industry and should not place undue burden upon any one industry. The Federal tax law now in effect contains sales taxes, somewhat elegantly called "excise taxes", levied upon a few selected commodities. In the Recovery Act it is proposed to spend \$3,300,000,000, which for a time at least will manifestly be beneficial to many commodities manufactured by many industries. Yet the proposed Recovery Act, as passed by the House, singles out for taxation just one commodity, and that commodity already subject to excessive State and Federal sales taxes. A mere statement of this fact would seem to place a heavy burden of justification upon those who propose this tax. But if the burden is upon any industry to show that this tax is unjust it can clearly be demonstrated for the following reasons:

First. If a further tax on gasoline is sought to be justified by the fact that \$400,000,000 out of the \$3,300,000,000 are to be spent on roads, it should be noted at once that \$400,000,000 are only 12 percent of the entire amount which will be spent for public works of all kinds while three fourths of 1 cent a gallon will provide 42 percent of the revenue necessary from new taxes to amortize the entire fund. Congress has been asked to levy taxes which will yield \$220,000,000 a year and a gasoline tax of three fourths of 1 cent a gallon will yield \$92,000,000, 42 percent of the new annual tax burden. To put the matter in another way, the amount of new annual taxes necessary to amortize \$400,000,000 is \$26,400,000, which would be produced by a tax of one-fifth cent a gallon. If, therefore, gasoline alone is asked to amortize the entire amount to be spent on roads—a theory which I do not think can be justified because of the numerous other commodities to be benefited by road building—then a tax of three fourths of 1 cent a gallon is more than three times as great as could possibly be justified.

Second. At the present rate of 1 cent a gallon the Federal Government, for the fiscal year 1934, will collect \$135,000,000 from the gasoline tax. From other motor-vehicle taxes contained in the present law the Government will collect about \$65,000,000 more. From these sources, the Government will collect approximately \$200,000,000 which will be entirely diverted from road building. In other words, for the fiscal year 1934, the Federal Government will collect \$200,000,000 from motor-vehicle taxation without spending any of it on roads. That means that under motor-vehicle taxes already on the statute books, none of which are to be devoted to road building in 1934, the Federal Government will collect more than seven and one half times the annual amount of money necessary to amortize the entire \$400,000,000 which this bill proposes to spend on roads.

Third. As a matter of information to the committee, I call attention to the fact that the group of what may be called "motor-vehicle taxes", from the time of their inception down to date, have paid into the Federal Government, \$1,263,000,000, which exceeds by \$73,000,000 the entire amount of money that the Federal Government has paid in Federal aid to roads from the inception of Federal aid to the present time. So that as of this date, the motor vehicle has paid the entire Federal aid account and has a substantial balance to its credit.

Fourth. When the extension of the Federal gasoline tax for another year was recently proposed in the House of Representatives, Mr. Ragon, a member of the Ways and Means Committee, made the following statement:

"The facts are we are forced to continue this gasoline tax for another year. It brings in about \$138,000,000. I am one who would like to see this tax removed as soon as we can. In the first place, I think it invades a field of taxation that has been preempted by the States, and, in the second place, I think we should, as soon as we can, make a sharp line of demarcation between the two fields of taxation, the one in which the Federal Government should have priority and the one in which the States should have priority; but it is necessary to continue this tax."

Fifth. May I call your attention to this fact, that in 1930, before the Federal Government entered the field of gasoline taxation, the motor vehicle was paying, in gasoline taxes, license fees, and property taxes, more than \$1,000,000,000 per year to the States. In that year the total State revenue receipts were \$2,243,110,000. In other words, the motor vehicle was paying 37.9 percent of the total State revenue receipts. That statement is abundant justification for Mr. Ragon's statement that any Federal gasoline tax "invades a field of taxation that has been preempted by the States."

In illustration of the very great proportion of total State revenues which in 1930 were provided by the gasoline taxes, license fees, and motor-vehicle property taxes I show in the following table those States which are represented on the Finance Committee of the Senate:

PERCENTAGE OF TOTAL STATE REVENUES DERIVED IN 1930 FROM MOTOR-VEHICLE TAXES
(GASOLINE, LICENSE FEES, AND PROPERTY)

	Percent		Percent
Utah.....	22.2	Virginia.....	40.5
Georgia.....	50.3	Connecticut.....	32.9
Massachusetts.....	25.5	Pennsylvania.....	39.5
Kentucky.....	37.9	Michigan.....	39.0
Texas.....	39.0	New Hampshire.....	43.2
Oklahoma.....	47.2	Wisconsin.....	35.0
Colorado.....	39.3	Rhode Island.....	28.5
North Carolina.....	41.5	Delaware.....	13.7
Missouri.....	37.0	Mississippi.....	58.4
California.....	38.9		

It therefore clearly appears that upon the taxation of a special group of commodities the States were relying in 1930 for a very substantial proportion of their total revenues. In some instances gasoline taxes have been increased since 1930. In 1932 a Federal tax of 1 cent a gallon was superimposed, and it is now proposed to add three fourths of 1 cent a gallon more.

Sixth. The average State tax on gasoline in 50 representative cities on April 1, 1933, was approximately 4.15 cents per gallon. With a Federal tax of 1 cent added, the average tax is 5.15 cents. As my memorandum shows in detail, the average State tax is now 196 percent of the wholesale price of gasoline in Oklahoma and east Texas, and with the Federal tax added the total average is 240 percent of the wholesale price. If the average Gulf coast and East coast prices are taken as a basis, the average State tax is 109 percent of this price, and the combined State and Federal tax is 135 percent. On the basis of retail prices, the present taxes increase the cost of gasoline to the consumer, on the average, by no less than 48 percent. The committee on double taxation of the House found that "the combined Federal, State, and local levies upon gasoline increase the sales price to the consumer from 30 percent to more than 100 percent, depending upon the State involved."

Seventh. One of the petroleum industry's most destructive burdens is the excessive taxation of its products. The present taxation is so large that—

(a) It is resulting in reduced consumption. The committee on double taxation of the House found that gasoline taxes have reached the point of diminishing returns. The memorandum which I have filed with the committee shows in detail how the largest declines in gasoline consumption have been in those States which have the largest gasoline taxes.

(b) It is destroying market prices through tax evasion. Manifestly, it is impossible to levy sales taxes of more than 100 percent without bringing about tax evasion. The Committee on Double Taxation of the House found that—

"A very high rate of tax creates an incentive to evade by bootlegging or otherwise, with a resulting loss of revenue to the States and competitive hardships to reputable distributors and dealers."

(c) It is resulting in diversion of gasoline taxes from road building and maintenance, their original and only sound purpose, to other uses. It is estimated that some \$200,000,000 of gasoline State tax income was diverted from roads in 1932 and road work thereby curtailed. Unfortunately, much of this diverted money goes into channels which do not offer the numerous opportunities for employment assured by road work.

Eighth. The petroleum industry has an investment of more than \$12,000,000,000 the second largest industry in the United States, and is operating at a

very serious financial loss. Ten companies which have reported for the first quarter of this year show a loss of \$14,405,000. It is the informed opinion of petroleum company executives that the present rate of excessive gasoline taxation plays a substantial part in making it difficult, if not impossible, for the industry to operate at a profit. No code of trade practices and no agreement, under this bill, can cure that particular cause of unprofitable operations. Only the States and the Federal Government, which have asserted their power of taxation, can offer that necessary relief.

Ninth. The present tax of 1 cent a gallon on gasoline was originally rejected by the Ways and Means Committee of the House and by the Finance Committee of the Senate. It was adopted by the Finance Committee only after the bill had been reported to the Senate and the Secretary of the Treasury had appeared before the committee with a revised estimate of revenue needs. The beer tax was not then available. There is no doubt that the gasoline tax as a Federal tax was adopted reluctantly and with the genuine intention that it would be collected for only 1 year. This committee has voted to extend it for 1 more year, and in its report to the Senate dated May 10, 1933, the committee said:

"It is estimated that this extension will increase the revenue by approximately \$135,000,000. Your committee is of the opinion that the gasoline tax should be reserved for the States after June 30, 1934."

The House of Representatives has now voted to extend the Federal gasoline tax for 2 years. On top of that, a further Federal gasoline tax of three fourths of 1 cent is proposed. No one can question that the field of gasoline taxation was fully occupied by the States before the Federal Government entered that field. There can be no doubt that gasoline is overtaxed by the States and that by reason of loss in consumption and tax evasion this excessive taxation has placed a very great marketing burden upon the oil industry. This was true when the Federal Government imposed the present Federal gasoline tax. In that situation we are presented with a bill which proposes to spend \$3,300,000,000 for public works. No such sum of money can be spent without creating a new demand for many commodities, the sales of many of which are wholly untaxed. And yet the bill proposes to tax only one commodity and selects a commodity which both the State and Federal Governments are taxing to excess. This is clearly discriminatory. It is unjust and it is unwise. Despite the pressure for early adjournment of this special session, I hope this committee will take the time to write a bill which will bring about a fairer distribution of the tax burden. Unquestionably the people of this country are facing very heavy taxation in the coming years. This burden will be borne, but it will not be borne without constant protest unless the burden is fairly distributed. In the case of heavy taxation, fair distribution is a more important factor than the measure of the tax.

Tenth. The oil industry has never opposed a moderate level of State gasoline taxes if the proceeds are devoted wholly to road building and maintenance. It has opposed any Federal tax on gasoline for reasons which have been already stated to this committee at previous hearings. In view of the reemployment purposes to which the National Industrial Recovery Act is dedicated, we favor a general manufacturers' sales tax, with limited exemptions for food, clothing, and medicines, to assure the desired revenue. We believe that such a tax, widely distributed over American manufactured products, would not injure any consumer when the beneficial results of increased employment are taken into account. We do not believe that the present practice of placing a heavy burden of sales taxes upon a few selected commodities is a sound or fair method of distributing the burden of taxation.

Analysis of the tax section of the so-called "Industrial recovery bill" providing for an additional Federal gasoline tax of three fourths of a cent per gallon reveals that:

By Congress' own estimates, motorists would pay 42 percent of the entire cost of the bill, or \$92,000,000 annually.

Only 12 percent, or \$400,000,000 of the \$3,300,000,000 planned appropriations would be used for highways.

A tax of one fifth of a cent would be sufficient to finance road appropriations. In 15 years, the amortization period, the Federal Government would take \$1,380,000,000 from motorists.

Citizens of virtually every State would pay gasoline tax revenues far exceeding their State's share of the road appropriations.

Based upon 1932, net gasoline gallonage taxed by the States, and which is smaller, because of exemptions than the gallonage taxed by the Federal Government, this tax would cost consumers \$106,876,300 yearly instead of the estimated \$92,000,000. This is more than 50 percent of the entire cost.

On the same basis, in 15 years motorists would pay \$1,603,144,500 instead of the estimated \$1,380,000,000.

Farmers consume 25 percent of all motor fuel and in paying one fourth of the tax bill would be financing all roads built under the industrial recovery bill.

Total Federal gasoline taxes of 1 1/4 cents per gallon—the present 1 cent Federal tax, being continued—would amount annually to \$249,378,000. Since State gasoline taxes now exceed \$500,000,000, the National gasoline tax bill would exceed \$750,000,000 annually.

The weighted average of State and Federal gasoline taxes, including this additional levy, would be 5.3 cents per gallon. This represents a sales tax of 48.18 percent upon the average retail price of gasoline, 11 cents, and of 132.5 percent upon the average wholesale price, 4 cents.

The attached table shows the cost of this proposed new tax to the motorist, the menace of State tax revenues involved, and the amount of highway expenditures per State as compared with the amount of tax revenue collected by the Federal Government.

This plan of financing can mean only the perpetuation of Federal taxation of gasoline, increased tax burdens upon a commodity already showing declines in consumption sufficient to make gasoline tax revenues uncertain, and Federal invasion of State tax fields to a dangerous extent. It should be defeated.

Gasoline prices, 1919-24, average 50 representative cities in the United States

[First of month, in cents per gallon]

Year and month	Tank wagon (excluding tax)	Service station (excluding tax)	State gasoline tax	Service station (including tax)	Year and month	Tank wagon (excluding tax)	Service station (excluding tax)	State gasoline tax	Service station (including tax)
1919					1922				
January.....	0.2424	0.2543	-----	0.2543	January.....	0.2286	0.2493	0.0032	0.2525
February.....	.2426	.2545	-----	.2545	February.....	.2219	.2425	.0032	.2457
March.....	.2422	.2541	0.0002	.2543	March.....	.2181	.2391	.0036	.2427
April.....	.2417	.2538	.0006	.2544	April.....	.2174	.2398	.0038	.2436
May.....	.2417	.2538	.0008	.2546	May.....	.2300	.2519	.0038	.2557
June.....	.2426	.2547	.0008	.2555	June.....	.2447	.2668	.0040	.2708
July.....	.2442	.2563	.0008	.2571	July.....	.2493	.2713	.0040	.2753
August.....	.2414	.2555	.0008	.2563	August.....	.2411	.2630	.0040	.2670
September.....	.2385	.2532	.0008	.2540	September.....	.2290	.2514	.0040	.2254
October.....	.2385	.2532	.0008	.2540	October.....	.2288	.2514	.0040	.2254
November.....	.2386	.2530	.0008	.2538	November.....	.2074	.2301	.0040	.2341
December.....	.2384	.2531	.0008	.2539	December.....	.1992	.2219	.0040	.2259
1920					1923				
January.....	.2377	.2531	.0008	.2539	January.....	.1948	.2177	.0040	.2217
February.....	.2517	.2671	.0008	.2679	February.....	.1965	.2192	.0040	.2232
March.....	.2508	.2727	.0008	.2735	March.....	.2159	.2392	.0040	.2432
April.....	.2769	.2931	.0008	.2939	April.....	.2176	.2409	.0079	.2488
May.....	.2789	.2933	.0008	.2961	May.....	.2096	.2333	.0081	.2414
June.....	.2867	.3037	.0008	.3045	June.....	.2012	.2250	.0087	.2337
July.....	.2895	.3067	.0010	.3077	July.....	.2003	.2236	.0107	.2343
August.....	.2909	.3081	.0010	.3091	August.....	.1933	.2179	.0119	.2298
September.....	.2983	.3155	.0010	.3165	September.....	.1641	.1916	.0119	.2035
October.....	.3017	.3189	.0010	.3199	October.....	.1681	.1834	.0123	.1957
November.....	.3005	.3190	.0010	.3200	November.....	.1486	.1717	.0127	.1844
December.....	.2968	.3151	.0010	.3161	December.....	.1366	.1641	.0127	.1768
1921					1924				
January.....	.2959	.3143	.0010	.3153	January.....	.1452	.1709	.0137	.1846
February.....	.2874	.3061	.0010	.3071	February.....	.1783	.2035	.0137	.2172
March.....	.2640	.2825	.0014	.2839	March.....	.1908	.2160	.0138	.2298
April.....	.2549	.2755	.0016	.2771	April.....	.1895	.2155	.0141	.2296
May.....	.2507	.2711	.0016	.2727	May.....	.1895	.2158	.0141	.2299
June.....	.2367	.2570	.0016	.2586	June.....	.1878	.2146	.0149	.2294
July.....	.2393	.2597	.0022	.2619	July.....	.1795	.2071	.0163	.2224
August.....	.2133	.2345	.0022	.2367	August.....	.1685	.1954	.0155	.2109
September.....	.2095	.2305	.0028	.2333	September.....	.1638	.1908	.0165	.2063
October.....	.2065	.2273	.0028	.2301	October.....	.1623	.1780	.0155	.1935
November.....	.2191	.2399	.0028	.2427	November.....	.1384	.1638	.0155	.1793
December.....	.2340	.2545	.0028	.2573	December.....	.1394	.1648	.0155	.1803

Gasoline prices, 1919-21, average 50 representative cities in the United States—
Continued

[First of month, in cents per gallon]

Year and month	Tank wagon (excluding tax)	Service station (excluding tax)	State gasoline tax	Service station (including tax)	Year and month	Tank wagon (excluding tax)	Service station (excluding tax)	State gasoline tax	Service station (including tax)
1925					1928				
January.....	0.1399	0.1653	0.0161	0.1814	January.....	0.1468	0.1680	0.0307	0.1987
February.....	.1687	.1950	.0165	.2115	February.....	.1489	.1674	.0307	.1981
March.....	.1910	.2174	.0173	.2347	March.....	.1501	.1710	.0303	.2013
April.....	.1878	.2140	.0203	.2343	April.....	.1515	.1759	.0304	.2054
May.....	.1835	.2099	.0219	.2318	May.....	.1543	.1788	.0304	.2092
June.....	.1903	.2165	.0221	.2386	June.....	.1550	.1784	.0304	.2088
July.....	.1932	.2193	.0228	.2421	July.....	.1564	.1791	.0304	.2095
August.....	.1946	.2207	.0232	.2439	August.....	.1608	.1846	.0304	.2150
September.....	.1701	.1976	.0233	.2209	September.....	.1642	.1878	.0302	.2189
October.....	.1597	.1858	.0233	.2091	October.....	.1642	.1878	.0302	.2189
November.....	.1580	.1848	.0233	.2081	November.....	.1637	.1874	.0302	.2176
December.....	.1579	.1848	.0233	.2081	December.....	.1596	.1832	.0304	.2136
1926					1929				
January.....	.1629	.1898	.0233	.2131	January.....	.1694	.1826	.0308	.2134
February.....	.1626	.1896	.0233	.2129	February.....	.1490	.1738	.0312	.2050
March.....	.1731	.1994	.0237	.2231	March.....	.1490	.1738	.0316	.2054
April.....	.1768	.2031	.0242	.2273	April.....	.1496	.1744	.0336	.2060
May.....	.1838	.2103	.0242	.2345	May.....	.1498	.1752	.0350	.2102
June.....	.1978	.2231	.0242	.2473	June.....	.1588	.1838	.0350	.2188
July.....	.1982	.2235	.0242	.2477	July.....	.1606	.1852	.0360	.2212
August.....	.1982	.2232	.0244	.2476	August.....	.1694	.1834	.0370	.2204
September.....	.1978	.2229	.0244	.2473	September.....	.1584	.1832	.0374	.2206
October.....	.1947	.2189	.0244	.2433	October.....	.1600	.1832	.0374	.2186
November.....	.1849	.2089	.0244	.2333	November.....	.1586	.1788	.0374	.2162
December.....	.1791	.2041	.0244	.2285	December.....	.1562	.1754	.0374	.2128
1927					1930				
January.....	.1779	.2029	.0246	.2275	January.....	.1554	.1732	.0376	.2108
February.....	.1787	.2037	.0250	.2287	February.....	.1524	.1684	.0370	.2060
March.....	.1736	.1997	.0253	.2250	March.....	.1440	.1614	.0380	.1994
April.....	.1626	.1893	.0266	.2159	April.....	.1408	.1574	.0380	.1954
May.....	.1539	.1798	.0271	.2069	May.....	.1508	.1678	.0380	.2056
June.....	.1508	.1771	.0279	.2050	June.....	.1502	.1678	.0380	.2058
July.....	.1521	.1779	.0290	.2069	July.....	.1463	.1637	.0378	.2015
August.....	.1627	.1795	.0298	.2083	August.....	.1485	.1655	.0378	.2033
September.....	.1507	.1751	.0300	.2051	September.....	.1452	.1620	.0378	.1998
October.....	.1489	.1718	.0303	.2021	October.....	.1374	.1542	.0378	.1920
November.....	.1485	.1699	.0305	.2004	November.....	.1347	.1512	.0378	.1890
December.....	.1468	.1684	.0305	.1989	December.....	.1325	.1475	.0382	.1850
1931					1931				
January.....	.1292	.1448	.0382	.1680	January.....	.1292	.1448	.0382	.1680

Gasoline prices 1931-33—average 50 representative cities in the United States

[First of month in cents per gallon]

Year and month	Tank wagon (excluding tax)	Service station (excluding tax)	Tax (State and Federal)	Service station (plus tax)	Year and month	Tank wagon (excluding tax)	Service station (excluding tax)	Tax (State and Federal)	Service station (plus tax)
1931					1932—continued				
January.....	0.1292	0.1448	0.0382	0.1680	April.....	0.1240	0.1317	0.0413	0.1730
February.....	.1331	.1479	.0384	.1683	May.....	.1304	.1384	.0413	.1797
March.....	.1292	.1446	.0386	.1632	June.....	.1302	.1379	.0414	.1793
April.....	.1179	.1329	.0398	.1527	July.....	.1349	.1436	.0514	.1950
May.....	.1155	.1281	.0400	.1681	August.....	.1317	.1399	.0514	.1913
June.....	.1119	.1251	.0401	.1652	September.....	.1281	.1366	.0514	.1882
July.....	.1121	.1244	.0405	.1649	October.....	.1147	.1234	.0514	.1748
August.....	.1100	.1201	.0409	.1610	November.....	.1212	.1300	.0514	.1814
September.....	.1169	.1197	.0409	.1606	December.....	.1200	.1287	.0516	.1808
October.....	.1143	.1231	.0409	.1640	1933				
November.....	.1132	.1213	.0408	.1621	January.....	.1161	.1248	.0516	.1764
December.....	.1192	.1281	.0408	.1689	February.....	.1082	.1141	.0515	.1656
1932					March.....	.1038	.1125	.0515	.1640
January.....	.1189	.1279	.0408	.1687	April.....	.1019	.1092	.0515	.1607
February.....	.1197	.1293	.0406	.1701	May.....	.1028	.1101	.0515	.1616
March.....	.1203	.1288	.0413	.1701					

LIST OF 50 REPRESENTATIVE CITIES

Atlanta, Ga.; Albuquerque, N.Mex.; Baltimore, Md.; Birmingham, Ala.; Boise, Idaho; Boston, Mass.; Buffalo, N.Y.; Burlington, Vt.; Butte, Mont.; Casper, Wyo.; Charleston, S.C.; Charleston, W.Va.; Charlotte, N.C.; Chicago, Ill.; Denver, Colo.; Des Moines, Iowa; Detroit, Mich.; Dover, Del.; Fargo, N.Dak.; Hartford, Conn.; Houston, Tex.; Huron, S.Dak.; Jacksonville, Fla.; Lexington, Ky.; Little Rock, Ark.; Manchester, N.H.; Memphis, Tenn.; Milwaukee, Wis.; Newark, N.J.; New Orleans, La.; New York, N.Y.; Norfolk, Va.; Omaha, Nebr.; Philadelphia, Pa.; Phoenix, Ariz.; Portland, Me.; Portland, Oreg.; Providence, R.I.; Reno, Nev.; Salt Lake City, Utah; San Francisco, Calif.; South Bend, Ind.; Spokane, Wash.; St. Louis, Mo.; Tulsa, Okla.; Twin Cities, Minn.; Vicksburg, Miss.; Washington, D.C.; Wichita, Kans.; Youngstown, Ohio.

WHOLESALE COMMODITY PRICES FOR MARCH

The Department of Labor has just released its indices of Wholesale Prices of Commodities, for the month of March 1932, February 1933, and March 1933. The figures for the principal groups are as follows:

	Index numbers (1926=100)		
	March 1932	February 1933	March 1933
All commodities.....	66.0	59.8	60.2
Farm products.....	50.2	40.9	42.8
Foods.....	62.3	53.7	54.6
Hides and leather products.....	77.3	68.0	68.1
Textile products.....	88.0	81.2	81.3
Fuel and lighting.....	67.9	63.6	62.9
Metals and metal products.....	80.8	77.4	77.2
Building materials.....	73.2	69.8	70.3
Chemicals and drugs.....	75.3	71.3	71.2
House-furnishing goods.....	77.1	72.3	72.2
Miscellaneous.....	64.7	59.2	58.0
Petroleum products.....	39.8	34.3	33.1

The same report also includes a "breakdown" of petroleum products into the following items:

Petroleum products	Average wholesale price			Index numbers (1926=100)		
	March 1932	February 1933	March 1933	March 1932	February 1933	March 1933
Fuel oil, refinery:						
Oklahoma, per barrel.....	0.350	0.425	0.363	27.0	32.8	28.9
Pennsylvania, per gallon.....	.029	.033	.033	44.9	51.6	50.7
Gasoline, per gallon, refinery:						
Natural, Oklahoma.....	.017	.020	.017	18.9	22.7	18.9
California.....	.047	.044	.042	41.4	39.2	37.0
North Texas.....	.040	.026	.026	39.0	25.0	25.3
Oklahoma.....	.041	.026	.026	39.2	24.7	24.7
Pennsylvania.....	.043	.040	.045	33.5	36.3	35.2
Kerosene, refined, per gallon:						
Standard, New York.....	.055	.055	.055	64.1	64.1	64.1
Water white, refinery.....	.044	.048	.048	42.1	45.7	45.7
Petroleum, crude, per barrel, well:						
California.....	.650	.600	.623	59.6	63.2	57.0
Kansas-Oklahoma.....	.710	.380	.380	37.7	20.2	20.2
Pennsylvania.....	1.788	1.390	1.420	51.1	39.7	40.6

Cost tabulation of State and Federal gasoline taxes

(Based upon 1932 gasoline gallonage)

State	1932 total State and Federal gasoline tax (in cents)	State and Federal tax with % cent added	Gallonage taxed by States in 1932	Net revenue collected by States in 1932	Estimated additional cost per year to motorists, by States, of ½-cent additional tax (based on 1932 taxed gallonage)	Estimated total cost per year to motorists, by States, of Federal gasoline taxes (1½ cents) (based on 1932 taxed gallonage)	Estimated total cost of additional ½-cent tax over 15-year amortization period (based on 1932 taxed gallonage)	Share of \$400,000,000 highway appropriation allocated to each State under industrial recovery bill as amended in House	Amount of excess gasoline taxes paid by motorists, by States, over and above amount received for roads
Ala.....	7	7½	136,421,614	\$7,000,502	\$1,028,000	\$2,387,000	\$15,345,000	\$8,553,020	\$6,792,000
Ariz.....	6	6½	58,004,441	2,900,221	335,000	915,000	6,525,000	4,757,044	1,768,000
Ark.....	7	7½	86,082,940	5,164,976	645,000	1,506,000	9,684,000	6,764,888	2,920,000
Calif.....	4	4½	1,204,295,149	36,128,854	9,032,000	21,075,000	135,483,000	16,296,548	119,187,000
Colo.....	5	5½	136,730,489	5,469,220	1,025,000	2,302,000	17,182,000	6,401,000	10,691,000
Conn.....	3	3½	234,229,379	4,684,588	1,756,000	4,099,000	26,350,000	3,257,100	23,093,000
Del.....	4	4½	35,338,331	1,090,150	272,000	636,000	4,068,000	1,694,348	2,394,000
Fla.....	7	7½	207,268,239	14,508,777	1,554,000	3,627,000	23,317,000	5,268,892	18,059,000
Ga.....	8	8½	198,980,184	11,938,809	1,492,000	3,482,000	22,386,000	10,179,504	12,206,000
Idaho.....	6	6½	45,554,550	2,277,727	341,000	797,000	5,124,000	4,127,608	997,000
Ill.....	4	4½	968,468,366	28,754,051	7,188,000	16,773,000	107,827,000	18,928,272	88,899,000
Ind.....	5	5½	418,489,040	16,739,661	3,138,000	7,323,000	47,080,000	10,287,752	36,793,000
Iowa.....	4	4½	299,004,568	8,970,137	2,242,000	5,232,000	33,638,000	9,943,280	23,695,000
Kans.....	4	4½	247,349,862	7,420,496	1,854,000	4,328,000	27,822,000	9,666,168	18,156,000
Ky.....	6	6½	164,057,785	8,202,889	1,230,000	2,871,000	18,456,000	7,793,228	10,663,000
La.....	6	6½	165,014,436	8,300,722	1,245,000	3,905,000	18,076,000	6,077,296	12,599,000
Maine.....	5	5½	105,167,540	4,206,702	791,000	1,843,000	11,876,000	3,317,824	8,559,000
Md.....	5	5½	187,505,794	7,500,232	1,406,000	3,281,000	21,094,000	3,874,084	17,220,000
Mass.....	4	4½	550,642,607	16,519,278	4,129,000	9,636,000	61,947,000	7,756,176	54,191,000
Mich.....	4	4½	681,044,293	20,431,328	5,107,000	11,918,000	76,617,000	13,397,140	63,220,000
Minn.....	4	4½	333,351,913	10,000,557	2,500,000	5,883,000	37,502,000	10,511,748	26,991,000
Miss.....	7	7½	96,732,445	5,650,161	725,000	1,692,000	10,882,000	7,038,988	3,844,000
Mo.....	3	3½	447,484,670	8,949,693	3,356,000	7,830,000	50,342,000	12,342,600	38,000,000
Mont.....	6	6½	53,803,120	2,690,156	403,000	941,000	6,052,000	6,780,950	+ 698,000
Nebr.....	5	5½	195,236,623	7,809,465	1,464,000	3,416,000	21,964,000	7,485,364	14,479,000
Nev.....	5	5½	18,177,920	727,117	126,000	308,000	1,895,000	4,013,628	+ 2,118,000
N.H.....	5	5½	65,971,040	2,638,841	494,000	1,154,000	7,421,000	1,879,348	5,542,000
N.J.....	4	4½	553,914,175	16,617,425	4,154,000	9,693,000	62,315,000	7,439,168	54,876,000
N.Mex.....	6	6½	43,845,055	2,192,263	328,000	767,000	4,932,000	5,258,804	+ 326,000
N.Y.....	4	4½	1,485,127,929	42,473,687	11,138,000	25,969,000	167,076,000	25,410,956	141,666,000
N.C.....	7	7½	231,727,434	13,903,646	1,737,000	4,055,000	26,069,000	9,805,368	16,264,000
N.Dak.....	4	4½	61,190,396	1,835,712	458,000	1,070,000	6,883,000	5,389,838	1,494,000
Ohio.....	5	5½	856,729,484	34,269,179	6,425,000	14,992,000	97,362,000	16,944,898	80,718,000
Okla.....	5	5½	241,527,434	9,601,097	1,811,000	4,226,000	27,171,000	9,175,264	17,996,000
Oreg.....	5	5½	140,060,134	5,591,175	1,050,000	1,451,000	15,757,000	5,781,956	9,976,000
Pa.....	4	4½	1,009,663,827	30,289,915	7,572,000	17,660,000	113,587,000	21,019,944	92,568,000
R.I.....	3	3½	92,701,236	1,864,025	695,000	1,622,000	10,428,000	2,060,508	8,368,000
S.C.....	7	7½	103,748,781	6,224,927	778,000	1,815,000	11,771,000	5,684,476	6,187,000
S.D.....	5	5½	74,083,694	2,963,348	555,000	1,296,000	8,334,000	5,576,304	2,758,000
Tenn.....	8	8½	174,076,575	12,185,360	1,305,000	3,046,000	19,583,000	8,646,136	10,937,000
Tex.....	5	5½	676,593,941	27,063,758	5,074,000	11,840,000	76,116,000	23,910,352	52,206,000
Utah.....	5	5½	54,297,788	2,171,912	407,000	950,000	6,108,000	3,902,368	2,206,000
Vt.....	5	5½	46,866,212	1,874,648	351,000	820,000	5,372,000	1,793,184	3,579,000
Va.....	6	6½	216,191,996	10,809,000	1,021,000	3,783,000	24,321,000	7,614,940	16,707,000
Wash.....	6	6½	220,930,195	11,046,510	1,656,000	3,866,000	24,864,000	6,075,788	18,779,000
W.Va.....	5	5½	123,644,775	4,941,791	926,000	2,162,000	13,898,000	4,719,576	9,179,000
Wis.....	5	5½	373,710,495	14,948,420	2,802,000	6,539,000	42,042,000	0,873,816	32,169,000
Wyo.....	5	5½	35,453,612	1,418,145	265,000	620,000	3,988,000	4,037,800	+ 49,000
D.C.....	3	3½	101,774,858	2,035,497	763,000	1,781,000	11,449,000	None	11,449,000
Hawaii.....								1,800,300	
Weighted average.....	4.6	5.3							
Total.....			14,250,173,206	513,047,239	106,876,000	249,378,000	1,603,144,000	400,000,000	

1 Additional county or city taxes, or both, in these States.
 2 Road appropriation exceeds taxes paid.

STATEMENT OF HUBERT B. FULLER, REPRESENTING THE PETROLEUM MARKETERS' ASSOCIATION, AND PETROLEUM INDUSTRY COMMITTEE OF OHIO

Mr. FULLER. Mr. Chairman, Mr. Dow has made such a complete statement in his remarks and has answered the questions so well, that I shall not trespass upon your courtesy or good nature by repeating. I do wish however to present the situation and the facts as they are in the State of Ohio.

We have in Ohio a tax of 4 cents a gallon on gasoline and have had that tax since 1929. With the increase, our tax, including the Federal tax, is 5 cents. With the increase here proposed, we would have a combined tax, State and Federal, of 5.75 cents per gallon. In 1932, the total taxable gallonage in Ohio was 856,729,484 gallons.

Senator GORE. In 1932?

Mr. FULLER. Yes, Senator. We collected in the State of Ohio as net, on the 4-cent tax, the sum of \$34,269,179, and by net I mean that there is deducted in Ohio or refunded in the State of Ohio to farmers or those industries who use gasoline for nonhighway purposes the amount of tax that they may pay. It is estimated that it would cost the State of Ohio, this three-quarters of a cent a gallon, approximately \$6,500,000 a year, or \$6,425,471. The estimated total cost of the Federal tax of 1 $\frac{3}{4}$ cents a gallon is \$14,992,765.

I desire to call the committee's attention to the fact that in 1932 there was decline in consumption of gasoline in the State of Ohio of 128,000,000 gallons, and the significant thing about that, gentlemen, is that of that decline 113,000,000 occurred after the imposition of the Federal 1-cent tax on gasoline in June of 1932. In other words, out of the total decline in 1932 as compared with 1931, of 128,000,000 gallons, about 115,000,000 occurred after the levy of the additional tax by the Federal Government which raised the total tax in Ohio from 4 cents to 5 cents.

Senator GORE. Eighty percent of the loss occurred in about half the year?

Mr. FULLER. Yes, Senator.

Now, it is estimated that the total cost of this additional three quarters of a cent per gallon to the State of Ohio over the 15-year amortization period proposed in this law would be \$97,362,065. The State of Ohio would receive from the \$400,000,000 highway appropriation as allocated to the States by this industrial recovery bill upon the basis outlined therein \$16,644,388. Therefore, the amount paid by motorists of the State of Ohio under this bill on this tax of three quarters of a cent per gallon over the amortization period of 15 years would exceed the amount which the State of Ohio would receive under the bill by \$80,718,000.

Senator GORE. Fivefold?

Mr. FULLER. Yes, sir.

Senator GORE. Well, that's economy.

Mr. FULLER. Now, gentlemen of the committee, I apologize to any committee to whom I present so many figures.

The CHAIRMAN. Have you a statement there you would like to put in?

Senator GORE. Are you in imperative need of this \$16,000,000 for highway construction in the State of Ohio?

Mr. FULLER. In the State of Ohio?

Senator GORE. Of course you could use it, but the State has not seen fit to do it, on its own account, out of its own treasury?

Mr. FULLER. The State of Ohio is today distributing very considerable quantities of the gasoline tax fund to poor relief, permitting the local district to divert from the maintenance fund, and diverting it from the State highway construction fund, direct to poor relief.

The CHAIRMAN. Senator Butler.

STATEMENT OF HON. MARION BUTLER

Mr. BUTLER. Mr. Chairman, I have asked for 10 minutes, and to save the committee's time and to get completely in the record what I want to present I have prepared a statement which covers 10 minutes.

The CHAIRMAN. That may be put in the record.

Mr. BUTLER. But I understand you are crowded for time, so that 5 minutes is allotted to me.

The CHAIRMAN. Yes.

Mr. BUTLER. Then with your permission I would like to make a brief outline statement of what I want to say and put the remainder in the record.

The CHAIRMAN. Very well.

Mr. BUTLER. I, as one citizen of the United States, was very much impressed with the purposes of this bill, and I think, along with the American people, hopeful of the greatest beneficent results from it.

The bill has been criticized as having language too general and not specific. Of course, the first part of the bill states the purposes broadly. Everybody understands that. Now, I don't think the criticism of the generality of the execution part of the bill is justified. The only criticism I would make is to make it broader, if possible. The President is given unlimited power almost. That has been criticized. I don't think in this emergency it should be criticized, because such emergency calls, with Congress leaving in a few days, for unlimited discretion.

My criticism is that it limits his discretion and limits the fund. You limit the President to \$3,300,000,000. If the situation calls for a greater use of the Government's credit, then is it wise for Congress to adjourn and leave the President with this Herculean task, with that limitation? It may mean only partial success, while the President, with a nonlimited, or certainly an amount of 5 billion, as suggested by Mr. Green, the president of the greatest labor organization in the world, it seems to me would be in a better position to achieve the desired result.

That is one amendment that I suggest. Another is that the President should not be limited to the kinds of businesses which should be helped. I think the limitation here is too strict, "to public business and for public purposes." I know of hundreds of businesses today struggling, that employ labor, buy a great deal of material, and they are the backbone of the business of their towns. They are

going concerns, prosperous before the depressions and now struggling. Some have gone into bankruptcy. Should those businesses not be saved in a live, growing town, where it is one of the agencies for employing the greatest amount of labor, using the greatest amount of raw material, and keeping money in circulation?

There are in my State at least a hundred such businesses today. There are at least 10,000 in the United States that would employ labor at home, make a market in each city, in each State, be a taxpayer. It will be a self-liquidating thing that helps to vitalize the business of every community, and I think we should make it just this much broader, that, if in the President's discretion there is a group of brains and labor in a town where a new business could be started, that they are specially qualified and trained for, that if that is self-liquidating in character, and can offer good security, that some of this money should be allowed to vitalize the brains and labor that is today idle and anxious to go to work, and be a wealth producer, an employer of labor, which would stimulate business, pay taxes to the Government, pay it to everybody and help everybody.

Now, gentlemen, isn't that more important than building a public building? Some public buildings have been built in my State that were not needed, and I suppose in every State in the Union; \$180,000 is now being spent in one town in my State where a \$50,000 building is all it will need for the next 25 years. We are tearing down a building that cost \$40,000, which amply meets the needs of the town. Wherever we need a public building, and they are able to spend the money, and have it, it is a good thing to do, provided the interest on the investment is not greater than the rent we are paying.

The CHAIRMAN. Thank you very much, Senator. Does that cover your statement?

Mr. BUTLER. Could you give me a moment more? I want to outline what my statement covers.

The CHAIRMAN. Very well.

Mr. BUTLER. I feel that that is vital and the President should be given the discretion. I have an application for a client I want to file before the administrator that is appointed. The Reconstruction Finance Corporation has held it hasn't power to make the loan. I don't ask that this bill do anything more than leave that to the discretion of the President, let me present the case, and let them consider it, and use the money as seems best.

Then, in the matter of taxes, just a word. I am a buyer of gasoline. I am a farmer. I have a very large farm. I don't refer to the amount of gas I burn in automobiles, but what I use in trucks and cultivators, and all kinds of motor vehicles.

Senator McADOO. You have an exemption on that, haven't you, Senator, on the gasoline used for the farm? Is there not an exemption in your State?

Mr. BUTLER. Yes; but the Federal Government has no exemption.

Senator McADOO. But it doesn't take much.

Mr. BUTLER. It is a very burdensome tax on the people who are struggling to keep above water. It will be the straw that breaks the camel's back. Personally, I won't object, but it is a very oppressive tax. I will buy more gasoline if we have prosperity and produce more.

The income tax, I think, is oppressive. If it is necessary to put on this increase in income tax and gasoline to carry out the purpose of this bill, do it, but I submit there are other places where you can place a tax that is less oppressive, and on luxuries. I wish to put that tax on the radio business. That is a luxury. I have a radio and enjoy it. It is instructive, valuable, but it is a very profitable business. It is taking from the newspapers today some of their best advertising. The moving pictures are educational, they are valuable, but they are a luxury. I don't have to go to them. But there are certain things we have to do. We have to buy gasoline. We have to pay the income tax, whatever you put on here, and therefore I am suggesting these two. There are others, and in my statement I have called attention to how much the tax on these luxuries would amount to. You can raise more taxes from those two than the whole gasoline tax. I have figured this out and put it in my statement.

The extraordinary powers delegated to the President by this bill are most unusual, and indeed unprecedented in peace times, but such action by the Congress is justified by the unprecedented national emergency which is declared to exist. I take it that every good citizen, regardless of party, approves to the fullest the declared purposes of this bill for national recovery, but some good citizens have criticized the terms of that portion of the bill providing for the execution of the declared purposes, and on the ground that the language used is too general and indefinite. I feel that such criticism is unwarranted and unfounded. Indeed I feel that if any change is to be made in the bill, that some of the limitations on the President's discretion should be removed. The President and his advisers have thought out this tremendous experiment as the most effective way of lifting the Nation out of this fearful depression. The success of this most hopeful and beneficent purpose depends upon the wise execution of the same. Therefore, I submit that the President should be given a free hand, backed by full power and unlimited discretion.

The suggestions which I have to offer are made in that spirit, and with the desire to be helpful, if possible. This bill authorizes the President to use the credit of the Nation, for the purposes declared, but limits him to \$3,300,000,000; and then it prescribes with more or less definiteness how this fund shall be used. I question the wisdom of such limitations. They may prevent or at least retard complete recovery.

The Congress will adjourn within a few days, and then the President must undertake this herculean task with limited powers and restricted discretion. Therefore, I submit that Congress should not limit the sum to be used by the President to the amount named, neither should it limit the power of the President to use such fund in any way that may appear to be most desirable and efficient to accomplish the great purpose in view.

There has been doubt and difference of opinion as to the authority of the Reconstruction Finance Corporation to use funds placed at its disposal to give a helping hand to most worthy private business enterprises—enterprises which have been wisely and economically managed but which are threatened with failure on account of conditions, due entirely to this depression.

Many applications for loans from such businesses have been made to the Reconstruction Finance Corporation; some have been denied and some are now pending, but this bill provides in section 301, page 20, that the R.F.C. cannot approve any such applications after 10 days from the date upon which the administrator, to be appointed by the President under this bill, has qualified and taken office.

I was advised by the chairman of the Ways and Means Committee, when this bill was before his committee, that in his opinion its terms were broad enough to cover such cases. But, as I stated before that committee—and I must now state again—I do not find language in this bill which I think clearly covers such applications. At least the verbiage used is capable of interpretation for or against such applications.

I am attorney for a corporation in a prosperous city in my State in the matter of its income taxes. I know that it has filed one of these applications with the approval and support of the Congressman from that district. That corporation was organized to deal in real estate and to build and sell houses and also to conduct a bond and mortgage business in connection therewith. For a number of years, before the crash in 1929, that company bought a large amount of real estate and supplies and also employed much labor, both skilled and unskilled, to build homes of all kinds for the poor as well as the rich. These houses were well built, with all modern improvements and conveniences, and were sold at a small profit, and often on long time. That business was highly successful and was a great asset to that city. Its president is a man of vision and marked capacity; he was looked upon and referred to as a financial wizard. His business was not overcapitalized, and he did not squeeze large profits out of his patrons; he did not oppress those who had bought on time; in short, his business was conducted on a live-and-let-live policy and was for the public good. Every dollar traveled fast and did much good in a live and growing city. Then came the business crash of November 1929. The demand for houses suddenly stopped; those who had bought on time could not meet their payments, and hence this live and growing concern was paralyzed with large outstanding obligations, and with large and valuable assets but which assets were frozen. That company has since been struggling to live and to avoid going through bankruptcy. The only alternative was a loan from the Reconstruction Finance Corporation. Their application is still pending. It is desirable to save this business to live and function, or shall it be forced to liquidate under these most unfavorable conditions? The business capacity of this man and his organization should be saved and put to work at full speed.

If this national industrial recovery bill is to accomplish its declared purposes, it must save and revitalize every such business. There are a hundred such businesses in my State, and in every State in the Union. There are probably 10,000 such struggling businesses in our country today. A loan to each on frozen but good assets, say an average loan of \$50,000, would require only one half a billion dollars. Shall we scrap the brains, capital, and labor behind such organizations, or shall we save and use them for the public good? If this bill is to pull us out of the depression, such private businesses as in my State and in every other State in the Union must be saved and

again put to work on full time, for they are the most potential elements for national industrial recovery.

We have already through the Reconstruction Finance Corporation expended a sum nearly as large as the sum authorized by this bill, in an effort to check the depression, but without any adequate results. A year ago Congress authorized the Reconstruction Finance Corporation to make loans up to \$3,800,000,000 to stimulate business and to relieve unemployment. Up to now \$2,600,000,000 has been loaned. But what has been accomplished?

A year ago we had 11,000,000 people out of employment, while today we have even more unemployed. Indeed, it is estimated that the number of people unemployed today has reached the tremendous number of 13,000,000. There is but little evidence that business has been stimulated in an appreciable way by the expenditure of such a vast sum. I am constrained to say that if this vast sum had been used in direct loans to such business enterprises, located in every quarter of the Union; that is, if this money could have reached the broad base of our business structure, instead of having been expended to a few big businesses at the top, that the results would have been appreciably greater. That money is somewhere in hiding; it certainly has not gone into circulation, where it could and would help to increase the purchasing power of our people. We have one clear record of this large expenditure of public money; it is an added bonded debt upon the people of the United States, the principal and interest of which are fastened upon the backs of the taxpayers of the Nation. We must not repeat that lamentable mistake.

If this bill is to pull us out of this depression, the \$3,300,000,000 of national credit provided must go to the broad base of our national industrial organization, so as to stimulate business, relieve unemployment, and to put the money into circulation in every State and city in our whole country. It must not be allowed to go to a few big businesses, which are so frightfully overcapitalized and which have been so miserably managed that they can never pay dividends on their watered stock except by charging an oppressive and ruinous rate upon the millions of people who need and deserve better service at less cost.

Under present conditions, none of this money should be used to construct new post offices and other public buildings, which are not absolutely needed. Such buildings are not an asset, but a liability. But this money should be used not only to stimulate existing business, but also to vitalize the idle brains and labor everywhere, which are waiting and anxious to start needed new business, which will materially promote the general welfare.

Therefore I suggest that this bill be amended by inserting on page 12, section 202, a new subsection, as follows:

(f) Any self-liquidating project or business which will increase employment, which will reasonably produce revenue, and which shall be deemed to be primarily and essentially for the improvement of public interests and for public benefit.

This will give the President and the administrator whom he will appoint, the power to use in his discretion some of this vast sum of money for such wholesome and potential purposes. Under the terms of this amendment, he will not be required or directed to use any

part of the money for such purposes, but he is simply given the power and discretion to use all or a part of the same as he may deem most effective to restore national prosperity. If he has now such power under the terms of this bill as it stands, then it can do no harm to insert the suggested language, which is so clear that it will not require interpretation.

Next, I submit that the President should not be limited to \$3,300,000,000 in his gigantic effort to return national prosperity. Therefore I approve the suggestion made by Mr. Green, the head of the greatest labor organization in the world, before the Ways and Means Committee, that this sum be increased to at least \$5,000,000,000. If that sum is needed to pull us out of this most serious situation and to start us on the road to recovery, then it is not only wise but also essential that such a sum should be made available now and not later.

It was suggested at the hearing before the Ways and Means Committee on last Friday that if the sum was to be increased from \$3,300,000,000 to \$5,000,000,000, that then the proposed sum of \$220,000,000 necessary to finance and make effective the purposes of this bill must be increased to at least \$300,000,000, and the question was raised as to how and where the necessary extra \$80,000,000 could be raised by additional taxes.

I will suggest how this additional sum can be raised, but, before doing so, I wish to say a word about some of the taxes imposed by this bill to raise the \$220,000,000 necessary to finance this bill and to amortize the bonds to be issued.

Gasoline is already heavily taxed. There is a gasoline tax in every State, and I think in every county, and also in every town and city. These taxes in every State will amount to more than the wholesale cost of gasoline, and in some instances twice as much. Gasoline is a necessity, and we should, if possible, find some other source of revenue which is now paying a less tax and which should bear a fair part of this additional tax burden.

The increases in income taxes are very large. The man with a small salary, or who works for wages, is required by this bill to pay double what he is now paying—a 50 percent increase. But this bill, when it comes to incomes of \$1,000,000 does not provide that the tax shall be doubled but shall be increased only 3½ percent. Heavy taxes are never desirable, but such a glaring discrimination in income taxes is indefensible.

If there were no other sources from which such additional taxes could be more fairly and justly raised, then they would be justified for the emergency purposes of this bill, but there are other such sources of revenue. Therefore these tax burdens should be so distributed.

It is fundamental that additional tax burdens should not be placed on the necessities of life when there are luxuries and amusements which can bear a substantial part of the increased taxes necessary.

The chief amusements and luxuries which are now not bearing a fair share of the tax burden are the moving pictures and the radio. Therefore I suggest that the following taxes be imposed on these two businesses:

Insert under the subhead "Reemployment-relief tax", page 19, and as part of section 208, the following:

One-half cent on each foot of films (negatives and positives), upon which sound is borne or transmitted, either through transmission or by photographic prints, used for public exhibition in theaters, music halls, and all public places where admission charges are collected, provided, however, that this tax is not to apply to the 16-millimeter films used exclusively in homes, schools, and churches; 10 percent upon the gross receipts of commercial broadcasting stations, including the total amounts paid by the advertiser for the entire broadcasting program, entertainments, announcements, etc.; 10 percent upon the gross receipts, not less than 70 percent of the total box-office receipts (not including present admission taxes), of all theaters and amusement places of all kinds wherever admission is charged; \$10 a watt per annum upon the rated capacity of all broadcasting stations.

This amendment will raise \$93,500,000, which is more revenue from these two amusement luxuries than will be raised by the proposed additional tax on gasoline, which is an essential necessity.

In explanation of the amount of revenue which will be derived from these suggested taxes, I submit the following statement:

A tax of one-half cent on each foot of film upon which sound is transcribed when used for public exhibitions, as in theaters, music halls, and all public places where admission charges are collected. This tax to apply on all such film, negatives, positives, and all that bear the sound either through original transcription or by photographic prints. This tax is not to apply to the smaller 16-millimeter film for use in homes, schools, and churches, provided, however, that if same are used in theaters or public places the above tax shall be imposed. It is estimated that 500,000,000 feet of film are now used annually, and that a tax of one-half cent per foot should yield the Government \$2,500,000.

A tax of 10 percent upon the gross receipts of commercial broadcasting stations to include the total amounts paid by the advertising for the entire broadcast program, entertainment, announcements, and so forth. It is estimated that \$100,000,000 is now paid for this service yearly. This tax should yield the Government \$10,000,000, and should be absorbed within itself. The advertiser should not carry the expense.

A tax of 10 percent upon the gross receipts of all amusement places (theaters of all kinds, including legitimate stage and film production, wherever admission is charged). Gross receipts should be defined as that portion of the total box-office receipts remaining after deduction by the theater owner or exhibitor of his contracted proportion, usually 30 percent, but in any event the gross receipts should not be less than 65 percent of the total amount of money paid in at the box office. This tax, in the main, would come out of the moving-picture producer. It could not be passed on to the public as such in a higher admission charge, and the tax could positively be absorbed by the producer. In this way a much more perfect or equitable distribution of moneys spent by the public on moving pictures would be attained. We will estimate 10,000 motion-picture houses operating with a daily attendance of 1,000 or more at 25 cents average admission, which is very low. This represents a daily paid cash admission of \$2,500,000, of which approximately 70 percent constitutes gross receipts of \$1,750,000, on which a tax of 10 percent

should yield \$175,000. Based on 365 days as the operating year, the Government could collect by this method a total annual tax yield of \$56,875,000 on this form of entertainment. This tax in effect would in all probability yield \$75,000,000, and it is quite proper, in that it would induce an industry which has flagrantly abused the public in many ways to conform to a different and better standard.

A tax of \$10 a watt, per annum, upon the rated capacity of all broadcasting stations. There are some 600 broadcasting stations in the United States, ranging from 50,000 watts down to 25 watts. The average wattage per station will be found to be approximately 1,000 watts. This information is readily available at the Federal Radio Commission. This tax should yield \$6,000,000. Certainly broadcasting stations should bear a tax of some sort.

In support of the proposed taxes, I wish to say that entertainment should bear a fair part of the burden of the extra tax requirement to meet our present necessities. The bulk of modern entertainment is by film and radio and these two industries can be reasonably taxed and still be made to expand and serve the public as never before with no added cost to the public. This kind of taxation is a righteous contribution of the large amount of money now collected from the public by these businesses, and the money to be derived by these taxes will furnish a substantial part of the additional revenue needed to put into effect the industrial recovery program, as set out in this bill.

The radio business has grown to tremendous proportions. The radio is taking the most profitable advertising business from the newspapers and destroying their capacity to pay taxes as formerly. The most important patents are already monopolized. This monopoly has great power over public opinion, and over the purses of the people who desire to use its services. Yet this bill suspends the anti-trust laws, and besides does not raise any of the additional taxes needed from this trust.

The moving-picture producers are also reaping a great harvest from the public, but are giving to the people a service which constantly grows poorer in quality. That business should pay a fair part of the additional taxes needed, and it should not be protected from competition by suspension of the antitrust laws.

Congress is trying to finance this relief bill and at the same time to balance the Budget of the Government by imposing these additional taxes, but in doing so, you should not place the taxes so as to make it more difficult for 20,000,000 homes to balance their budgets. This is a thing that calls for the attention of the highest statesmanship.

Then why not raise \$80,000,000 of the taxes needed on these two businesses, instead of placing additional burdensome taxes on those who are least able to pay, and who are already taxed to the limit? This bill should be a real relief bill and should not put additional taxes on the backs of those whom it should help.

Therefore, I submit that in reason and in all common sense, the President should be given the power and discretion as provided in these two suggested amendments.

STATEMENT OF J. J. McCUE, REPRESENTING MUNICIPAL OFFICERS LEAGUE OF OHIO

Mr. McCUE. I might say that I am appearing here as president of the Municipal Officers League of Ohio, and also as the mayor of Boise City. Most of the people in the East think that when we speak about unemployment that that does not affect the West, but I want to just say that we are right up against it, and the particular phase that I want to appear on here today is to have this bill amended, where it says "No such grants shall be in excess of 30 percent of the cost of the labor—"

The CHAIRMAN. That is the same amendment that was submitted by the conference of mayors the other day?

Mr. McCUE. Yes. In other words, what I am primarily interested in is that we raise that up to 100 percent.

I want to say to you that we are out in the sagebrush, and I want to correct the error that we have no unemployment. I might say to you that in the city of Boise, of which I am mayor, we have about 2,500 unemployed on our rolls that we are actually taking care of, of whose children we are taking care. That is 40 percent of our population. The same statistics, I would say, apply to all of our States.

I want to say to you gentlemen that if we are going to get relief, we must have 100 percent. This 30 percent does not mean a thing to us. We are taxed right and left. Our taxes have been multiplying for the last several years, and in addition to that I want to say to you that more property has gone back to our counties for failure to pay the tax in the last 5 or 6 years than in the 50 years preceding. I want to bring this home to you, that it is utterly impossible for us to take advantage of this 30 percent. You realize that under our law we have to have a bond issue to pay the other 70 percent, and I want to say to you that the temper of our people, about 99 percent, is that we can't put through a bond issue. This 30 percent doesn't mean a thing to us. On the other hand, I just want to say to you, gentlemen, that this unemployment phase that I speak to you about is so pronounced that it is getting acute. These men are insistent. They are not foreigners, they are American citizens, and they are demanding that this problem must be relieved.

Senator McADOO. We have passed a bill providing for the distribution among the States of \$500,000,000 for unemployment relief and for other similar purposes. Will not that afford you a very substantial relief?

Mr. McCUE. Might I ask the Senator a question? How would that affect the municipalities? Where would we get into that?

Senator McADOO. I should think you would be benefited by the allocation to the States. I suppose the States, of course, will distribute it through the various instrumentalities of the State, so that all parts of the State will receive their just share.

Mr. McCUE. Yes, Senator McADOO, that is true; but on the other hand, I have been somewhat a student of this problem, and I can say to you if we would relieve this unemployment situation overnight, we would relieve 99½ percent of the ills of our country. In our country we have to take care of those men, and we are now taxed

to death. In other words, I am afraid unless we get some relief in this particular bill we will be unable to function.

The CHAIRMAN. You think conditions are too heavy for the cities to get relief?

Mr. McCUE. Yes, sir.

Senator GORE. You say the people in your town would not vote for a bond issue for local relief?

Mr. McCUE. Perhaps that is a little far fetched, but I want to bring this point to you, that our taxation problems have mounted and mounted and multiplied, and our property has returned to the tax rolls, so that there would be no income from taxation. It is just impossible.

Senator GORE. Do you figure the Federal Government can get this money somehow or other without taxing the people of your town?

Mr. McCUE. The point I want to bring to you is that we have reached the maximum amount under our constitutional provisions. We have gone just as far as we dare go and be within the laws of the State of Idaho.

Senator GORE. You want the Federal Government to put up 30 percent instead of 100 percent?

Mr. CUE. Yes, sir.

Senator GORE. You would be willing to stop at 100 percent?

Mr. McCUE. I say if we would relieve this unemployment situation, we would relieve 99½ percent of the ills of Idaho overnight.

STATEMENT OF W. W. SNIDER

Mr. SNIDER. Mr. Chairman and members of the committee, the 1932 revenue law in defining gasoline defined it to mean gasoline, benzol, and other liquids, the chief use of which is as a fuel for the propulsion of motor vehicles, motorboats, and airplanes.

Shortly after the law was enacted the Treasury Department made a ruling to the effect that industrial benzol was not subject to that tax because it was the intent of Congress to tax motor gasoline and not industrial benzol. That remained in effect until about a month ago, when they reversed their ruling and held that under the 1932 law industrial benzol was taxed, as well as motor benzol, because the tax applied to all benzol.

Industrial benzol is used in the manufacture of chemicals, insecticides, and pharmaceuticals. It is our belief that Congress did not intend to tax pharmaceuticals or insecticides. The only way to take care of that is to use the word "motor" before the word "benzol."

The CHAIRMAN. I hope you can give us a memorandum on it so it can be inserted in the record. We will be very glad to consider that.

Mr. SNIDER. I shall be glad to do that.

Industrial benzol is only about 15 percent of the total. There is only about 10,000 gallons of it per year.

Senator GORE. It is more expensive than the other?

Mr. SNIDER. Yes, sir. It costs twice as much as the motor benzol.

STATEMENT OF JOHN A KRATZ, ATTORNEY AT LAW, WASHINGTON, D.C.

Mr. KRATZ. I merely want to call attention to the fact that section 205 (b), which is the "Buy American" section is unworkable and suggest that there be substituted in title III, in so far as it may be appropriate, all of Public 428, passed on March 3, being the Treasury appropriation bill making appropriations for the Treasury and Post Office Departments. Congress, by that title, has given full consideration to all purchases of articles, both manufactured and unmanufactured, to the contingency where there is not an available commercial supply, and to the further contingency that the manufactured article is substantially all manufactured from articles mined, produced, or manufactured in the United States, and also to the fact that many of the articles purchased and furnished to the Government are manufactured in turn from articles manufactured, mined, or produced in the United States, as the case may be.

I understand that Mr. Emery, on behalf of the Association of Manufacturers, has already presented the suggestion to the committee, and I hope that the committee will substitute the well-considered provisions of title III, Public 428.

The CHAIRMAN. If you wish to elaborate on that point, we will be very glad to consider it.

STATEMENT OF J. CARSON ADKERSON, PRESIDENT AMERICAN MANGANESE PRODUCERS ASSOCIATION, WASHINGTON, D.C.

Mr. ADKERSON. Mr. Chairman and members of the committee, I appear as president of the American Manganese Producers Association, representing about 95 percent of the producing manganese companies in the United States, including the Hy Grade Manganese Co., Woodstock, Va.; Domestic Manganese Development Co., Butte, Mont.; the Anaconda Copper Mining Co., New York City; Butte Copper & Zinc Co., of New York City; Lunar Manganese Co., of Deming, N.Mex.; and about 50 other manganese operators and property owners located in about 24 States. I appeared before the Ways and Means Committee of the House and introduced subsection (b) of section 205, which provides for the purchase and use of domestic raw materials in the manufacture of all components that enter into the manufactured articles going into the projects to arise under this new bill. We are, of course, fully in accord with this bill. The purposes of the bill are mainly for the employment of labor. If the way is left open for raw materials imported from foreign countries to be used in such projects arising under this bill or for manufactured articles or the use of raw materials entering into the manufactured articles which go into the projects, it is liable to extend that work to foreign countries and deny it to this country. I use as an illustration the new Oakland bridge in California.

The newspapers just a few days ago announced that steel contracts had been let for \$22,000,000 covering the steel to be used on that bridge. That bridge is financed by the Government's funds to aid unemployment, but the manganese that will go into that bridge will

come from Soviet Russia or other foreign countries. It is also possible under the law that iron, copper and other raw materials produced in foreign countries can be used in that bridge.

It is true that under the Treasury-Post Office Appropriation Act, title III, there is a provision to take care of such things in strictly Government purchases, but there is no provision in this bill outside of this amendment to insure use of domestic raw materials in the manufacture of equipment. Therefore this amendment.

We ask your particular attention to the words "If available at reasonable cost." That seems to us to take care of any exception that may arise.

We all, of course, are primarily interested in manganese. Only 14 pounds is used in a ton of steel. It cannot add to the cost of steel more than 14 cents per ton. As commodities return to the 1929 price level that difference will be lessened. At the present time the domestic manganese industry, or in 1929, supplied 60,000 tons of high-grade ore and 1,188,000 tons of low-grade ferruginous manganese ore and manganiferous ore, as compared with 1,175,982 tons of the latter in 1928, which was used in the manufacture of steel.

The domestic manganese mines are able to furnish the entire amount used in the steel industry today. Of course the steel industry is making less steel, but we are prepared to increase the production of manganese following a normal increase in the manufacture of steel. We are prepared to increase that to take care of the gradual increase in consumption. We are already able to take care of the present consumption of high-grade ores. In the last few years we have developed new processes for the beneficiation of these ores, so that the average American ore is higher grade than foreign. Foreign ore runs 47.67 metallic manganese, as shown on pages 298 to 300 of the United States Department of Commerce bulletin entitled "Manganese and Manganiferous Ores in 1929." The ores produced in Montana run from 57 to 60 percent manganese. I have repeatedly announced in the Ways and Means Committee and elsewhere that the American industry is today prepared to take care of all contracts with ores superior to foreign ores at prices not exceeding the same price paid by the steel industry for the 5-year period prior to 1929.

Senator GORE. You say the ore is higher average than foreign ores?

Mr. ADKERSON. The foreign ores average 47.67, as shown by the Government document entitled "Manganese and Manganiferous Ores of 1929", issued by the Bureau of Mines of the Department of Commerce.

Senator GORE. How much is used in this country annually?

Mr. ADKERSON. About 1,200,000 tons of lower grade and 600,000 tons high grade. Now it is about 200,000 tons of high grade.

Senator GORE. How much of that comes in from abroad?

Mr. ADKERSON. At present the 200,000 tons would come from abroad. In 1931, for instance, there was shipped in under the dumping campaign from Soviet Russia 502,000 tons. That was after the Soviet had started their dumping campaign. Of course, that closed the mines of the United States, and they are today idle.

Senator GORE. At what price does that come in?

Mr. ADKERSON. At about \$25 a ton delivered at Pittsburgh.

Senator GORE. What was the price during the boom days?

Mr. ADKERSON. During the boom days it was \$34 a ton.

Senator McADOO. You mean domestic ore?

Mr. ADKERSON. Domestic and foreign. That includes the duty. The normal price of manganese ore is \$34 a ton. That is the price the steel people paid for foreign manganese delivered at Pittsburgh for the 5-year period prior to 1929. Those are Tariff Commission figures.

Senator McADOO. How much is the tariff?

Mr. ADKERSON. \$11.20 per ton on the highest grade. It depends on the content of manganese. The highest grade runs 50 percent manganese, so the tax is based on the manganese content of the ore and not the total weight of the ore.

Senator McADOO. Can you not produce the ore in this country cheaper than the Soviets?

Mr. ADKERSON. Not cheaper than the Soviet, because they have—

Senator McADOO. I mean the average price paid.

Mr. ADKERSON. The highest price paid domestic producers for the highest grade ore, which is superior to foreign ore, for that same 5-year period was 60 cents a unit, whereas the average price paid for the foreign ore was 68 cents a unit, or \$34 a ton. The simple fact is that the domestic producer during those years was penalized \$4 a ton because it was an American product.

Senator McADOO. What are you contending for? An increased tariff on manganese?

Mr. ADKERSON. No. I am asking that the provisions of this bill be not changed, so that the domestic manganese can be used in projects under this bill, if it is available at a reasonable cost.

Senator McADOO. You are merely arguing for the provision that is in the law now?

Mr. ADKERSON. Yes; exactly. I would like to put into the record a copy of the letter from the New Jersey Zinc Co., 160 Front Street, New York, dated May 16, 1933, and also copy of letter dated May 9, 1933, from the Colorado Fuel & Iron Co., Denver, Colo.

(The letters referred to are as follows:)

THE NEW JERSEY ZINC CO.
New York, May 16, 1933.

Mr. J. CARSON ADKERSON,
President American Manganese Producers Association,
Washington, D.C.

DEAR SIR: In reply to your letter of May 12, asking for information regarding the production and consumption of spiegeleisen in the United States and our ability to take care of the country's requirements, I submit the following:

During the 10-year period ending December 31, 1932, the total production of spiegeleisen in the United States has averaged about 90,500 gross tons per year. Imports of spiegeleisen during this same period have averaged about 8,000 gross tons per year. This indicates an average consumption of about 98,500 gross tons per year.

In the year 1923 this company sold and shipped more than 100,000 gross tons of spiegeleisen. We are now equipped to furnish similar annual tonnages of spiegeleisen manufactured wholly from domestic ores at prices which we believe to be fair and reasonable.

Your very truly,

H. S. WARDNER, Treasurer.

THE COLORADO FUEL & IRON CO.,
 Denver, Colo., May 9, 1933.

Mr. J. CARSON ADKERSON,
 President American Manganese Producers Association,
 National Press Building, Washington, D.C.

DEAR MR. ADKERSON: This acknowledges receipt of your letter of April 29, but to date we have not received the copies of the Buy American Act.

I also received a letter from Mr. Daly, of the Anaconda Copper Mining Co., from which company, as you know, we have purchased manganese ore. The sales department has already been notified to inform our customers that our steel has been made from all raw materials of domestic production. I am suggesting that they put a sticker on all correspondence when bidding on contracts which will state such a fact. We have already advised the Bureau of Standards at Washington that we are prepared to take Government contracts for ferromanganese to their specifications. You are therefore at liberty to notify anyone that we are prepared to furnish ferromanganese and steel products made from 100 percent domestic manganese ore. In our case, this also applies to all iron ore used in the manufacture of pig iron.

Appreciating your interest and cooperation in the matter, I am,
 Very truly yours,

W. A. MAXWELL.

Senator GORE. You say that some of the materials used in the Golden Gate Bridge in California may be purchased abroad. Is it not a fact that those foreign materials may be paid for with prunes and raisins raised in California?

Mr. ADKERSON. That is possible, but the main thing is this: It is our understanding that this bill is to provide work, as far as possible, for labor in the United States. Now our industry is just one, but take the manganese industry and take its employment situation, it would mean the immediate employment of about 15,000 men with the knowledge that this provision is enacted. It will mean further construction work. It will mean new development work, it will mean the operation of a permanent basic industry, which, of course, will help along the line of this bill exactly as the bill provides, and we ask the committee to make sure that this provision is retained in the bill as written. "If available at reasonable cost" takes care of all exceptions that may arise. We ask you that that manganese may be taken care of under the provisions of this bill.

Senator GORE. You want the language in the bill as it is now or as passed last winter?

Mr. ADKERSON. This is as it should be, as it stands now. The language last winter was rather confusing. We ask you to help us see that manganese miners get employed along with others.

Senator McADOO. You made a statement that \$22,000,000 worth of steel was bought for this bridge at Oakland. Did I understand you to say that was foreign steel?

Mr. ADKERSON. No.

Senator McADOO. Can you give us any information as to the foreign manufacturer that received the order?

Mr. ADKERSON. It was domestic manufacturers.

Senator McADOO. I understood you to say foreign.

Mr. ADKERSON. Oh, no, sir. I said it was steel manufactured in the United States but at the same time foreign manganese ore will go into that steel for the reason that contract is not covered under such provisions as we now ask, which is to the effect that such projects in the future will use domestic manganese.

The CHAIRMAN. I understand Mr. Johnson wants to put a statement into the record.

STATEMENT OF PYKE JOHNSON, PRESIDENT NATIONAL AUTOMOBILE CHAMBER OF COMMERCE

Mr. JOHNSON. I ask permission to file two telegrams, the first signed by leading motor executives, expressing their opposition to these discriminatory excise taxes, and secondly a brief which supports that position.

(The telegram and brief referred to are as follows:)

TELEGRAM SETTING FORTH TAX VIEWS OF AUTOMOBILE INDUSTRY SUBMITTED TO SENATE FINANCE COMMITTEE ON BEHALF OF NATIONAL AUTOMOBILE CHAMBER OF COMMERCE, BY PYKE JOHNSON, VICE PRESIDENT

From National Automobile Chamber of Commerce, 503 Transportation Building, Washington, D.C.

WEDNESDAY, MAY 31, 1933.

We notice that the reemployment tax is under consideration. The motor industry is ready to bear its share of any burden, but we wish to point out that discriminatory excise taxes amounting to \$200,000,000 are now imposed against the automotive industry and its customers by the Federal Government in the form of imposts on the sale of automobiles, trucks, tires, parts, accessories, and fuel.

Consequently, with any new tax that is imposed we urge the repeal of the present discriminatory taxes in order that we may be treated the same as any other group of taxpayers.

To leave on present taxes and add manufacturers' taxes would be to impose new supertaxes, which would place a further unfair burden on our industry which is making every effort to restore employment.

We respectfully urge your consideration of this viewpoint.

NATIONAL AUTOMOBILE CHAMBER OF COMMERCE.
ALVAN MACAULEY, *President*.

Taxation committee: Roy D. Chapin (chairman), Walter P. Chrysler, Alvan Macauley, C. W. Nash, R. P. Page, Jr., Alfred P. Sloan, Jr.

AUTOMOTIVE INDUSTRY OPPOSES CONTINUANCE OF AUTOMOTIVE TAXES

(By Pyke Johnson, vice president National Automobile Chamber of Commerce)

This brief in opposition to the continuance of the discriminatory Federal excise taxes on motor vehicles, tires, parts, accessories, and gasoline is filed on behalf of the automotive industry by direction of Alvan Macauley, president of the National Automobile Chamber of Commerce. It has the full support of our board of directors and of our members, the passenger-car, motor-bus, and motor-truck manufacturers of the United States.

The attitude of the National Automobile Chamber of Commerce has been repeatedly stated at each of the public hearings which your committee has held on this subject over a period of years. The last presentation before the Ways and Means Committee was made by George Graham January 23, 1932 (p. 753, hearings, Revenue Revision, 1932).

OPPOSED TO DISCRIMINATION

The reasons for our position briefly summarized are as follows:

1. The automotive industry is opposed in principle to discriminatory taxation. We believe that whatever taxation is necessary should be general in character and should not discriminate against specific industries as the present revenue act does.

MULTIPLE TAXATION

2. Our customers, the owners and operators of 24,000,000 motor vehicles, are already subjected not simply to double but to treble and quadruple taxation. They are now paying \$200,000,000 in special Federal taxes in addition to special taxes in more than two score forms to the State and local governments, in addition to general taxes paid in common by all taxpayers.

CAR MARKET AFFECTED

3. Motor-vehicle production has declined from a high mark of 5,000,000 in 1929 to 1,436,000 units in the year just closed. During the past 2 years, the motor-vehicle registrations of the country have shown a decline of 2,800,000 motor vehicles in use. As an interesting sidelight our foreign-trade business in 1932 was but 10 percent of the sales of 1929.

In a period such as the present, every item of tax expense added to the operating costs of the owner tends to restrict use and so further limits the market for new cars.

This would be serious enough if it affected only the automotive industry, but when it is remembered that more than 4,000,000 people have derived their living from the sale and use of motor vehicles; that automotive plants are located in 41 States, and that all States contribute materials to motor manufacture, the effects upon the entire country become immediately apparent.

The industry has reduced both initial and operating costs of its product in every direction, but we cannot overcome the arbitrary barriers of taxation without the help of Congress and the legislatures.

BLOW TO STATE FISCAL POLICIES

4. A general public interest in opposition to the invasion of the Federal Government into the gasoline tax field is found in its effects upon State gasoline tax revenues and State highway bond issues.

Nearly 84 percent of the billion dollars in State highway bonds issued from 1921 to 1930 depend upon tolls, gasoline, and registration taxes for payment and interest.

Wherever this revenue tends to diminish or dry up, then the States must resort to general property taxation in order to meet their obligations. With all of the demands for diversion coupled with the evasion that is a corollary to unduly high State levies, the intervention of the Government in this field of taxation thus has an exceedingly serious effect on State fiscal policies.

TAX UPON NECESSITY

5. The automotive taxes are a tax upon necessity. The motor vehicle today is used almost entirely for essential transportation service. More than 7,500,000 cars now running are more than 7 years old.

In the last decade 15,000,000 people are estimated to have moved out into suburban areas. More than 30,000,000 farmers depend largely upon the vehicle. Two thirds of the cars of the country are owned by people having less than \$3,000 a year income. Obviously added tax burdens placed upon these groups shorten their ability to meet their obligations in other directions, and limit their use of a needed facility.

For these reasons, we urge that the Senate Finance Committee oppose the continuance of the automotive taxes and that as soon as possible, all other discriminatory taxes levied against the automotive industry and its customers be removed.

GENERAL TAX PREFERRED

6. In place of these discriminatory levies the leaders of the automotive industry stand ready as they always have, to accept their share of any general taxes which may be necessary.

We suggest a general manufacturers' tax as the fairest form of sales tax which can be adopted.

Mr. JOHNSON. I also request permission for the Rubber Manufacturers Association to file a similar statement on that point.

(The statement referred to is as follows:)

Mr. Chairman and gentlemen, this statement is submitted on behalf of the Rubber Manufacturers Association and at their request.

The rubber-manufacturing companies of this country, including subsidiaries and dealer organizations, furnish employment for approximately half a million people. It is estimated that there are not less than 250,000 investors in the various securities issued by the rubber companies.

The rubber industry has been one of the outstanding industries that has fathered the share-the-work program, this having been done at considerable expense to the various companies. It is also an industry that has constantly paid comparatively high wages to employees and at the same time has year by year given the public increased mileage per tire at greatly reduced cost.

In June of last year there was imposed upon the tire industry an excise tax which was in reality a sales tax, ranging from 10 to 14 percent on tires and tubes. To illustrate, this excise or sales tax on a Ford tire and tube amounts to 51 cents per tire.

The agricultural bill which has just passed Congress requires, upon proclamation, the imposition of an additional tax on tires depending upon the market price of cotton used in producing the fabric in the tire.

Your honorable committee is now considering what form of tax shall be assessed in order to raise some \$220,000,000 per year for at least the next 2 years required for the purpose of the National Industrial Recovery Act. Among the forms of taxation that have been suggested is a manufacturers' sales tax.

We are not opposed to a manufacturers' sales tax for the purpose of this bill, but we do submit that, in all fairness where industry is looked to as a source of revenue, that industry as a whole should be taxed on the same basis just as our revenue taxes impose an equal burden on industry without discrimination. Therefore, we ask that serious consideration be given to the repeal of the present discriminatory sales tax on the rubber industry, and that if a sales tax on industry is to be imposed that such a tax carry a rate sufficient to take care of the loss of revenue as a result of repealing the present excise tax and in addition provide the money necessary for the requirements of the National Industrial Recovery Act.

Let me summarize. The rubber-tire industry is at present subject to—

First. A Federal income tax of 13 percent on profits.

Second. A Federal excise tax or sales tax ranging from 10 to 14 percent.

Third. The agricultural bill, which recently passed the Congress, contemplates a further tax, the exact amount not yet determined, by placing a process tax on the cotton contained in the tire.

We respectfully appeal to you to eliminate the present discriminatory excise tax and impose a general manufacturers' excise tax bearing equally and alike on all industry.

STATEMENT OF ERNEST N. SMITH, REPRESENTING AMERICAN AUTOMOBILE ASSOCIATION

Mr. SMITH. I am appearing in the absence of the president, Mr. Thomas B. Henry. Our opposition to the Federal gas tax is so well known that I am not going into it further at the present time than to file this with the committee. It is a statement originally made by President Henry, and I would like to make this additional statement that the gas-tax collections fell off \$23,000,000 last year over the previous year, showing the feeling of the people with regard to it.

Senator GORE. That was the United States gas tax?

Mr. SMITH. Yes; United States.

Senator GORE. The gasoline tax?

Mr. SMITH. Yes, sir; the gasoline tax. We understand that this committee proposes to extend the gas tax for another year. We suggest that it be dropped and left to the States. I understand that automobile registrations in the United States are dropping off at the rate of 200,000 per month. We feel that is not due to the depression.

I would like to point out that motorists in this country are paying in total taxes enough money to run the United States Government for 90 days. The motorists are paying 12 percent of all the taxes levied in this country. They paid last year one half of all the excise taxes that were paid in the United States. They paid more in taxes every day than the railroad companies took in in passenger fares. They

paid enough money to run the Army and Navy of the United States for 2 years. The amount they pay would run the State of New York for 5 years. The tax amounted to 25 percent of the value of all motor-vehicle properties in the United States.

We produce some of the details in those statistics we have.

The CHAIRMAN. I think those statistics were put in the record by Mr. Dow.

Mr. SMITH. Yes, sir. That is the reason I want to get around some statistics and put it in that form.

Senator GORE. If you can arrange to live until this Federal gas tax is lifted, you will put Methuseleh on a nursing bottle.

Mr. SMITH. Don't bother about that. He probably needs a nursing bottle under present conditions.

STATEMENT OF JAMES T. CROUCH, REPRESENTING THE AMERICAN MOTORISTS' ASSOCIATION

Mr. CROUCH. I am here at the direction of Mr. J. Barton Weeks; who is unable to be present today on account of attending court.

Mr. Weeks has prepared a brief which I will file and the only thing I wish to call the committee's attention to is this, that Congress has thus far gone on record as being opposed to the general sales tax, yet if this proposed legislation goes through increasing the Federal levy on gasoline it will affect 25,000,000 motorists in this country, and if it affects 25,000,000 I think the committee should well consider if others are not also affected.

When they proposed to increase the tax on gasoline, there was a 40 percent decrease in new automobiles last year as compared to the year before. The present tax on gasoline includes State taxes and runs anywhere from 30 percent, the lowest, up to 150 percent at the present time, and the motorists in this country are up in arms to call a halt, because once you start to keep on this increasing for a year, it will be just a matter of time until it is further increased next year.

The CHAIRMAN. Thank you, Mr. Crouch.

(Mr. Weeks submitted the following memorandum:)

WASHINGTON, D.C., May 31, 1933.

BRIEF IN OPPOSITION TO PROPOSED INCREASE OF THE FEDERAL GASOLINE TAX, FILED BY AMERICAN MOTORISTS' ASSOCIATION

TO: SENATE FINANCE COMMITTEE,
Washington, D.C.

SIRS: The American Motorists' Association desires, briefly but emphatically, to go on record before your committee as opposing the proposed increase of Federal gasoline taxes from 1 to 1½ cents per gallon.

The American Motorists' Association speaks as a representative of its affiliated automobile clubs. It speaks from the viewpoint of the motorist because it is the motorist who must pay the tax.

Opposition to this tax has been voiced before your committee on two different occasions as well as before the House Ways and Means Committee. The 1-cent Federal gasoline tax, which has been effective since July 1, 1932, as it is applied to each individual motorist, does not, in the main, represent an intolerable tax burden. The proposed increase of three quarter cent per gallon likewise, in and of itself, is not an intolerable burden were it the only tax.

Congress is putting too much dependence upon a shrinking source of revenue in attempting to increase the Federal gasoline tax to 1½ cents a gallon. The

States in 1932 levied gasoline taxes at the highest rates since the levy first was imposed by Oregon to finance highways in 1919, yet collected \$23,350,219 less than in 1931, when tax rates were lower.

Aside from the unfairness of asking motorists to pay \$92,000,000 annually for 15 years, or \$1,380,000,000 in all, when they will receive direct benefits from only \$400,000,000 expended for roads out of the \$3,300,000,000 public works program, there is the matter of tax economics.

Congress boards a sinking ship when it embarks on higher gasoline taxes. The law of diminishing returns has begun to affect this levy, as State gasoline tax collections of only \$513,047,239 net in 1932 against \$536,397,458 in 1931 definitely prove.

Gasoline consumption in 1932 declined, on the average, more than 7 percent. Motor-vehicle registration fell off more than 6 percent. New car sales slumped more than 40 percent. If every 1-cent increase in the gasoline tax means a 5 percent decrease in gasoline consumption, then Congress is reaching into the wrong pocket for revenue.

Your committee early this month recommended that from 1934 on, the taxation of gasoline be exclusively the function of the States. Imposition of the higher rate under conditions now proposed would perpetuate the Federal levy for 15 years. And Members of Congress told us that if this increase becomes effective, many of them never will live to see the day when this new levy is eliminated.

Truly, there is no assurance that Federal taxation of gasoline will halt with a 1½ cent tax. A year ago the original Federal levy was imposed "just for the emergency." Emergencies, so far as taxes are involved, are hardly perennials. If this increase becomes effective now, there may be another emergency at the next session of Congress, perhaps another in 1934, and still another in later years.

This levy is a sales tax. If Congress is so solicitous for the welfare of business generally that it refuses to impose a general sales tax of as little as 2 percent, why should it not be solicitous for the welfare of 25,000,000 motorists and refuse to burden them with a sales tax which, added to State gasoline taxes, becomes a total sales tax of 30 to 130 percent?

Predicated upon the latest available figures, the tax, had it been effective for the calendar year 1932, would have cost the individual motorist of the United States, an average of \$6.09 last year. This figure is based upon data supplied by the United States Bureau of Mines showing that the gasoline consumption for 1932 approximated 14,717,941,000 gallons. Dividing the total tax-paid gasoline consumption by the total number of automobile registrations for 1932, gives you the figure of 609 gallons of consumption for each registered motor vehicle throughout the United States last year.

It is of passing interest to compare this figure with 1931, which shows that there was a reduction in the per capita gasoline consumption in 1932, as compared with 1931. The per capita consumption in 1931, shows 608 gallons—a reduction of 59 gallons compared with 1932.

As stated above, the imposition of a 1-cent or a 1½-cent Federal gasoline tax, in and of itself, would not represent an intolerable burden to any individual motorist. A Federal gasoline tax, however, is but one of more than a score of forms of taxation which the motorist must pay. The motorists' tax burden today constitutes approximately 10 percent of all the taxes assessed by the Federal, State, and municipal forms of government.

The American Motorists Association's opposition to any Federal gasoline tax, whether it be 1 or 1½ cents per gallon, is based primarily and directly upon the belief that a Federal tax on gasoline is wrong in principle. The fundamental and primary purpose of gasoline taxes was, and we respectfully submit still is, for the construction and maintenance of highways. At the inception of the imposition of gasoline taxes it was argued, and we believe rightly so, that the motorist who was the user of the highway should be taxed to construct and maintain the highway.

The original purpose for which gasoline taxes were imposed, we respectfully submit, has been lost sight of by legislators in their zeal to raise needed funds for the Federal, State, and municipal general purposes. Imposition of a Federal gasoline tax means that the moneys collected from this source become a part of the general financial reservoir from which the Federal Government carries on its general purposes. The moneys derived from a Federal tax on gasoline, becoming a part of the common Federal fund and is diverted from purposes other than highway use.

Proponents of a Federal gasoline tax invariably and immediately rise at this point and say: "Well, what about the money that the Federal Government spends in Federal aid for highways?"

Anticipating this query, the motorist's answer to this is that the Federal Government is charged with military and postal duties of the Federal Government. We respectfully submit that it is the duty of the Federal Government to maintain post roads. The States, in their original grant of authority to the Federal Government, specifically gave over to the Federal Government the right and the duty to maintain post roads. The maintenance of a highway system for a speedy allocation of troops from one part of the United States to another is the primary duty of the Federal Government.

Distribution of the United States mails is also the sole and primary duty of the Federal Government. There are today in the United States approximately 44,000 rural-mail routes, the majority of which are built and maintained at the expense of the motorist. It is the motorist's contention that the \$125,000,000 heretofore recently contributed by the Federal Government is but a just share of the Federal Government's expense in maintaining post roads and highways for the efficient and rapid transportation of United States mails and troops.

In opposing the original imposition of a Federal gasoline tax, this association, on February 1, 1932, testifying before the House Ways and Means Committee, predicted that if a Federal gasoline tax were once imposed it would be but the entering wedge for a permanent Federal gasoline tax.

Today we find that a fulfillment of that prediction being proposed, through the imposition of a permanent $\frac{3}{4}$ -cent Federal gasoline tax, as one of the media for the amortization for the Federal Government's public debt.¹⁰ The same fear, that a Federal gasoline tax once imposed, would become a permanent part of the Federal Government's tax structure was expressed by this organization as well as numerous other organizations, allied with the automobile user, before the Senate Finance Committee when that body originally recommended a temporary 1-cent Federal gasoline tax.

Your committee, as well as the House Ways and Means Committee, at that time allayed our fears, reassuring us that a permanent Federal gasoline tax would never be; that it was but an emergency measure. Now, today, before this committee we are faced with the proposal of a permanent $\frac{3}{4}$ -cent Federal gasoline tax on top of a so-called "temporary" 1-cent Federal gasoline tax.

Lawmakers enchanted by the simplicity of the gasoline tax have come to look upon the motorist as the goose which lays the golden taxation eggs. The average gasoline tax for 1932 was approximately 4.48 cents per gallon. The average tank-car price of gasoline at mid-continent refineries last year was 3.43 cents per gallon. A tax of 4.48 cents per gallon on a commodity which costs 3.43 cents per gallon represents a sales tax of approximately 130 percent of the manufacturer's price of gasoline. This, we respectfully submit, is an exorbitant ratio. The ratio of gasoline taxes, as compared with either wholesale or retail cost, we respectfully submit, should not be out of all proportion.

In States such as Georgia, Florida, North Carolina, South Carolina, and Tennessee each has a gasoline tax of from 6 to 7 cents a gallon. The increase of Federal gasoline taxes to $1\frac{3}{4}$ cents would mean that in these States, as an example, the retail price of gasoline does not bear any equitable ratio when compared with the basic cost. Any proposal that such a ratio of taxes to be applied to real estate, corporation or railroad bonds similar to that applied to gasoline would meet with prompt and decisive disapproval with any law-making body.

In conclusion we respectfully urge that the imposition of any Federal gasoline tax is wrong in principle, in that it is primarily a prerogative of the State and should not be encroached upon by the Federal Government. The proposal to increase this burden by the imposition of an additional $\frac{3}{4}$ -cent tax means an added tax of some \$92,000,000 to a class of taxpayers already taxed to the limit by Federal, State, county, and municipalities. We sincerely hope your committee will not further increase our tax burdens.

Respectively submitted.

AMERICAN MOTORIST ASSOCIATION,
By J. BARTON WEEKS, *President*.

**STATEMENT OF E. L. MICHAEL, REPRESENTING VIRGINIA
MANUFACTURERS ASSOCIATION**

The CHAIRMAN. Do you represent the Virginia Bridge & Iron Co.?

Mr. MICHAEL. I appear in behalf of the Virginia Manufacturers' Association, which comprises a majority of the membership of the manufacturers of Virginia as well as the Virginia Bridge & Iron Co., that manufacture bridge materials at Roanoke, Va.; Birmingham, Ala.; and Memphis, Tenn.

The CHAIRMAN. Would you be as brief as possible, and you may put your statement in the record.

Mr. MICHAEL. I would like to read part of it.

The CHAIRMAN. All right.

Mr. MICHAEL. We believe that every patriotic citizen should earnestly support our President and Congress in every constructive and workable plan and effort to rehabilitate industry and business, to spread and increase employment, to increase existing wages gradually as purchasing and consuming power will permit, to stabilize production and prices therewith, and to prevent unfair and destructive competition which destroys the stabilization of prices and prevents the payment of adequate wages and the earning of a profit from our income taxes should be available for the support of government.

As a member of the banking and industrial committee of the fifth Federal Reserve district for the past 7 months, I have contributed whatever talent I possessed in promoting the use of available credit, rehabilitation of industry, and the share-the-work movement, and I am convinced that employers generally have earnestly and sympathetically supported these movements to relieve unemployment and distress so far as humanly possible.

You may, therefore, assume that we are not opposed to the objectives of the proposed legislation as generally summarized in title I of the proposed act. We are, however, doubtful of the ultimate success of the measure, in practical application, under its provisions as enacted by the House of Representatives, and to some of which provisions I shall presently refer. All of our sober thought and action should be devoted to a discussion and analysis of the effects of the practicable and workable application of what many believe a great adventure in the operation of business and industry, in its vastness and ramifications, hitherto untried.

During the past 2 years I have written many communications to our Representatives and Senators seeking relief from the importation of foreign commodities from countries with low labor costs and depreciated currencies, in competition with American production, such as steel, cement, oil, and gasoline, wood pulp, and so forth, and some measures of relief have been provided in some respects.

In the application of the provisions of this act, naturally, costs of materials and wages will be increased, and of necessity sales prices will increase. When such conditions obtain our domestic markets will, more than ever before, be vulnerable to an enormously increased distribution in our domestic markets of foreign goods from countries having low labor costs and depreciated currencies, unless some means

are provided to prevent such dumping, and before American business can safely embark upon a program for increased costs and prices in domestic markets, some provision should be included in the act giving the President authority to embargo or control the importation and distribution of products at lower price levels than those prices which will of necessity obtain for domestic production, manufacture, and distribution, if the principles of the title of this proposed act are effectuated.

The administration of this proposed Federal legislation at once becomes of tremendous importance to management of business, industry, and commerce. It is believed that business men generally will enter into a partnership with the President, sincerely and wholeheartedly, to faithfully and honestly administer any and all policies and principles which will bring order, progress, and success out of present chaos. But confidence is the main foundation stone upon which any substantial progress depends, and while business does not for one moment doubt the sincerity and integrity of the purposes of the administration, nevertheless, the greatest measure of confidence would be established immediately if the proposed Federal law provided more definitely for the character and constitution of the Federal board or Federal commission or agency which will assume final responsibility for its administration. It goes without saying that in administering all of the intricacies of business, industry, and commerce in this vast country, the talent of our ablest leaders, with knowledge and wide experience must be employed who can promptly and intelligently visualize, interpret, and harmonize all necessary rules, regulations, conditions, and actions contemplated.

In our judgment, it is essential that the act should more definitely provide for the creation of such representative, executive, administrative and advisory talent representing business or industry and labor.

With respect to the license provisions of the proposed act, it is presumed that these provisions contemplate correction of abuses of unfair competition and practices of commonly called "sweat shop" conditions, neither of which have any legitimate place in the community and which are condemned by all intelligent and honest management in industry and commerce. It would seem that the President, throughout the measure, is given ample authority to correct such intolerable conditions, and the constitutional validity of section 4 is also questioned. For these reasons, perhaps it would be wise to omit this provision, as its enactment may involve a congestion of controversy and litigation which may to some extent defeat or delay the application of other principles of the title which are more specifically set out. It would seem that the industries, in filing codes, would certainly provide against such abuses, and when approved, would subject offenders to penalties which a continuance would impose.

Section 7 of the proposed act, as passed by the House contains provisions which I believe would in practical application defeat the purposes of the title. Employers do not seek or desire any advantages or disadvantages in dealing with their employees in whatever manner may be to them mutually satisfactory. But the provisions of this section place unreasonable and impossible prohibitions upon the employer.

ployment conditions may be established by mutual agreements between employers and employees. But the balance of this clause (1) as now written virtually says that the employer shall not be permitted to take any action to protect or defend his organization and business from any ill-advised attempts to break down existing agreements and morale which has proven most successful in operation to the large majority of American employees and employers alike. Employers are not seeking controversies occasioned by such interpretations, and they want to contribute all their thought and effort and means to the successful operation of this act. But in the interpretation of this section, as above reputed to labor officials, it is contemplated by them that all employees in industry must organize into labor unions, whose representatives propose to negotiate and conclude with representatives of given trade industries, agreements as to hours, wages, and working conditions for that industry, which plan, in our judgment, is impossible of successful consummation. If such a plan were physically possible or successful, we would certainly observe more than 7 to 10 percent of employees in gainful occupations belonging to labor organizations today.

Appointed by the late President Wilson as a member of the National War Labor Board, during the great war, I had opportunity to observe for 13 months the operation of just such a license as is provided in this clause (1), and while endeavoring to render a service to my country at Washington, organizers were sent, and prepared and submitted on behalf of some easily influenced employees, to that Board, a complaint of alleged grievances against me and my company. Needless to say, the complaint was dismissed, as the complaints were not substantiated. Furthermore, our plants have never been closed one day in the past 35 years on account of labor controversy. Employers have no fear of the ultimate effects of these interpretations, but they wish to avoid the loss of time to themselves and their employees in controversies or litigation, where they have now established the machinery whereby the representatives of employees at frequent intervals meet with the representatives of management and discuss and settle all questions with respect to hours, wages, and working conditions.

During the past 3 years of depression no one can successfully challenge or criticize the sympathetic interest and substantial sacrifices that the majority of employers have manifested in the sustenance of their employees and their families in industry, whether they have heretofore operated as closed union shops, or as open shops, where union and nonunion men have labored together. We hold no defense or tolerance for those employers who have sought to exploit their employees in any manner whatsoever. They should and will receive their just condemnation. Fortunately, they constitute a very small minority of American employers.

But these statements and appeals are made for the purpose of maintaining those cordial and mutual relations which should and do obtain today in the majority of American industry where employers, in addition to payment of highest prevailing wages, have voluntarily provided pension systems to which employees have not contributed, where they have established group insurance for the

Subsection (a) reads as follows:

Every code of fair competition, agreement and license approved, prescribed or issued under this title shall contain the following conditions: (1) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organizations, or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; (2) that no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining a labor organization of his own choosing; and (3) that employers shall comply with the maximum hours of labor, minimum rates of pay, and other working conditions, approved or prescribed by the President.

Again, I repeat, that confidence is the essential factor for reviving the wheels of industry—confidence that employment relations existing at the time this act takes effect, mutually and satisfactorily established by and between employers and employees, will not be unduly disturbed except by mutual agreement—confidence that such relations will not be destroyed by agitation and influence assumedly required by Federal or State provision and authority. No management of industry will willingly be deprived of its right to advise freely with its employees as to the minimum wage and the maximum hours and all other conditions of work and production, which the business will afford or permit, especially with a provision where it may be haled into a district court because of an alleged violation of “interference, restraint, or coercion” as such conferences would undoubtedly be interpreted or charged by some representative of a labor organization.

It is common knowledge that in the Federal and State Labor Departments the words “collective bargaining” have been universally interpreted to mean collective bargaining by and through the organizers or representatives of labor unions, whereas we know collective bargaining is practiced every day between employees and employers in thousands of individual establishments.

Suppose, as provided in section 2, the President should designate the United States Department of Labor, and with the consent of the State the State labor department, to administer all labor provisions of the proposed act? Based upon past observations and experience, there would immediately be established the influence of the Federal and State Governments toward the compulsion of unionization of the vast majority of employees in industry, who are not at present unionized, and it would be difficult in many cases for them to continue their expressed and demonstrated preferences and actual existing practices of making mutually satisfactory agreements with employers. Such a condition would instantly cause apprehension and confusion, instead of the confidence so necessary for improvement of present conditions.

It is true that employees now possess and have always had the right to organize and bargain collectively, and the inclusion of such provision in the act confers no new privilege, except by inference and the interpretation as reputed to have been expressed before the House committee by officials of labor and similarly expressed in a recent speech in New York. Such interpretation is, of course, contrary to the provisions of subsection (b) of this section, where em-

sole benefit of employees and their families, where they have provided accident and health relief provisions in addition to those provided by compensation laws, and all of which provisions have proved great blessings to millions in this period of distress and unemployment. As before stated, employers do not seek or desire any advantage or disadvantage over their employees in carrying on under this proposed legislation, but they ask fair terms under which they are expected and required to establish maximum hours of work and minimum wages and wholeheartedly seek to rehabilitate industry and spread employment and relieve distress.

If, as above indicated, it is proposed to provide Federal and State regulation by and through labor organizations, of all employment conditions, with prohibition of employers' consideration, expression or action, against what he knows to be impossible or oppressive conditions, then the purposes sought to be accomplished will be defeated.

In view of these actual conditions and practices, we ask either the elimination of this section or its modification, so that employees and employers are given equal rights in their future conduct. In clause (3) of this subsection, provision should be made whereby employees as well as employers shall comply with the conditions therein contemplated.

As stated at the outset, employers will patriotically and earnestly support the workable and possibly successful objects of this legislation, and these remarks and appeals are offered solely in the interest of harmony and progress for your most earnest consideration for whatever they may be worth.

Finally, I wish to say a word with respect to the tax provisions as adopted by the House under title II. We are opposed to the principle of additional taxation on dividends from earnings which have already been taxed, if and when such dividends are again available. We are opposed to an increase of 75 percent, or any increase, in the present Federal gasoline tax. We are opposed to the proposed increased tax on incomes in the lower brackets. In order to provide the income to service the bonds contemplated in this title we recommend your favorable consideration of a sales tax or a turnover tax. We believe the latter would be most equitably distributed and most conveniently and accurately accounted for and collected. If a sales tax is adopted, then we believe it should not be applied to food products, low-priced clothing and drugs which would increase the cost of such necessities.

These expressions are offered constructively for your consideration as honest convictions of what we believe will prove in actual application essential for the progress and success of this proposed legislation and all American activities affected thereby.

Senator GORE. Who made the speech to which you referred as having been made about a week ago?

Mr. MICHAEL. It was reputed to have been made by Mr. Green at the Harvard Club in New York City.

Senator GORE. By Mr. Green?

Mr. MICHAEL. Yes, sir; by Mr. Green. I have no excerpts from it, but I was informed by a gentleman who was present of the inter-

pretations placed upon these provisions of this act as I have stated them.

Senator GORE. What is the percentage of employees in gainful occupations belonging to labor unions today?

Mr. MICHAEL. I have been told it is from 7 to 10 percent, but I have never seen any of the statistics in recent years.

Senator GORE. Would you subject both employers and employees to like license provisions?

Mr. MICHAEL. Yes, sir; I would make both of them conduct themselves under fair terms to each other. I do not want any restrictions placed upon employers not placed upon employees, and none placed upon employees and not placed upon employers.

Senator GORE. You feel you might get together with your employees and solve your own problems?

Mr. MICHAEL. Yes, sir. We have for 30 years.

The CHAIRMAN. I thank you very much.

The committee will adjourn until 10 o'clock tomorrow morning. (Thereupon, at 12 o'clock noon, the committee adjourned until Thursday, June 1, 1938, at 10 o'clock a.m.)

NATIONAL INDUSTRIAL RECOVERY

THURSDAY, JUNE 1, 1933

THE UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 312, Senate Office Building, Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), George, Connally, Clark, McAdoo, Byrd, Reed, Keyes, and Walcott.

The CHAIRMAN. At the beginning of the hearing this morning, I have some telegrams and letters, which I have been requested to insert:

(The telegrams and letters are as follows:)

MAY 30, 1933.

Senator PAT HARRISON,
Chairman of Senate Finance Committee,
Washington, D.C.:

We understand in testimony before your committee today the Wilcox Oil & Gas Co. was referred to as an outlaw in the oil industry in Oklahoma. We feel this is an injustice to this organization. Please place this telegram in the record of your hearing.

THE FOURTH NATIONAL BANK OF TULSA.

MAY 29, 1933.

Senator PAT HARRISON,
Chairman of Senate Finance Committee,
Washington, D.C.:

We deplore the fact that Arthur Seeligson in his testimony before the Senate Finance Committee referred to the H. F. Wilcox Oil & Gas Co. as an outlaw in the oil industry in Oklahoma. We request that this telegram be made a part of the record of the hearing.

ERNST & ERNST.

MAY 29, 1933.

Hon. Senator PAT HARRISON,
Chairman of Senate Finance Committee,
Washington, D.C.:

We understand that Arthur Seeligson in his testimony before your honorable committee referred to the H. F. Wilcox Oil & Gas Co. as being one of the outlaws in the oil industry of Oklahoma. We deny this assertion as this company has always been and is now willing to cooperate to the fullest extent provided the laws were fairly and justly administered, and no preferences or discrimination shown. We would appreciate your making this telegram a part of your record.

H. F. WILCOX OIL & GAS CO.,
G. A. DYE, *Executive Vice President.*

INTERNATIONAL BEAUTY & BARBERS SUPPLY DEALERS ASSOCIATION,
Washington, D.C., May 31, 1933.

Hon. PAT HARRISON,
Chairman Finance Committee,
United States Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The International Beauty & Barbers Supply Dealers Association, representing approximately 85 percent of the production and dis-

tribution of beauty and barber supplies and equipment in this country, hereby records its approval of H.R. 5755, the national industrial recovery bill, recently passed by the House and now the subject of consideration before your honorable committee, except that it strenuously objects to the continuation of the 10 percent discriminatory and confiscatory excise tax on toilet preparations to June 30, 1935, and respectfully urges the repeal of this burdensome tax on the industry and profession. As a substitute therefor, this association favors a general manufacturers' excise tax at a low rate, applicable to industry generally, exempting only food, clothing, and medicine. Such a tax would be spread over the greatest number of articles and would not be felt to any appreciable extent by anybody. It would be fair and just to all.

Before this 10 percent tax on toilet articles was made effective under the Revenue Act of 1932 the condition of this industry was in a chaotic position, and since the imposition of this burdensome levy it has steadily grown worse.

We believe, however, that under the provisions of the proposed legislation business generally will improve, but no industry should be singled out to pay excessive excise taxes as are now imposed on this and other industries under existing law. Therefore, we earnestly urge the repeal of the 10 percent excise tax on toilet articles and the imposition of a general manufacturers' excise tax at a low rate, with the exceptions noted.

Respectfully yours,

W. L. BUCK, *President.*
JOSEPH BYRNE, *Secretary.*
E. C. BROKMEYER, *General Counsel.*

WASHINGTON, D.C., June 1, 1933.

To: The chairman and members of the Finance Committee of the United States Senate.

Subject: Senate bill 1712, National Industrial Recovery Act.

For the purpose of building up the defensive forces in municipalities of the United States for the protection to life and property against the hazards from fire and lawlessness, it is respectfully suggested that the Senate Committee on Finance give its earnest attention and consideration to the following amendment:

Under section 202, line 18, after the word "public" add: "including such projects as the rehabilitation of the fire and police department services for the protection to life and property".

Such an addition to the public works section of this act will provide a definite basis for municipalities to apply for loans for the specific purpose as set forth. That a national emergency exists has been stressed by others appearing before your committee.

Respectfully submitted.

THE GAMEWELL CO.,
By W. F. FRANKLIN, *Representative.*

WASHINGTON, D.C., June 1, 1933.

To the Chairman and Members of the Finance Committee of the United States Senate.

GENTLEMEN: With reference to the National Industrial Recovery Act now before your committee for consideration, the writer respectfully submits the following:

A national emergency exists in the cities of this country due to the inability of the municipal authorities to properly equip and maintain their fire and police departments on a basis necessary for the proper protection to the life and property of their citizens and property owners. These protective forces have been deprived of the necessary funds with which to carry on their work against the hazards from fire and lawlessness with the result that in many cities the situation is extremely dangerous. Such conflagrations from fire as recently occurred in cities of the State of Maine may be repeated at any time in other cities of our country. It is remarkable that more have not occurred. If cities are provided with the basis for applying to a Federal Government agency for loans to be used for this specific purpose, as has been urged, it will relieve this situation and definitely establish the following desirable conditions:

First. Definitely improve the protection to life and property.

Second. Enable municipalities to add to their man power for these purposes and thus relieve local unemployment.

Third. Relieve unemployment in those industries serving municipalities with apparatus and service needed for this serious emergency purpose by enabling the municipalities to enter into contracts and place orders for apparatus and supplies now badly needed.

Fourth. Reduce fire losses.

Fifth. Stimulate the demand for insurance protection.

Sixth. Enable those seeking fire insurance against loss to secure a lower rate on buildings and contents.

Seventh. Provide the insurance companies with better protection for their investments in fire and other casualty forms of insurance.

Eighth. Assist credit organizations in their field by enabling them to secure better protection for their clients.

Ninth. Provide better control against fire losses by arson.

Tenth. Provide the Federal Government agency having supervision over these loans with the opportunity to make these projects self-liquidating in whole or part according to the local conditions as they now exist in the individual municipalities throughout this country.

Respectfully submitted.

WILLIAM F. FRANKLIN,
Grand Central Terminal, New York, N. Y.

MEMORANDUM OF MONSANTO CHEMICAL WORKS OF ST. LOUIS, MO., ON H. R. 5755
SENATE FINANCE COMMITTEE,
Washington, D. C.

GASOLINE TAX ON INDUSTRIAL BENZOL

GENTLEMEN: Yesterday the undersigned, through arrangements made by Senator Clark of your committee, had the privilege of making a very brief appearance before your committee, and was requested by your chairman, Senator Harrison, to file a memorandum.

Monsanto Chemical Works is engaged in the manufacture of chemicals and drugs and for such purpose uses what is known as "industrial benzol," as distinguished from "motor benzol."

In the Revenue Act of 1932 fixing a tax of 1 cent per gallon on gasoline, section 617 (c) defines "gasoline" as follows:

Section 617 (c) (2). "The term 'gasoline' means gasoline, benzol, and any other liquid the chief use of which is as a fuel for the propulsion of motor vehicles, motor boats, or aeroplanes."

At the time this 1932 act was passed it was our understanding that this tax was intended to cover motor fuels and that it would not apply to industrial benzol. This understanding was confirmed by the Treasury Department and shortly after the law was enacted the Treasury Department rules that the tax did not apply to "industrial benzol." This ruling of the Treasury Department remained in effect until about a month ago, April 28, 1933, when a new ruling was issued in which the Treasury Department reversed its earlier ruling. The new ruling recognized that it was probably the original intent of Congress to tax motor fuel but held that the wording of the 1932 act was such as to cover all benzol regardless of the quality or purpose for which it is used. The Treasury Department has advised us that in the absence of any change in the language of section 617 of the 1932 act their recent ruling will continue in effect, which means that under H. R. 5755 "industrial benzol" would be taxed for two more years at 1 3/4 cents per gallon.

Industrial benzol is a much different product from motor benzol. Industrial benzol is highly refined, whereas motor benzol is a very crude product. Their differences are illustrated by the differential in price, the industrial benzol costing about 19 or 20 cents a gallon and the motor benzol costing about 10 1/2 or 11 cents a gallon. The uses of the two products are not interchangeable, because motor benzol is entirely unfit for the manufacture of insecticides, medicinals, pharmaceuticals or dyes, and it is economically impossible to use industrial benzol as a motor fuel by reason of its very high price. The consumption of industrial benzol in this country is about 8,000,000 to 10,000,000 gallon per year, practically

all of which is used by five or six chemical companies. This industrial benzol is about 10 percent to 15 percent of the amount of motor benzol used, and, of course, is an insignificantly small fraction of one percent of gasoline used.

We use industrial benzol to manufacture phenol and paradichlorbenzol. Phenol is the base for various medicinal and pharmaceutical products such as phenolphthalein, aspirin, salicylic acid, sodium salicylate, phenacetin (acetphenetidin) and so forth, and paradichlorbenzol is used extensively as an insecticide, particularly against peach tree borer, termites and moths. Industrial benzol is used by other chemical manufacturers in the reduction of aniline dyes and dye intermediates.

We believe it was the intent of Congress to tax motor fuels and not the raw materials for insecticides, pharmaceuticals, medicinal products or dyes, and the Treasury Department so issued its original ruling on that basis. This tax on industrial benzol is not a sales tax so far as the users of industrial benzol are concerned, as it cannot be passed on by them, but is simply a tax on a product that is used in further manufacture, and would be an additional cost of raw material. Furthermore, it is the practice to sell such insecticides and medicinal products under annual contracts at fixed prices and such contracts usually run for the calendar year.

This gasoline tax on industrial benzol expires June 30, 1933, but section 208 (g) of H.R. 5755 would extend it for 2 more years and increase the tax from 1 cent to 1½ cents per gallon. The apparent oversight of Congress in the wording of the 1932 act can be corrected and the language clarified by inserting the word "motor" before the word "benzol" in section 617 (c) of the 1932 act. To the best of our knowledge no tax on industrial benzol has yet been collected by the Government and, therefore, such clarification in language will not deprive the Government of any revenue that it has been receiving.

We respectfully request that H.R. 5755 now pending before your committee be amended so as to limit the gasoline tax on benzol to motor benzol, which will be accomplished by the following amendment, the proposed change being underlined:

Amend H.R. 5755 as passed by the House by amending subdivision (g) of section 208 so that said subdivision when amended shall read as follows:

"(g) Effective as of the day following the date of the enactment of this act, section 617 (a) of the Revenue Act of 1932 is amended by striking out '1 cent' and inserting in lieu thereof '1½ cents', and by amending section 617 (c) of said act by inserting the word 'motor' before the word 'benzol.'"

Respectfully submitted.

MONSANTO CHEMICAL WORKS,
W. W. SCHNEIDER, *Secretary*.

STATEMENT OF JOHN E. DOWSING, REPRESENTING UNITED STATES POTTERS ASSOCIATION OF EAST LIVERPOOL, OHIO

Mr. DOWSING. Mr. Chairman, and members of the Finance Committee, my name is John E. Dowsing, of 420 Riverside Drive, New York, tariff counsel for the United States Potters Association of East Liverpool, Ohio. This association represents one of the large basic industries of the United States—manufacturers of chinaware and earthenware.

I wish to address myself to one feature only of this national industry recovery bill (H.R. 5755, S. 1712) to which very little attention seems to have been given. This lack of provision in my view will result in destroying the whole purpose of the bill.

Representing this association only in all matters affecting directly or indirectly the importations into this country of competitive merchandise is my reason for confining my remarks to this phase and the further fact the other features of the bill will be considered either by brief or personal appearance of manufacturing representatives of this association.

Under section 1 of this bill, headed Declaration of Policy it is provided among other things the policy to be "to reduce and relieve

unemployment, to improve standards of labor, and otherwise rehabilitate industry." These things are sought to be accomplished through the control and restriction of domestic competition and a general increase in the whole domestic cost and price structure. The whole cost and price structure of the country is to be raised. But no provision is made by which this price and cost structure is to be protected against foreign competition. There is no provision for the control and restriction of foreign competition in the American market. We are left at the mercy of the foreign manufacturer. There are, gentlemen, no compensatory duties proposed to offset this increased domestic cost. The lack of such provision will destroy the very purpose of the bill.

At the present time this industry is and has been for several years struggling along with its factories going on even part time and waging a losing fight against foreign importations of chinaware, particularly from Japan. Japan is dumping into their market chinaware literally by the millions of pieces at a landed price below the cost of production of similar or comparable goods of domestic make. We have been forced to close factories, lay off thousands of workers and other thousands of workmen are only able to average 2½ days a week. This bill as it is will not, cannot help the unemployment situation of the pottery industry.

Under this bill, unless some provision is made to control and restrict the foreign importations, I ask you gentlemen, how can the manufacturers of pottery in the United States maintain an increased wage level and higher price level if you permit cheap foreign goods, made by the low and pauper labor of Europe and Japan—goods, which are not subject to the burden of higher taxes, higher wages, and shorter hours of employment—to be dumped upon our markets in competition with our goods? How long do you imagine our domestic manufacturers and the American workmen can compete with the cheap foreign labor which is beyond our control?

Unless something is done, gentlemen of the committee, it is inevitable that the importations into this country will be vastly increased and the decreased domestic competition which this bill will bring about will give to the increased foreign competition what remains of our market.

Gentlemen, something should be done, must be done to offset the low foreign costs or the result will be that our prices and wage level will have to be reduced to the low standard of Japan if we are to sell anything here in our home market. Such a contingency is unthinkable. Yet it narrows down to just that.

Gentlemen, give this your serious consideration and permit me to suggest that as the means of correcting the proposed bill it be amended by a provision which will prohibit the entry of all foreign goods which are similar or comparable to goods produced in the United States, when and if the landed cost of such foreign goods are below the cost of production of the similar or comparable American-made goods. The Secretary of the Treasury should be authorized to ascertain these questions of fact, the cost of production and act accordingly. His decision should be final and not reviewable.

I thank you, gentlemen.

The CHAIRMAN. The first witness this morning will be Mr. Hook.

STATEMENT OF CHARLES R. HOOK, PRESIDENT, AMERICAN ROLLING MILL CO.

Mr. Hook. Mr. Chairman, I do not presume to represent any group except the corporation of which I happen to be president. However, from numerous conferences which I have had with large numbers of executives of the steel industry, and with manufacturers in other lines of industry, I am quite confident that I represent the viewpoint which is very general in industry today.

We have some 7,000 men on our pay roll. Therefore I think I represent a fair number of employees. The weight that you give to whatever I might say will be determined by your opinion as to whether or not I am qualified and competent to speak with respect to the matters which I am going to call to your attention, so in passing I simply want to say to you that I have gone through the ranks of the employee class, if you may term it that. In other words, I started 35 years ago as an office boy in the steel industry, and have gone through the various positions in the operating division first, and then in general charge of the affairs of the company. As a worker I spent a year and a half working Sundays and many nights without compensation in order to become proficient in a skilled job, known as a "roll turner", so that at one time I was in the ranks of the skilled worker. Therefore, it seems with this background I can properly come before you and present the viewpoint which I wish to present.

Realizing that your time is limited, and that you have requested witnesses to be brief, I will make this just as brief as possible, and instead of reading this very short statement at the end of what I have to say, I will read it now and then explain several of the statements which I have made and retire.

The corporation which I represent and, I think I may add, the vast majority of all industrial corporations in the United States, are in hearty sympathy with the objects of the proposed legislation. Judging from the expressions of the chief executives of steel companies representing not less than 95 percent of the production of the country, I can confidently state that this industry is anxious and willing to do everything in its power to cooperate with the President in his efforts to increase employment through the encouragement of business volume and the fair distribution of available work.

He would be a poor citizen indeed who did not bring to your attention provisions or lack of provisions in the act which would militate against a successful accomplishment of the desired objectives.

I think we must all agree that never was there a legislative proposal of such magnitude, so all embracing, and with the delegation of such tremendous power and authority as is contemplated in the bill under consideration. Therefore, it should have the most careful, calm, and thorough consideration before the wording of the bill is given final approval.

In our opinion there was never greater need for the most careful consideration of the form of organization and personnel of the administrative body. The success or failure of this most commendable experiment will depend as much upon able and fair administration as upon the sound, coordinated, and cooperative effort of industry itself.

This statement is meant to imply no lack of confidence or faith in the fairness or ability of the President, but the character of support which he receives will determine whether his shoulders will support the burden which has been placed thereon.

There are two things which I wish particularly to bring to your attention for your careful consideration:

First. The happy relationship which has existed between employer and employee in this country during the past 10 years, and particularly during this period of great personal and corporate suffering should not be endangered by any wording in the bill which would permit of misinterpretation or imply a privilege on the part of the employer or on the part of those not employees of a corporation which it is intended they should not have. I am quite sure that it is the desire of Congress as well as the President to recognize the right of employees to bargain individually or collectively and to belong to or not to belong to labor organizations as they choose, and that where collective relations exist or are established, they should be in any form which is mutually agreeable to the parties, and in which their respective representatives are designated without interference by either party or by those not connected by employment with the industrial corporation in whose plants the questions of hours of labor, rates of pay, and other working conditions are under consideration.

I offer for your consideration under section 7:

(a) The following in substitution for the present wording in the bill:

1. That employers and employees shall have the right to bargain collectively in any form mutually satisfactory to them, through representatives of their own choosing.

2. That no employee and no one seeking employment shall be required as a condition of employment to join or to refrain from joining a legitimate labor organization.

Second. The prime objective of the act is to increase employment in the industrial plants of the United States and thereby cause a normal exchange of goods and services amongst the citizens of this country. In our opinion the much hoped for results to be secured from the enactment of the legislation will not be accomplished unless the President is given authority to make such regulations as are necessary to protect American made goods and American workman against the influx of foreign-made goods produced under labor conditions and with wage rates and other conditions not comparable with American standards.

With reference to title 2, it is our opinion that the most equitable method of taxation is to spread a 1-point manufacturers sales tax over our industries.

The CHAIRMAN. Thank you very much.

Mr. HOOK. May I explain one thing in this cross bill which we have here for consideration on that clause?

The CHAIRMAN. I don't want it to appear that we are appearing to rush too much, but we have got to close these hearings today so that we can go into executive session, and all the witnesses will have to curtail their time.

Mr. HOOK. I appreciate that; and if you will permit me to read this one section, then I can explain what I said there more fully.

The CHAIRMAN. Very well.

Mr. Hook. Section 7 (a), as written into the House bill reads:

Every code of fair competition, agreement, and license approved, prescribed, or issued, under this title shall contain the following conditions: (1) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organizations or in other concerted activities for the purposes of collective bargaining or other mutual aid or protection.

And so forth.

Now, I submit to you that while there is a prohibition on the part of industry from interference with the employee's right to choose, there is no prohibition on those who are not employees from interfering with the free exercise of the employees of that corporation, and I suggest and leave here with these lead-pencil interlineations this wording:

It is proposed to use this general wording, starting at line 21—I want to cut out line 21, on page 7, section 7 (a), line 22. I would leave lines 16, 17, 18, 19, and 20, as it is, and then say:

And each employer and his employees shall be free from the interference, restraint, or coercion exercised by either party or by nonemployees as against either, in the designation of such representatives or in self-organizations, or in other concerted activities for the purpose of collective bargaining.

And so forth.

And then on the next page, page 8, line 2, it says: "of employment to join any company union or to refrain", and so forth, and I would strike out the two words "company union", and insert in place thereof the word "organization", because there is no reason why the words "company union", whatever that maybe, should be retained, and any other organization left out.

And in section (b), I would clarify that language so that in line 8, between the words "to" and "employers", I would insert the word "each", so that it would read:

The President shall, so far as practicable, afford every opportunity to each employer and to his employees, in any trade or industry or subdivision thereof.

And so forth.

And on line 14 I would strike out the words "such trade or industry or subdivision thereof", and I would insert in lieu thereof the words "his business", so that it would then read:

Such other working conditions as may be necessary in his business to effectuate the policy of this title.

The CHAIRMAN. Thank you very much.

STATEMENT OF GERALD GROSNER, REPRESENTING THE NATIONAL ASSOCIATION OF RETAIL CLOTHIERS AND FURNISHERS

Mr. GROSNER. Mr. Chairman and members of the committee, on behalf of the retailers of men's wear of the United States, through the National Association of Retail Clothiers and Furnishers, we desire to request recognition of our rights and problems in the formulation of the National Industrial Recovery Act.

All about us we see the organization and recognition of groups of manufacturers, mills, and processors of raw materials with power

through the President to fix minimum prices, contracts, production; in fact, everything. We as retailers want the Government to grant power to manufacturers that will only permit them to fix trade practices affecting only themselves. Trade practices concerning both manufacturers and retailers, or retailers alone, should include recognition of retailers through our association. In other words, the legislation being considered should provide that one branch of an industry should not be placed at the mercy of any other branch.

It is our opinion that through the use of modern machinery and mass production manufacturers have solved many of their problems. It is in the field of distribution that chaos reigns. For instance, our industry alone lost more than 3,000 distributors within the past year through retirements caused chiefly by the tremendous hazards of retailing. And among these retailers forced out of business are some of the oldest and most reputable of the Nation's merchants.

Distribution, suffering from competitive sales, from the foisting of inferior merchandise upon the public, from the surplus of distress merchandise, from false advertising, from fraudulent bankruptcies, and uneven pressure on the part of manufacturers, is urgently in need of relief that can be achieved if all merchants can be gathered together and obligated to fair practices.

The opportunities presented to the manufacturer are tremendous and are constantly being seized upon by the more unscrupulous of the distributors.

There is also the possibility that if the manufacturer alone were given governmental assistance in the fixing of prices and the control of production, he would be placed at an advantage that would be more harmful to industry as a whole than if no control were available.

The National Association of Retail Clothiers and Furnishers are making this presentation to point out that if the manufacturing division alone is given governmental assistance, the other divisions may be put in a more perilous position than ever, and that any general governmental cooperation with an industry can achieve the best results, in our opinion, by cooperation with the industry as a whole.

I would like to add one more fact that is not in this prepared statement; that where the manufacturers set their prices, it almost automatically sets the price for the retailer, because the retailer can only work from his wholesale prices.

STATEMENT OF J. HOWARD PEW, REPRESENTING THE SUN OIL CO.

Mr. PEW. The troubles of the oil industry flow directly from causes for which the industry itself is in no wise responsible. I mean, the excesses of taxes imposed on our products when they go to market. It is to this phase I wish to address myself briefly. It would be a waste of your time and mine to go over the story of crude oil produced in violation of State regulations; of how under present conditions and present development methods one man may, and often does, steal the crude from other men's properties. You do not need to be told how gasoline is sold without paying either State or Federal taxes. I want to show how these evils result from excessive taxation and work back to the producing phase of the industry, making it impossible to pay remunerative prices for crude oil.

There is no legitimate interest in the oil industry that does not want to see a fair, remunerative price for crude. That is necessary if the industry is to live. But the refiner and marketer are being drowned in a flood of over production from which they can't swim out because of the millstone of taxes fastened to their necks. If it were not for this millstone, effective control of production would be possible, with fair prices for crude. Here is the way it works:

Gasoline is retailed in great quantities, avoiding the gasoline taxes—you know the methods of the bootlegger. Dodging the gasoline taxes that honest men must pay, he can cut under honest men's prices and still make a rich profit. Indeed, he can literally give the gasoline away, and, pocketing the taxes that were intended for public treasuries still make a profit for himself. With this advantage in making prices, his business grows, and the honest oil man, cutting his price to the last decimal of a cent to meet this crooked competition, faces ruin. So long as he pays his taxes, he hasn't a chance. He must buy his crude as cheaply as he possibly can; he can't pay better prices, because he is not taking in enough at the distributing end. His market is wrecked, his resources drained off, by the impossible effort to compete with the tax evader. The taxes which legitimate business must pay have become the capital prize in the racketeer's game.

Senator CLARK. What proportion of the gasoline consumption in the United States do you contend is bootleg gasoline?

Mr. PEW. Ten per cent. That is an estimate.

Senator CLARK. I understand it necessarily must be an estimate, but I wondered what your theory of what was.

Mr. PEW. We figure 10 per cent.

Let me show now how big is that prize; what an irresistible incentive to dishonesty. State gasoline taxes range from 2 to 7 cents, and average for the whole country 3.6 cents. The Federal tax adds 1 cent; total 4.6 cents; while gasoline is now being sold from 2 to 4 cents, at refinery, depending on location and other conditions. That is, the average gasoline tax far exceeds the manufacturer's cost; it is a Simon-pure sales tax of fully 100 percent in the States where the tax is highest. The temptation is irresistible to divert the tax from the Public Treasury to the criminal's pocket. All taxation history proves there is always a point beyond which taxes will be evaded, and in this industry that point has long since been passed. The industry's earnings are hi-jacked by extortionate taxes, while its pockets are picked by bootleggers. I say in all earnestness, that if we had reasonable gasoline taxes the refiner could and would pay fair prices for his crude and still earn a living profit.

The tax burden is bringing the second industry in the land to the verge of ruin. Now, the service of any industry finds reflection in the price of its products. The automotive manufacturers, through mass production and progressive methods, have brought down the average wholesale value of passenger cars from \$1,168 in 1900 to \$566 in 1931. By similar efficiency, the makers of gasoline have brought it down from 16.8 cents in 1913 to 7.98 cents in 1932—I quote New York City tank-wagon prices, ex-tax. The price today is the lowest in this century. Yet despite all effort thus to serve the public, government has heaped on more and more taxes until they are now sucking the very life blood out of the industry. And now you have before you a proposal to add still more to them.

The law of diminishing returns is inevitably invoked by such tax excesses; and it is in fact now at work. Registrations of motor vehicles last year fell off sharply; and the fall was greatest in States where gasoline taxes are highest. Likewise, gasoline sales suffered a heavy reduction; and here again the loss was least in the lowest-tax States, steadily increased as the tax rate mounted, and was greatest in States imposing the heaviest gasoline taxes.

The country's production of new motor cars fell 41 percent from 1931 to 1932. What that meant to the motor industry you know all too well. The bank crisis started in Michigan, the great motor State. It spread in a fortnight to the whole Nation. Thus does disaster in a single industry find reflection in all. Dare we risk another cataclysm, following a possible collapse of the oil industry under this load of excessive taxes? Remember, Senators, the motor and oil industries are full brothers in blood. Their phenomenal development was largely responsible for the splendid prosperity of the last decade. But all along they have been excessively taxed, and you have seen what happened in an industrial area dominated by one of them. You must realize that there is gravest peril of a like experience in the oil areas. Will you, in the light of so plain an exposition, write a tax law that will fairly invite ruin to the oil industry?

It has been charged here that the so-called major oil companies are responsible for present depressed conditions in production. This I emphatically deny. It would be quite as sensible to charge that these companies are deliberately bent on committing suicide. Only a few months ago my own company took the lead in announcing an increased price for crude oil, hoping that with better prices for legally produced crude, there would be less unlawful production, in violation of quotas. The results did not justify our hopes; they simply gave us another demonstration that so long as excessive taxes offer so great a prize, the racketeer and tax dodger will continue operating. The one effective remedy lies in bringing this tax burden within reason and justice.

You have heard the familiar argument that the gasoline tax is simply passed on to the consumer, and so doesn't hurt the industry. That reminds me that in our Pennsylvania Legislature last winter a bill was introduced to require 3-foot sidewalks along all State highways. At the same time, bills were introduced, as always, to increase gasoline taxes. One day a shoe manufacturer, a friend of mine, said to me: "The gasoline tax ought to be raised. More money for roads, will make more motoring, more demand for gasoline, more employment; it would be a good thing for business, and it wouldn't hurt you oil people, for, of course, you would pass it on to the consumer."

"Certainly," I replied, "and this 3-foot sidewalk bill offers a big chance for you shoe manufacturers. More sidewalks, more walking, more shoes worn out, more business for you making them. Just put a manufacturer's tax of 100 percent on shoes to pay for the sidewalks; it would raise about \$750,000,000 a year, and, of course, you shoe manufacturers would pass it on to the consumers, just as you say we do the gasoline tax, so it wouldn't hurt you; in fact, the increase in walking would put the whole shoe industry right back on its feet."

Curiously enough, my shoe manufacturing friend couldn't see it; while he was sure such taxes are passed on, he wanted somebody else's industry to do the passing.

That's what they all want; to let somebody else assume the burden and try to pass it on. If you are to go on putting confiscatory taxes on a few, while letting others escape entirely there can be no other outcome but the destruction one by one, of all our great industries. There is no reason why this huge bill should be imposed on the oil and automotive interests while others escape. Every State, every industry, benefits from the prosperity of the automotive and petroleum interests. They call for material from every State. They reach everywhere, and everywhere their touch means activity, invigoration of life to industry and business. If taxes were distributed in fair proportion to all those who thus benefit, gasoline would not have to bear more than 25 percent of present taxes, the rest being raised from these other industries which share the profits of automotive activities. A sales tax would effect exactly this kind of an equitable distribution.

But instead, it was determined, when Congress last year was seeking to balance the Budget, to impose a Federal gasoline tax. A sales tax so moderate as to be painless, would have balanced your Budget; but instead a scheme of special excises, the greater part of them against the automotive and oil groups, was adopted. The Treasury estimated that these would produce \$450,000,000, of which \$266,000,000 or 59 percent, would come from the automotive and petroleum interests. As a result, the Budget was not balanced; and within a few weeks the bank crash had started in the State which was the headquarters of motor manufacturing, and the oil industry found itself being crowded daily nearer and nearer bankruptcy.

I think it must be plain to you, Senators, that you must find a wider base for your taxation structure. You cannot go on much longer heaping heavier and heavier burdens on the few. The customs have failed as a revenue reliance; you have been told what the real-estate collapse has done to the budgets of cities and States; you have lately detected some cracks in the income-tax edifice—cracks about the size of the Grand Canyon. You face demands from States, counties, cities, industries, railroads, banks, insurance—from every quarter for Federal relief. Is it not plain, Senators, that you must turn to the one most fair, equitable, painless, and democratic revenue resources of them all, the sales tax? Surely, if you can find justification for a 100 percent sales tax against our industry, you will have no great difficulty defending a 1 percent manufacturer's tax of general application. It is the ideal method of producing a measure of price inflation that would be fair, equitable, and healthy; and properly regulated, it cannot be pyramided. Everybody is pleading for a general and reasonably uniform advance in prices, as the most effective stimulus to business and industry. The general manufacturer's sales tax meets this requirement. It is the one sound, reliable, assured basis for your revenue structure.

STATEMENT OF HON. R. P. LAMONT, REPRESENTING THE AMERICAN IRON & STEEL INSTITUTE

Mr. LAMONT. I am appearing for the American Iron & Steel Institute, representing about 95 percent of the steel industry of the country.

Because of a lack of clearness and definiteness in the so-called labor clauses of the National Industrial Recovery Act, and doubt as

to the meaning and intent of some of the changes made in the bill since it was introduced in the House, and in view of the recently widely published interpretation of a statement concerning these sections, and fearing that silence now might be later misinterpreted, the iron and steel industry has thought it necessary to clearly state its position with reference to these sections.

It makes this statement without any antagonistic feeling of prejudice.

The industry stands positively for the open shop; it is unalterably opposed to the closed shop. For many years it has been and now is prepared to deal directly with its employees collectively on all matters relating to their employment. It is opposed to conducting negotiations regarding such matters otherwise than with its own employees; it is unwilling to conduct them with outside organizations of labor or with individuals not its employees. The industry accordingly most strongly objects to the inclusion in the pending bill of any provisions which will be in conflict with this position of the industry, or of any language which implies that such is the intent of the legislation. If this position is not protected in the bill, the industry is positive in the belief that the intent and purpose of the bill cannot be accomplished.

Senator REED. Do you think that the provision in the bill requiring consultation with representatives of the employees does in fact abolish the open shop?

Mr LAMONT. I don't quite get that.

Senator REED. I get your point all right, that you do not want anything done in this bill that will do away with your open-shop policy. Do you think the bill as it stands does that?

Mr. LAMONT. There is some question about it. It is uncertain. It is not quite clear just what the recent amendments do contemplate.

The CHAIRMAN. You are talking about the House amendments?

Mr. LAMONT. The House amendments.

Senator REED. It gives the employees a right to be consulted through representatives of his own choosing. Isn't that perfectly consistent with your open-shop policy?

Mr. LAMONT. Yes. That statement by itself is; yes.

May I just read the section to which I refer?

The announcement also disclosed that the Federation will use the industry recovery bill as occasion for an organizing campaign. Mr. Green will outline a plan to the meeting for a quick and intensive drive throughout the country, so that workers might be better prepared, as it was expressed, to demand consideration in the industrial agreements contemplated.

The attitudes taken today by the two organizations were in marked contrast to the statements made by Mr. Green and Henry I. Harriman, president of the Chamber of Commerce of the United States, when they joined hands before the Ways and Means Committee 10 days ago in support of the legislation.

The fear is that that would be more disturbing to industry than helpful.

STATEMENT OF CHESTER H. GRAY, REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. GRAY. Mr. Chairman and gentlemen of the committee, my name is Chester H. Gray, Washington representative of the American Farm Bureau Federation. The references that I shall make and the

few amendments that I want to offer in behalf of the American Farm Bureau Federation are all in connection with S. 1712, not in relation to the House bill.

On page 3, line 20, following the word "title", inasmuch as practically every other regulation which is put into effect is after public hearing, I am suggesting that we include these words:

And provided that such code does not control later steps in the economic process without public hearing.

The only idea of that proposed amendment is, Mr. Chairman and gentlemen, that whenever the code goes into effect a public hearing may be held as is provided in various other places in the bill.

That is on page 3, line 20, after the word "title."

Over on page 9, in section 8, an effort is made there in the entire section to make it clear that the operations of the Agricultural Adjustment Act now newly in operation at the Department of Agriculture, shall not be imposed upon by the operations of this Industrial Recovery Act; that there are discussions among Members of the Congress whether or not there may be a dual authority and a dual administration of the Industrial Recovery Act and the Farm Adjustment Act if title 8 should not be made more specific. In other words, the canner who handles a farm commodity, or the packer, may not know whether he is going to be under the Industrial Recovery Act or the Farm Adjustment Act.

Senator CLARK. In other words, you don't want one dictator to dictate to another dictator?

Mr. GRAY. Senator Clark, we want to know which boss prevails; and I am suggesting, Mr. Chairman, that section 8, on page 9, be enlarged by including these words:

During the period in which said act is in force the Secretary of Agriculture is authorized to carry out the purposes of this title with respect to such industries as come under his jurisdiction in the administration of said act and codes of trade practices, and their trade agreements entered into under such act shall be deemed to be in compliance with this title.

Senator GEORGE. That would mean that the processor of basic commodities would go to the Secretary of Agriculture?

Mr. GRAY. And that is what we desire to have done.

Senator GEORGE. And I rather think there is a good deal in that. They ought to be coordinated if the farm bill is to effectuate the purpose it is intended for. If it is to do so, there must be coordination between those who process the basic commodity and the producers.

Mr. GRAY. Indeed, I think you are right; and, Senator George, whether any processor that handles a farm commodity, in our judgment, should seek his authority and, using the words of Senator Clark, his dictatorship from the Department of Agriculture and not from the Industrial Recovery Act, or else we are going to be in confusion.

Senator CLARK. It may be necessary to create a coordinator of dictators, or a superdictatorship, before we get through here.

Mr. GRAY. We have the two acts, Senator Clark, one the law of the land and the other evidently soon is to be, and if there is any confusion in that it ought to be cleared up.

Senator CLARK. I think that is entirely correct, so far as I am concerned.

Mr. GRAY. Passing farther along, the title to section 202, on page 12, in line 15, after the words "harbor improvements", we are suggesting that this phrase be included, "including elevators for storage and transfer of grain between rail and water lines", the reason being, without giving any argument, but merely as an explanation—

Senator CLARK. Where do you want to put that?

Mr. GRAY. On page 12, Senator Clark, line 15, after the words "harbor improvements", in S. 1712. The reason for that is that the words "harbor improvements", under the usual practice on Capitol Hill, cannot by the President be interpreted to mean what this new language means, and under the terms of the Reconstruction Finance Corporation Act, all of these investments and loans must be given on full and adequate security. Evidently an elevator built from a rail line to water line might be charged so much per bushel for the handling of grain, and could provide an amortization fund to make this sort of a loan based on full and adequate security. It looks to us logical that that should be incorporated here so that there would be no doubt that the President of the United States and his administrator of this Industrial Recovery Act could have the authority to build that kind of a public structure.

Continuing further, in section 202, still referring back to the Reconstruction Finance Corporation Act, which requires full and adequate security, we desire to have inserted in section 202 this language at almost any place in the section. It makes no difference where—

To make loans to finance the construction for housing projects, buildings, warehouses, halls, equipment, and apparatus to be used for labor unions and/or for farm cooperative purposes. *Provided*, That such loans under this paragraph may be made through the purchase of securities or otherwise and for such purposes the Reconstruction Finance Corporation is authorized to bid for or to purchase such securities.

These improvements, whether for labor unions or farm cooperatives, on the same basis of paying amortization costs under terms of the Reconstruction Finance Corporation law could be termed, in our judgment, to be fully and adequately secured.

Senator CLARK. What do you mean when you say "erect buildings"? What sort of buildings would they want to erect?

Mr. GRAY. In the case of farm cooperatives?

Senator CLARK. You mean for housing purposes? Residences?

Mr. GRAY. Yes, it could be, in the case of labor unions. It says here, quoting a part of this amendment:

For the construction of housing projects, buildings, warehouses, halls, equipment, and apparatus,

all of which could be made fully and adequately secured under the terms of the Reconstruction Finance Corporation law.

Mr. Chairman, I do not desire to give much explanation about these matters, because time is limited.

The CHAIRMAN. You may make any elaboration of this in the record.

Mr. GRAY. I just want to set out briefly the main points that are in our minds.

On page 13, in line 10, following the word "units," we wish to add these words:

And provided further, That in determining the adequacy of security offered by the borrower applying subsection (c), section 201 of the Emergency Relief

and Construction Act of 1932, as amended, the President may in his discretion accept as sole and entire security for it, an acceptance secured by a fixed per centum of revenue receipts to be regularly deposited and impounded in a designated depository to the credit and order of the President or someone designated by him.

The reason for that is this: I have appeared before 5 or 4 committees in the last session of Congress on that same amendment to other bills, all of which have died. Owing to the introduction of this Industrial Recovery Act, I am trying, for the Farm Bureau, to get into this law a provision which would have made it possible, if it had been in last year, to have sold wheat to China, and take the obligations of the Chinese Republic, which under the terms of the Industrial Recovery Act of 1932, which is the so-called Reconstruction Finance Corporation law, denied it to be taken, because the lawyers in the Reconstruction Finance Corporation said that the Chinese Government obligations were not full and adequate security. I am trying to present an amendment, and I might say, parenthetically, that this is supported by the farm cooperatives, so that any foreign government could take the surplus farm crops—wheat, cotton, or other crops—and stipulating that a portion of the proceeds of the sale of such crops shall be impounded in a certain bank to the credit of the President to guarantee the loan, can do so. I am trying to get rid of the farm surplus which have not been moved under the terms of the Reconstruction Finance law, because the Reconstruction Finance Corporation has been declared to be not full and adequate security.

Senator GEORGE. There is a provision in the farm bill, Mr. Gray, authorizing the use of the proceeds of the tax on the marketing tax for the purpose of financing expenses for marketing farm products.

Mr. GRAY. That is true, but that does not quite cover this situation.

Senator GEORGE. It does not quite cover the situation.

Mr. GRAY. I am further asking coming in on page 204, the highway section, I would like to have included on page 15, line 15, after the word "and" language similar to that in the highway Act of 1921, as amended.

To be administered under the Federal Highway Act of 1921, as amended.

The reason for that is that the Government expends this money, and there is no designation there and it shall be done under the terms of the Federal Highway Act of 1921, and inasmuch as the State laws have all been building under that act and contacted with the Bureau of Public Roads, it would be very difficult to get this thing into administration unless indeed a complete new personnel should be built up to administer this highway fund.

Senator GEORGE. That is in the House bill.

Mr. GRAY. Yes. Something of that nature, Senator George, is incorporated by amendment in the House bill.

I want to talk particularly about the taxation question just a moment, if I may. We have a position in the Farm Bureau that wants the tax base broadened, and we can approach the tax question too, not by imposing a sales tax, or something of that nature, which lies most heavily upon those who are unable to pay, but by profiting from the information which the Nation has in the last 2 weeks' period of how evasions of taxes can be made possible. We can close the gaps in

our present tax law relative to exemption and deductions, so that by that one method alone we can get enough money to create a sinking fund for the retirement of the \$3,300,000,000 of bonds we are going to float in this recovery act.

May I state that there are three forms of deduction which should be stopped, if not wholly, in large part: First, we should prevent the carry-over of capital loss of 1 year to offset the net income of the following year. That has been attended to by the House language; second, we should apply the regular rates, whatever they are, to dividends; third, we should eliminate the possibility of consolidated returns, or if not doing that, we should put a slightly higher rate on those corporations which make consolidated returns. By these three methods, Mr. Chairman, you will practically get enough money to create this sinking fund.

Senator REED. We have already done the last one.

Mr. GRAY. Yes.

Senator REED. The tax on the consolidated return is higher than the normal tax.

Mr. GRAY. But perhaps not high enough. It is 2 percent higher.

In addition to that, in regard to exemptions, and in keeping with our policy of broadening the base of taxation, I am recommending for the Farm Bureau, in complete accord with our policy, that on married men the exemption be reduced from \$2,500 to \$2,000, and also that on all net taxable income below \$10,000, whatever tax rate is now applicable, be increased 1 percent, and that on all personal income tax above \$10,000, that it be increased 2 percent. We are recommending also that for the corporation net income beyond the present rate there be an additional 4 percent. Senator Connally the other day before this committee made the suggestion that all the present rates be increased 10 percent. This suggestion I am making is not far different from the suggestions of Senator Connally, except in degree. In purpose they are about the same that Senator Connally recommended.

May I conclude by saying that if these exemptions and deductions and the increase in the personal and corporation rates which we are advocating do not get enough income, and if the deductions which I outlined a while ago do not get enough income, there still are other methods to be explored rather than to go into a general sales tax of any character whatsoever. We are against the sales tax, and we do not like to see the gas tax increased. We are not against its continuation on the 1-cent per gallon basis, under the exigencies of the situation, but we do not like to see it further increased.

Any further comments I desire to make, on account of your desire to close the record, I shall put into the record later.

FURTHER STATEMENT OF CHESTER H. GRAY

Mr. GRAY. Some are afraid that the present tax rates, both for individuals and corporations, are too high. I am submitting for the record a compilation which shows the average rates for single individuals, which in the right hand column demonstrates that until the incomes reach beyond \$100,000 annually the rates are much more modest than is generally thought to be the case.

(The tabulation referred to is as follows:)

Average tax rate on total net taxable income of single individuals

Net taxable income (before deducting allowances for dependents)	Present tax		Tax payable on net taxable income of single person (less permissible deductions)	Average tax rate on total net taxable income (total taxes as a percent of net taxable income less deductions for dependents)
	Normal tax (on net taxable income less deductions)	Surtax (on net taxable with no deductions for dependents)		
		Percent	Total tax	Percent
0 to \$1,000.....	0	0	0	0
\$1,000 to \$2,000.....	4	0	\$40	4
\$2,000 to \$3,000.....	4	0	80	4
\$3,000 to \$4,000.....	4	0	120	4
\$4,000 to \$5,000.....	4	0	160	4
\$5,000 to \$6,000.....	8	0	240	4.8
\$6,000 to \$7,000.....	8	1	360	6
\$7,000 to \$8,000.....	8	1	440	6.3
\$8,000 to \$9,000.....	8	1	520	6.5
\$9,000 to \$10,000.....	8	1	600	6.7
\$10,000 to \$12,000.....	8	2	800	7.3
\$12,000 to \$14,000.....	8	3	1,020	7.9
\$14,000 to \$16,000.....	8	4	1,260	8.4
\$16,000 to \$18,000.....	8	5	1,520	8.9
\$18,000 to \$20,000.....	8	6	1,800	9.5
\$20,000 to \$22,000.....	8	8	2,120	10.1
\$22,000 to \$24,000.....	8	9	2,460	10.7
\$24,000 to \$26,000.....	8	10	2,820	11.3
\$26,000 to \$28,000.....	8	11	3,200	11.9
\$28,000 to \$30,000.....	8	12	3,600	12.4
\$30,000 to \$32,000.....	8	13	4,020	13.0
\$32,000 to \$36,000.....	8	15	4,940	14.1
\$36,000 to \$38,000.....	8	16	5,420	14.6
\$38,000 to \$40,000.....	8	17	5,920	15.2
\$40,000 to \$42,000.....	8	18	6,440	15.7
\$42,000 to \$44,000.....	8	19	6,980	16.2
\$44,000 to \$46,000.....	8	20	7,540	16.8
\$46,000 to \$48,000.....	8	21	8,120	17.3
\$48,000 to \$50,000.....	8	22	8,720	17.8
\$50,000 to \$52,000.....	8	23	9,340	18.3
\$52,000 to \$54,000.....	8	24	9,980	18.8
\$54,000 to \$56,000.....	8	25	10,640	19.3
\$56,000 to \$58,000.....	8	26	11,320	19.9
\$58,000 to \$60,000.....	8	27	12,020	20.4
\$60,000 to \$62,000.....	8	28	12,740	20.9
\$62,000 to \$64,000.....	8	29	13,480	21.4
\$64,000 to \$66,000.....	8	30	14,240	21.9
\$66,000 to \$68,000.....	8	31	15,020	22.4
\$68,000 to \$70,000.....	8	32	15,820	22.9
\$70,000 to \$72,000.....	8	33	16,640	23.4
\$72,000 to \$74,000.....	8	34	17,480	23.9
\$74,000 to \$76,000.....	8	35	\$18,340	24.4
\$76,000 to \$78,000.....	8	36	19,220	25
\$78,000 to \$80,000.....	8	37	20,120	25.5
\$80,000 to \$82,000.....	8	38	21,040	26.4
\$82,000 to \$84,000.....	8	39	21,980	26.4
\$84,000 to \$86,000.....	8	40	22,940	26.9
\$86,000 to \$88,000.....	8	41	23,920	27.5
\$88,000 to \$90,000.....	8	42	24,920	28.0
\$90,000 to \$92,000.....	8	43	25,940	28.5
\$92,000 to \$94,000.....	8	44	26,980	29.0
\$94,000 to \$96,000.....	8	45	28,040	29.5
\$96,000 to \$98,000.....	8	46	29,120	30.0
\$98,000 to \$100,000.....	8	47	30,220	30.5
\$100,000 to \$150,000.....	8	48	58,220	39.1
\$150,000 to \$200,000.....	8	49	86,720	43.6
\$200,000 to \$300,000.....	8	50	136,720	45.7
\$300,000 to \$400,000.....	8	51	203,320	51.0
\$400,000 to \$500,000.....	8	52	263,720	52.8
\$500,000 to \$750,000.....	8	53	416,220	55.6
\$750,000 to \$1,000,000.....	8	54	571,220	57.2
\$1,000,000 up.....	8	55		

Mr. GRAY. Referring again to deductions, may I state that one thing which no longer should be permitted is the large salaries which

corporations pay, it is thought by many, on purpose to absorb profits in salaries and thereby secure deductible amounts. The Reconstruction Finance Corporation has followed the rule recently that salaries must be limited in the corporations that get its loans. It is no doubt timely to put the same sort of salary limitation for deductible purposes in the Federal tax law.

There is offered for the record at this point a table which shows increases in salaries between the years 1929 and 1932. This goes to prove the point that large salaries should not be deductible amounts and that limits should be imposed in this regard.

(The table referred to is as follows:)

Salaries of executives of life-insurance companies from 1929 to 1932

[Inserted in Congressional Record of May 24, 1933, by Congressman McFarlane, p. 4199]

	1929	1932
EQUITABLE LIFE ASSURANCE SOCIETY		
T. I. Parkinson, president.....	\$75,000	\$100,000
L. M. Fisher, vice president.....	34,375	40,000
W. J. Graham, vice president.....	34,375	40,000
R. D. Murphy, vice president.....	20,000	30,000
D. A. Walker, vice president.....	17,187	20,000
METROPOLITAN LIFE INSURANCE CO.		
F. H. Ecker, president.....	175,000	200,000
L. A. Lincoln, vice president.....	66,875	125,000
A. C. Campbell, vice president.....	35,000	40,000
H. E. North, vice president.....	30,000	35,000
F. W. Ecker, treasurer.....	27,500	32,500
THE MUTUAL LIFE INSURANCE CO.		
D. F. Houston, president.....	100,000	125,000
F. L. Allen, vice president.....	40,000	40,000
G. K. Sargent, vice president.....	40,000	40,000
W. Shields, vice president.....	31,250	40,000
P. M. Forshay, vice president.....	30,000	30,000
NEW YORK LIFE INSURANCE CO.		
T. A. Buckner, president.....	100,000	125,000
W. Buckner, vice president.....	55,360	55,400
A. L. Aiken, vice president.....	45,000	45,000
J. C. McCall, vice president.....	56,200	55,000
L. H. McCall, secretary.....	18,892	18,000
T. A. Buckner, Jr., assistant secretary.....	8,604	10,000
H. Palagano, treasurer.....	45,400	45,000
THE PRUDENTIAL INSURANCE CO. OF AMERICA		
E. H. Duffield, president.....	125,000	125,000
F. D'Olier, vice president.....	75,000	75,000
G. W. Munsick, vice president.....	48,000	50,000
J. W. Stedman, vice president.....	43,000	43,000
J. K. Gore, vice president.....	43,000	43,000

Mr. GRAY. Another source of revenue which may be used is that of taxing the incomes from tax-free securities. At the present time fully \$20,000,000,000 are invested in these securities in the United States. They could be taxed by any one of three methods:

1. The tax could be retroactive as well as for the future on all old and new issues;
2. The tax could be only for the future on old and new issues; or
3. The tax could be for the future only on new issues.

Even if the last procedure should be followed it would be an entering wedge gradually to split away this tax-free proposition from our Federal tax structure. Some say it would be ridiculous to tax the income from these securities retroactively. Maybe so. But the Congress is now enacting a retroactive annulment of the so-called "gold clause" in contracts, both private and governmental. That is a good precedent for doing a similar thing in regard to tax-free securities.

Some say also that there is no basis in the Constitution for taxing the income from these securities. Note, however, the sixteenth amendment, which made it possible to have an income tax:

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

It will be noted that income taxes can be secured "from whatever source derived." This undoubtedly supersedes and annuls any provision of law to the contrary. We do not need another constitutional amendment to tax the income from tax-free securities. The sixteenth amendment settles that question. From this source alone we could get no doubt a hundred million dollars annually.

All of these plans, namely, the limitation of exemptions and deductions, the increase of the individual and the corporation income tax, the limitation of salaries as permissible deductions, and the taxing of the income from tax-free securities, make it absolutely unnecessary either to increase the Federal tax on gasoline or to resort to a general sales tax.

Turning now to other features of the pending bill, S. 1712, on the tax question, it is well to recommend that on page 16, lines 16 and 17 be deleted. It seems not fair that the secondary roads be required to be maintained by the State or responsible political subdivision when the primary roads are not subjected to a similar requirement. This provision, if left in the law, might seriously restrain States and counties from asking that secondary roads be constructed. It should be eliminated.

In subparagraph (b) on paragraph 2, section 203, beginning on page 16 and extending to page 17, change should be made so that the reapportionment of Federal funds for highway building be left exactly as they are at the present time, namely one third to total population, one third to rural free delivery mileage, and one third to total land area. This can be accomplished by striking the words "three fourths" in line 25 of page 16, and by striking "and one fourth" in the ratio which the population of each State bears to the total population of the United States, according to the latest decennial census, in lines 3, 4, and 5 on page 17.

There is little reason why we should undertake a reapportionment of Federal highway funds in an emergency law. It might become a precedent for permanent legislation that must follow for every Congress.

This reapportionment, if left in the law, will result in a severe shifting of Federal highway funds as is indicated on the attached table.

(The table referred to is as follows:)

Amounts of road funds gained or lost by various States as a result of the change in allocation of funds proposed in H.R. 5755

[Prepared by Congressman Fuller, Cong. Rec. May 26, 1933, p. 4424]

State	Total	Amount gained	Amount lost
Arkansas.....	\$7,765,000		\$236,000
Alabama.....	3,553,000	\$28,000	
Arizona.....	4,757,000		1,102,000
California.....	16,276,500	736,000	
Colorado.....	6,491,000		1,000,000
Connecticut.....	3,257,000	940,000	
Delaware.....	1,694,000		300,000
Florida.....	5,258,800		160,000
Georgia.....	10,180,000		216,000
Idaho.....	4,127,500		884,000
Illinois.....	18,928,000	2,000,000	
Indiana.....	10,287,000	128,000	
Iowa.....	9,744,000		628,000
Kansas.....	9,696,000		1,200,000
Kentucky.....	7,774,000	61,000	
Louisiana.....	6,076,000		260,000
Maine.....	3,318,000		240,000
Maryland.....	3,879,000	480,000	
Massachusetts.....	7,756,000	2,000,000	
Michigan.....	13,377,100	800,000	
Minnesota.....	10,612,000		720,000
Mississippi.....	7,039,000		164,000
Missouri.....	12,343,000		170,000
Montana.....	6,781,000		1,668,000
Nebraska.....	7,486,000		1,000,000
Nevada.....	4,014,000		1,240,000
New Hampshire.....	1,879,300		160,000
New Jersey.....	7,440,000	1,908,000	
New Mexico.....	5,259,000		1,292,000
New York.....	25,411,000	5,200,000	
North Carolina.....	9,805,300	180,000	
North Dakota.....	5,389,000		1,066,000
Ohio.....	16,644,400	1,280,000	
Oklahoma.....	9,175,200		456,000
Oregon.....	5,871,750		892,000
Pennsylvania.....	21,018,000	3,860,000	
Rhode Island.....	2,060,000	60,000	
South Carolina.....	5,584,500	(¹)	
South Dakota.....	5,576,300		1,120,000
Tennessee.....	5,646,100		80,000
Texas.....	23,910,300		1,640,000
Utah.....	3,902,300		788,000
Vermont.....	1,793,100		208,000
Virginia.....	7,614,900	92,000	
Washington.....	6,075,800		328,000
West Virginia.....	4,719,500	304,000	
Wisconsin.....	9,874,000		98,000
Wyoming.....	4,037,800		1,100,000

¹ Practically even.

Mr. GRAY. If it shall be decided to include the so-called "oil control bill, S. 1736," as a new title in the national industrial recovery act, it is recommended that the following language be included:

The Reconstruction Finance Corporation is authorized and empowered to make adequately secured loans, based on mineral acreage, and self-liquidating in character, to recognized and established managing agencies of farmers' cooperative mineral rights pools not engaged in drilling or mining operations, said loans to be made for the purpose of defraying the cost of organizing such pools.

The main purpose of this amendment is that farmers under whose land minerals such as crude oil are discovered may pool in a cooperative way their rights so that the profit will go to all members of the pool rather than to the one on whose land the particular discovery is made. This is an extension of the cooperative principle which is already in the Federal statutes in several forms and merely seeks to make it

possible for farmers to sell their undersoil crops cooperatively in a manner similar to that in which they have been selling their soil crops for many years.

STATEMENT OF JOHN L. LEWIS, REPRESENTING THE UNITED MINE WORKERS OF AMERICA AND THE AMERICAN FEDERATION OF LABOR

Mr. LEWIS. Mr. Chairman and gentlemen of the committee, I appear here to sum up briefly the position of organized labor in America with regard to this industrial recovery bill. We stand squarely behind section 7 as reported to the Senate in the House bill, as amended by the Ways and Means Committee. It will place upon the statute books a good safe declaration in the form of a statute that will give to the workers of this country some rights, the same rights now enjoyed by the employers and the corporations, the right to organize, and to bargain collectively for their labor, and to be represented by representatives of their own choosing, in precisely the same form, gentlemen, that the American Iron and Steel Institute is represented before this committee this morning by a former distinguished Secretary of Commerce, Mr. Lamont, a representative of their own choosing.

This measure came from the House of Representatives largely as an agreed measure on the part of labor and industry in this country, industry speaking through the United States Chamber of Commerce, the National Association of Manufacturers and their various subdivisions, and labor speaking through the American Federation of Labor.

Mr. Harriman, president of the United States Chamber of Commerce, appeared before the Ways and Means Committee of the House and unqualifiedly endorsed every provision of section 7 in this measure.

The CHAIRMAN. As now in the bill?

Mr. LEWIS. As now in the bill.

Senator GEORGE. In the House bill?

Mr. LEWIS. Because he was there, following Mr. Green on the stand, when the so-called "company union amendment" was recommended by Mr. Green and later adopted by the Ways and Means Committee.

Senator GEORGE. You mean as in the House bill?

Mr. LEWIS. As in the House bill.

Now, according to press reports, Mr. Harriman has addressed a communication to this committee in which he expresses the fear that section 7 will violate the true principle of the open shop, and afterthought, doubtless brought to his attention by some of those irreconcilable units of industry who, with their last breath, will oppose any recognition of labor by the extension of any privilege to labor.

Mr. Lamont appeared this morning for the iron and steel industry, and stated that the Iron and Steel Institute, which represents 90 to 95 percent of the producing units of the steel industry, likewise stands for the open shop. That carries the implication that the open shop is an institution or a policy whereby the employees of the steel industry can at will belong to a union or not belong to a union, as they choose, and that the employers are protecting the principle of the open shop and the right of employees to either belong to a union or not belong to a union.

There is no open shop in the steel industry as represented by Mr. Lamont. There is no right to belong to a union in the steel industry. It is a misnomer. If any shop exists in the steel industry, it is the closed shop, closed to the man who wants to belong to a union. He cannot work in the steel industry if he belongs to a union, and the best evidence of that fact is that in the steel plants of the United States Steel Corporation today there are no union men. There is no man who dares say he belongs to a union. Why? Because the secret-service bureau and the intelligence department of the Carnegie Steel Co., the American Sheet & Tinplate Co., the National Tube Co., the American Bridge Co., all of the units of the Steel Corporation, report that man and he is immediately discharged, if he attends a union meeting, or if he gives voice to a sentiment that indicates his desire to belong to a union.

That is the kind of open shop that exists in the steel industry which Mr. Lamont comes here this morning and pleads with this committee to maintain in the future.

Senator REED. Is that similarly true of the mines?

Mr. LEWIS. It is true of the National Mining Co., the United States Coal & Coke Co., the Fricke Coal & Coke Co., the Tennessee Coal & Iron Mines. It is not true of the United States Steel Co., in Illinois and Indiana, where they deal with the union. And, Senator, in that instance the Steel Corporation deals fairly with its employees, where they do recognize the unions in those mines.

Senator REED. How about the iron mines? Are they organized?

Mr. LEWIS. They are not, Senator, and a man cannot belong to a union in the iron mines for the reason that the secret-service department would report him, and he is immediately weeded out.

There is no open shop in the steel industry. It cannot be perpetuated because it does not exist, and it is beside the question now for the iron and steel industry, which last week, through a speech to the Iron Institute in New York, told the American people the iron and steel industry was assisting in good faith the industrial recovery act, to now send its representatives here to scuttle the legislative ship through the opening of the sea cocks in schedule no. 7.

Organized labor in America wants the right to organize if it wants to organize. Every employer has the right to join these trade associations, and the enactment of this bill will make it almost mandatory upon every substantial employer of labor and producer of commodities transported in interstate commerce to join an organization for his protection, and through this legislative enactment there will be a closed shop to employers and industrialists in this country in every trade and industry, and yet distinguished gentlemen have the effrontery to come before this committee and propose that, after securing these privileges for themselves, they will deny to the workmen engaged in those industries the same rights and privileges which they arrogate to themselves.

Labor in America is tired of such hypocrisy; it is tired of being dealt with in such a manner by men who proclaim the present labor relationship, as was done this morning by a representative of the steel industry here, as a happy state of affairs existing and a happy condition. A man who can say that labor relations in the last 10 years in America were happy is an optimist that dwells in a realm to which I cannot ascend. I refer him to the millions of workmen who have

their standards of living degraded and their conditions of employment taken away from them, their hours of labor unduly lengthened by the arbitrary actions of employers, who merely posted their wage schedules upon the bulletin boards and told them to take it or leave it. They had no voice in determining those conditions. They had no privilege to even express their opinion as to whether the policy was good, bad, or indifferent.

I have here the figures of a coal company in Harlan County, W. Va., that withdrew from the recently formed Appalachian Coal Sales Organization that was formed to raise the price of coal in that area, because they found it was more profitable to undersell the pool price, by reducing the price of their labor and lengthening their hours, and this statement shows they are running their mines now an average of from 12 to 16 hours a day, and the average per day worked underground for those men is 13 hours, and the average compensation received is \$2.25 daily.

They are making it impossible for the sales crew to function, and they are making it impossible for their labor to live and endure, because no man can work underground 13 hours a day and continue to maintain his health.

This legislation, gentlemen, is intended, in the words of the President, to correct the attitude of that coal operator and that employer, who is the man that is dragging down industry—correct his attitude so that the producers in that field may be protected against his discriminatory sales policy and influence him so that he will give his labor a reasonable day's work at a living wage. That is the purpose and the intent of this measure, and it can not be accomplished in American industry by emasculating section 7 upon the petition of men who come here to maintain a medieval relationship in labor.

American labor occupies a unique position in this country, because in the very essence of things it must stand between the rapacity of the robber barons of industry of America, and the lustful rage of the Communists, who would lay waste to our traditions and our institutions with fire and sword. And the one is almost as great a menace as the other.

Labor in America, organized labor, is trying to maintain an equilibrium of relations in industry, and trying to maintain an equilibrium of our Government in this time of stress, and in order to accomplish that task it is entitled to the friendly cooperation and support of every American who believes in maintaining that equilibrium so that our Nation might endure, and it cannot be maintained by following the legislative course of action suggested here by large employers of labor in the iron and steel industry, and National Association of Manufacturers, to keep from labor those rights which the masters of industry arrogate to themselves.

The only parallel to this situation, and this suggestion made here, that now comes to my mind, is the action of the Scotch Parliament in 1654, which enacted a statute which said that the relations between the employee and employer were those of master and servant, and that no servant would be permitted in the mining industry to leave the employment of his master without the master's consent.

And again, they passed an act giving to the Scotch mine owners the authority and power to go out upon the byways and public

highways and apprehend all rascals and stout varlets and impress them into service.

Perhaps that is the kind of amendment to this bill that the steel industry would like to have, the power to apprehend men and impress them into service of industry and keep them there under the conditions they impose upon them. That is not a far cry. It does not require any great stretch of the imagination.

Gentlemen of the committee, I must not take more time. I appreciate your haste. I merely want to say in conclusion that organized labor in America, speaking through the American Federation of Labor and its subdivisions, has endorsed the provisions of this legislation. They have endorsed it because they think there is an emergency in the Nation that is hourly growing worse. There is a grave necessity for the stabilization of our economic and industrial processes. There is an imperative necessity for setting up machinery under the Government for economic, coordination, and regulation of processes of industry and labor relationship. Let there be no "moaning at the bar" when we put out to sea on this great adventure; let there be decision on the part of all, and each will be treated according to his inherent rights, and every American engaged in industry, whether he is a member of the American Iron & Steel Institute, the president of the National Manufacturers Association, or the humblest employee in your Edgar Thompson Works, Senator, he shall be accorded by this great Government of ours the equal opportunity to do those things that are inherent under the great privileges of American citizenship.

Labor will protest any emasculation of section 7, and it says furthermore that industry has nothing to fear in a modern rationalized labor relationship such as can be set up and administered under the provisions of this act.

Those employers who point with fear, apprehension, and alarm to the amendment, referring to company unions in section 7, need not be alarmed. There is nothing in section 7 that will destroy the company union as it now exists in any plant. If the employees of that plant want to remain members of a company union, all there is in that is that the Bethlehem Steel Co. cannot, as a condition of employment, force those employees to join a company union, or discharge them or penalize them if they refuse to do so. That is all there is in the company union proposition, which was inserted in the bill by action of the Ways and Means Committee of the House.

Gentlemen, I thank you for your consideration and hope you will give these matters serious consideration, because these remarks come, as you must understand, from the ideals, objectives, and dreams of labor, and right from the heart of American labor.

The CHAIRMAN. I would like to put into the record a letter I received from Mr. Harriman, Chamber of Commerce of the United States; also one I received from the building trades department.

(The letters are as follows:)

BOSTON, MASS., May 27, 1933.

HON. PAT HARRISON,

Chairman Committee on Finance, United States Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: I learn that your committee has been holding hearings on the Industrial Recovery Act introduced by Senator Wagner, S. 1712, and that you will soon have before you the corresponding House bill which was passed by the House of Representatives on May 26.

The Chamber of Commerce of the United States is heartily in sympathy with the main provisions of title 1 of said bill. I presented the position of the chamber and my own personal views before the Committee on Ways and Means of the House of Representatives on May 18 and as these statements are undoubtedly before you, I assume you do not care for their repetition.

If the provisions of title 1 are to operate successfully and promptly aid in improving industrial conditions, it is essential that they have the hearty support of both industry and labor. In my judgment, changes should be made in sections 6 and 7 to make perfectly clear that the principles of true open-shop operation are not contravened.

I am enclosing you a resolution adopted at the twenty-first annual meeting of the Chamber of Commerce of the United States held May 5 dealing with the problems of industry.

Very truly yours,

H. I. HARRIMAN, *President.*

Resolution adopted at the twenty-first annual meeting of the Chamber of Commerce of the United States, Washington, D.C., May 5, 1933.

PROBLEMS OF INDUSTRY

Those who are best equipped to solve the problems of industry are those who themselves are engaged in industry. They can provide measures which are so shaped to the conditions in each of the parts of our highly complex industrial system as to afford results beneficial to the public interest and avoid consequences that would follow endeavors from outside to apply arbitrary rules and that would bring widespread detriments, public and private.

For common action that is timely our industries have trade associations through which they can act quickly, or which they can adapt for action. Each trade association representative of its industry or branch, in accordance with its conditions and in conference with the appropriate agency of the Government, should be permitted to promulgate fair rules for industrial production and distribution, to improve the status of labor, the industries of the Nation, and the public welfare.

Federal legislation affording opportunity for this form of self-regulation under Government supervision would produce conditions which would assure fair competitive opportunity to each enterprise and permit immediate increase in employment, raise earnings, and free the public from the burdens and detriments it inevitably suffers from the results of destructive competition on the part of the least responsible industrial elements. All enterprise could be held to standards of fair competition properly determined.

BUILDING TRADES DEPARTMENT,
AMERICAN FEDERATION OF LABOR,
May 29, 1933.

Hon. PAT HARRISON,
*Chairman Committee on Finance,
Senate Office Building, Washington, D.C.*

SIR: As I will be unable to appear before your committee, which is considering Senate bill 1712, I will appreciate the bill being amended so as to make it possible for the building trades mechanics of this country to have an opportunity to be benefited by the passage of this act. At the present time the building trades industry is the most depressed industry in the country, as at present only 15 percent of the men normally engaged in building construction are employed. Under normal conditions, the building industry, with its many ramifications, furnishes employment for 20 percent of our working population. This industry yearly is the largest industry in the country, with reference to the amount of money paid out for pay rolls, 77 cents out of each dollar spent for the erection of buildings is paid out in wages to workmen employed in the industry.

In the passage of the Reforestation Act, the money for the maintenance of the reforestation corps was diverted from the funds already appropriated for public buildings by a previous Congress.

The Reforestation Act also provides that projects on which actual construction has been commenced or may be commenced within 90 days, such sums as may be necessary for the erection of these projects will be appropriated. Sixty days of the 90 have elapsed and bids have been accepted by the various governmental

departments on approximately \$20,000,000 of public construction, but by Executive order awarding of contracts has been withheld, which is adding to the misery of those engaged in the building industry.

Representing 1,500,000 organized building-trades mechanics of this country, I believe it is the desire of our Government in approving the national industry bill to relieve unemployment in all industries. We feel that to relieve unemployment in the building industry, it will be necessary to amend the bill so as to earmark a definite sum for the erection of Federal buildings.

In addition, we are submitting a list of public buildings which have been investigated by all of the governmental departments and deemed by them necessary, and if erected will prove an economy to the Government.

We are offering the following amendment to S. 1712:

"For the purpose of providing for the construction of public buildings, that \$1,000,000,000 of the \$3,300,000,000 appropriated be allocated for the construction of public buildings."

In addition to relieving unemployment for the building-trades mechanics and laborers, the amendment if approved will encourage private construction, as our experience has been that in the localities where the Federal Government erects a public building, private concerns build new buildings and renovate their old ones, so you can appreciate the impetus that will be given to private construction by the Government earmarking at least \$1,000,000,000 for the erection of public buildings.

Trusting that the suggested amendment will meet with the approval of your committee, I am, with best wishes,

Very truly yours,

M. J. McDONOUGH,
President Building Trades Department.

(The tables referred to are as follows:)

ALABAMA		CALIFORNIA—continued	
Anniston.....	\$175, 000	Gilroy.....	\$85, 000
Fairfield.....	85, 000	Hayward.....	100, 000
Huntsville.....	260, 000	Hemet.....	80, 000
Mobile court house.....	550, 000	Hollister.....	85, 000
ARIZONA		Hollywood.....	\$425, 000
Bisbee.....	135, 000	Huntington Beach.....	80, 000
Flagstaff.....	140, 000	Huntington Park.....	210, 000
Jerome.....	90, 000	Inglewood.....	210, 000
Kingman.....	75, 000	La Jolla.....	85, 000
Mesa.....	90, 000	Lindsay.....	80, 000
Miami.....	110, 000	Livermore.....	80, 000
Nogales, I.S.....	150, 000	Lodi.....	105, 000
Phoenix court house.....	40, 000	Los Angeles Court House.....	5, 850, 000
Winslow.....	90, 000	Los Angeles Post Office.....	3, 200, 000
ARKANSAS.....	None.	Los Gatos.....	90, 000
CALIFORNIA		Madera.....	90, 000
Alhambra.....	195, 000	Martinez.....	95, 000
Anaheim.....	130, 000	Monrova.....	130, 000
Auburn.....	75, 000	Montebello.....	85, 000
Bell.....	75, 000	Mountain View.....	85, 000
Brawley.....	95, 000	North Hollywood.....	110, 000
Burbank.....	155, 000	Oceanside.....	85, 000
Burlingame.....	190, 000	Ontario.....	135, 000
Carmel.....	80, 000	Orange.....	90, 000
Claremont.....	85, 000	Oxnard.....	95, 000
Colton.....	80, 000	Pacific Grove.....	80, 000
Compton.....	125, 000	Paso Robles.....	80, 000
Corona.....	85, 000	Pasadena.....	325, 000
Covina.....	80, 000	Pittsburgh.....	150, 000
Culver City.....	120, 000	Redding.....	150, 000
El Monte.....	80, 000	Redondo Beach.....	120, 000
Escondido.....	80, 000	Redwood City.....	115, 000
Fresno.....	650, 000	Richmond.....	130, 000
Fullerton.....	110, 000	Riverside.....	360, 000
		Roseville.....	85, 000
		Salinas.....	175, 000

CALIFORNIA—continued

San Diego Marine Hospital.....	\$440,000
San Diego Court House.....	25,000
San Fernando.....	95,000
San Francisco.....	150,000
San Gabriel.....	110,000
San Mateo.....	140,000
San Rafael.....	100,000
Santa Barbara.....	215,000
Santa Clara.....	85,000
Santa Cruz.....	110,000
Santa Maria.....	95,000
Santa Monica.....	300,000
Santa Paula.....	85,000
Sebastopol.....	80,000
South Gate.....	75,000
South Pasadena.....	120,000
South San Francisco.....	80,000
Susanville.....	75,000
Torrance.....	85,000
Tracy.....	80,000
Tulare.....	100,000
Turlock.....	100,000
Upland.....	80,000
Ukiah.....	80,000
Van Nuys.....	110,000
Venice.....	120,000
Watsonville.....	40,000
Whittier.....	160,000
Wilmington.....	155,000
Woodland.....	95,000
Yreka.....	75,000
Yuba City.....	80,000

COLORADO

Alamosa.....	90,000
Delta.....	100,000
Lamar.....	125,000
Littleton.....	100,000
Longmont.....	105,000
Loveland.....	100,000
Rocky Ford.....	100,000
Salida.....	100,000
Walsenburg.....	105,000

CONNECTICUT

Bristol.....	155,000
Clinton.....	75,000
Danielson.....	100,000
Fairfield.....	100,000
Meriden.....	70,000
New Canaan.....	100,000
New Milford.....	70,000
Norwalk.....	375,000
Plainville.....	80,000
Shelton.....	80,000
Southington.....	75,000
Thomaston.....	80,000
Thompsonville.....	95,000
Torrington.....	200,000
Westport.....	120,000
Winsted.....	120,000

DELAWARE

Laurel.....	\$60,000
New Castle.....	60,000
Seaford.....	60,000
Wilmington.....	1,600,000

FLORIDA

Arcadia.....	80,000
Fort Pierce.....	100,000
Hollywood.....	80,000
Jacksonville, quarantine station.....	115,000
Key West, quarantine station.....	100,000
Lake Wales.....	80,000
Lake Worth.....	80,000
Leesburg.....	80,000
Palm Beach.....	200,000
Plant City.....	100,000
Quincy.....	75,000
St. Augustine.....	200,000
Tallahassee.....	45,000
Tampa, quarantine station.....	225,000
Vero Beach.....	80,000
W. Palm Beach.....	325,000
Winter Haven.....	130,000
Winter Park.....	100,000

GEORGIA

Cairo.....	65,000
Decatur.....	90,000
Dublin.....	135,000
East Point.....	60,000
Gainesville.....	335,000
Valdosta.....	80,000
Waycross.....	145,000

IDAHO

Blackfoot.....	125,000
Burley.....	100,000
Fastport, building site.....	59,000
Payette.....	75,000
Wallace.....	105,000

ILLINOIS

Abingdon.....	70,000
Anna.....	80,000
Barrington.....	70,000
Benton.....	90,000
Berwyn.....	190,000
Brookfield.....	75,000
Carthage.....	70,000
Champaign.....	135,000
Chicago, courthouse.....	500,000
Clinton.....	80,000
Crystal Lake.....	70,000
Decatur.....	400,000
Des Plaines.....	120,000
Downers Grove.....	80,000
East Alton.....	85,000
Effingham.....	90,000
Eldorado.....	80,000
Elmhurst.....	140,000
Evanston.....	650,000

ILLINOIS—continued

Fairfield.....	\$80,000
Forest Park.....	125,000
Fulton.....	770,000
Galesburg.....	250,000
Galva.....	75,000
Geneva.....	100,000
Glencoe.....	100,000
Glen Ellyn.....	95,000
Harvard.....	70,000
Herrin.....	80,000
Highland Park.....	150,000
Hinsdale.....	80,000
Jacksonville.....	75,000
La Grange.....	120,000
Lemont.....	70,000
Libertyville.....	80,000
Lombard.....	75,000
Melrose Park.....	90,000
Moline.....	250,000
Monticello.....	90,000
Morrison.....	85,000
Naperville.....	85,000
Normal.....	75,000
North Chicago.....	150,000
Park Ridge.....	110,000
Quincy.....	175,000
Peoria.....	320,000
Riverside.....	85,000
Rock Falls.....	70,000
St. Charles.....	85,000
Shelbyville.....	77,000
Urbana.....	80,000
Vandalia.....	75,000
Villa Park.....	115,000
Watseka.....	75,000
West Frankfort.....	100,000
Wilmette.....	200,000
Winnetka.....	155,000
Wood River.....	75,000
Zion.....	70,000

INDIANA

Angola.....	80,000
Aurora.....	70,000
Berne.....	70,000
Crown Point.....	85,000
Columbia City.....	80,000
Culver.....	70,000
Franklin.....	85,000
Garrett.....	85,000
Hartford City.....	85,000
Indianapolis.....	1,200,000
Lawrenceburg.....	70,000
Ligonier.....	70,000
Martinsville.....	85,000
Nappanee.....	75,000
North Manchester.....	65,000
Spencer.....	80,000
Sullivan.....	80,000
Tipton.....	80,000
Union City.....	85,000
Vincennes.....	145,000

IOWA

Algona.....	\$80,000
Ames.....	175,000
Clinton.....	85,000
Hampton.....	80,000
Harlan.....	80,000
Independence.....	85,000
Indianola.....	80,000
Knoxville.....	75,000
Manchester.....	75,000
Mt. Pleasant.....	85,000
Nevada.....	75,000
Osage.....	80,000
Pella.....	70,000
Sac City.....	75,000
Sheldon.....	80,000
Storm Lake.....	90,000
Waverly.....	90,000
Winterset.....	75,000

KANSAS

Baxter Springs.....	80,000
Columbus.....	88,000
Eureka.....	85,000
Ft. Scott.....	230,000
Fredonia.....	85,000
Goodland.....	75,000
Herington.....	80,000
Hays.....	100,000
Independence.....	75,000
Larned.....	85,000
Liberal.....	95,000
Lyons.....	90,000
Marysville.....	80,000
Norton.....	75,000
Olathe.....	70,000
Paola.....	85,000

KENTUCKY

Berea.....	70,000
Bowling Green.....	55,000
Covington.....	355,000
Hazard.....	100,000
Mayfield.....	65,000
Owensboro.....	55,000
Paducah.....	130,000
Pineville.....	65,000
Princeton.....	85,000

LOUISIANA

Bastrop.....	80,000
Carville, marine hospital.....	195,000
Houma.....	90,000
New Orleans, office building.....	1,700,000
Plaquemine.....	80,000

MAINE

Calais, border station.....	59,000
Farmington.....	88,000
Houlton.....	160,000
Lewiston.....	200,000
Portland, marine hospital.....	220,000
Westbrook.....	85,000
Wilson.....	80,000

MARYLAND

Baltimore, quarantine station.....	\$50,000
Bel Air.....	70,000
Cambridge.....	50,000
Chestertown.....	75,000
Easton.....	125,000
Elkton.....	75,000
Hagerstown.....	300,000
Silver Spring.....	70,000

MASSACHUSETTS

Adams.....	85,000
Beverly.....	45,000
Boston, quarantine station.....	110,000
Boston, marine hospital.....	30,000
Boston, P. P.....	3,000,000
Bridgewater.....	85,000
Canton.....	100,000
Chicopee.....	105,000
Chicopee Falls.....	105,000
Clinton.....	90,000
Concord.....	85,000
Dalton.....	75,000
Danvers.....	100,000
Dedham.....	95,000
Fairhaven.....	95,000
Franklin.....	85,000
Gardner.....	160,000
Great Barrington.....	100,000
Holyoke.....	575,000
Hudson.....	85,000
Hyannis.....	100,000
Indian Orchard.....	75,000
Mansfield.....	85,000
Nantucket.....	80,000
Natick.....	100,000
North Abington.....	80,000
Orange.....	80,000
Peabody.....	120,000
Spencer.....	75,000
Stoughton.....	80,000
Turners Falls.....	85,000
Wakefield.....	115,000
Walpole.....	75,000
Ware.....	75,000
West Springfield.....	100,000
Whitinsville.....	75,000
Whitman.....	95,000
Winchendon.....	75,000

MICHIGAN

Allegan.....	90,000
Birmingham.....	150,000
Calumet.....	120,000
Dearborn.....	245,000
Detroit, A.S.....	300,000
Detroit, P.P.....	1,700,000
East Lansing.....	105,000
Fremont.....	70,000
Gladstone.....	70,000
Greenville.....	80,000
Hancock.....	85,000
Howell.....	90,000
Hudson.....	80,000
Iron River.....	90,000

MICHIGAN—continued

Kalamazoo.....	\$575,000
Marquette.....	225,000
Monroe.....	75,000
Muskegon.....	100,000
Negaunee.....	75,000
Paw Paw.....	75,000
Plymouth.....	85,000
Royal Oak.....	190,000
Saginaw.....	275,000
Saginaw West Side.....	145,000
Sault St. Marie.....	150,000
St. Johns.....	85,000
St. Joseph.....	185,000
Zeeland.....	90,000

MINNESOTA

Albert Lea.....	165,000
Cloquet.....	90,000
Detroit Lakes.....	90,000
Eveleth.....	75,000
Hastings.....	75,000
Hutchinson.....	80,000
International Falls.....	115,000
Litchfield.....	85,000
Long Prairie.....	75,000
Marshall.....	95,000
Minneapolis, courthouse.....	1,200,000
St. Cloud.....	185,000
Theif River Falls.....	85,000
Wadena.....	80,000
Waseca.....	75,000
Winona.....	115,000
Worthington.....	80,000

MISSISSIPPI

Clarksdale.....	125,000
Natchez.....	90,000
Oxford.....	70,000

MISSOURI

Bowling Green.....	70,000
Cameron.....	75,000
Columbia.....	175,000
Hannibal.....	115,000
Independence.....	65,000
Joplin.....	130,000
Kansas City, courthouse.....	2,800,000
Louisiana.....	50,000
Monett.....	80,000
Neosho.....	85,000
Perryville.....	70,000
Pleasant Hill.....	70,000
St. Louis, post office.....	4,700,000
Windsor.....	70,000

MONTANA

Deer Lodge.....	80,000
Dillon.....	100,000
Glendive.....	95,000
Great Falls.....	50,000

NEBRASKA

Kearney.....	10,000
Lexington.....	75,000
Omaha, courthouse.....	60,000

NEBRASKA—continued

Omaha, office building.....	\$760, 000
Seward.....	70, 000
Superior.....	75, 000
Wayne.....	75, 000

NEVADA

Lovelock.....	75, 000
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NEW HAMPSHIRE

Concord.....	90, 000
Lancaster.....	80, 000
Lebanon.....	85, 000
Newport.....	80, 000
Petersboro.....	80, 000
Plymouth.....	85, 000
Portsmouth.....	45, 000

NEW JERSEY

Arlington.....	265, 000
Asbury Park.....	125, 000
Atlantic City.....	850, 000
Belmar.....	95, 000
Bergenfield.....	85, 000
Boonton.....	90, 000
Boundbrook.....	125, 000
Bradley Beach.....	85, 000
Caldwell.....	105, 000
Cape May.....	100, 000
Carteret.....	80, 000
Clifton.....	190, 000
Cranford.....	105, 000
Dunellen.....	120, 000
Edgewater.....	75, 000
Egg Harbor City.....	80, 000
Flemington.....	80, 000
Garfield.....	85, 000
Garwood.....	80, 000
Glen Ridge.....	80, 000
Gloucester City.....	80, 000
Hackensack.....	50, 000
Hackettstown.....	80, 000
Haddonfield.....	75, 000
Hammoncton.....	75, 000
Hightstown.....	75, 000
Keyport.....	80, 000
Lakewood.....	120, 000
Little Falls.....	75, 000
Linden.....	110, 000
Madison.....	80, 000
Manville.....	75, 000
Matawan.....	85, 000
Metuchen.....	85, 000
Moorestown.....	100, 000
Mount Holly.....	85, 000
New Brunswick.....	460, 000
Newton.....	90, 000
Ocean City.....	170, 000
Penns Grove.....	80, 000
Pitman.....	80, 000
Plainfield.....	195, 000
Pleasantville.....	115, 000
Rahway.....	160, 000
Ridgefield Park.....	130, 000
Ridgewood.....	170, 000
Riverside.....	80, 000

NEW JERSEY—continued

Riverton.....	\$75, 000
Rutherford.....	185, 000
South Orange.....	175, 000
South River.....	85, 000
Summitt.....	190, 000
Tenafly.....	90, 000
Toms River.....	85, 000
Washington.....	80, 000
Westfield.....	180, 000
Westwood.....	90, 000
Wildwood.....	170, 000
Woodbridge.....	90, 000

NEW MEXICO

Carlsbad.....	165, 000
Fort Stanton, marine hospital.....	270, 000
Silver City.....	115, 000

NEW YORK

Albion.....	85, 000
Amityville.....	90, 000
Amsterdam.....	175, 000
Auburn.....	50, 000
Babylon.....	100, 000
Baldwin.....	100, 000
Ballston Spa.....	85, 000
Bay Shore.....	120, 000
Beacon.....	110, 000
Boonville.....	85, 000
Brewster.....	75, 000
Buffalo, marine hospital.....	575, 000
Buffalo, courthouse.....	2, 500, 000
Buffalo, post office.....	250, 000
Canastota.....	85, 000
Canandaigua.....	170, 000
Canton.....	95, 000
Carthage.....	100, 000
Cedarhurst.....	85, 000
Cobleskill.....	85, 000
Cooperstown.....	90, 000
Dobbs Ferry.....	95, 000
Dolgerville.....	80, 000
East Aurora.....	95, 000
East Hampton.....	100, 000
East Rochester.....	80, 000
East Syracuse.....	80, 000
Ellenville.....	90, 000
Falconer.....	75, 000
Far Rockaway.....	245, 000
Floral Park.....	120, 000
Fredonia.....	100, 000
Garden City.....	200, 000
Geneseo.....	80, 000
Goshen.....	85, 000
Gowanda.....	75, 000
Grandville.....	75, 000
Great Neck.....	140, 000
Greenport.....	80, 000
Hamburg.....	80, 000
Hamilton.....	80, 000
Hartsdale.....	75, 000
Haverstraw.....	75, 000
Hicksville.....	85, 000
Hudson.....	70, 000

NEW YORK—continued

Hudson Falls.....	\$90,000
Huntington.....	185,000
Ilion.....	125,000
Irvington.....	75,000
Ithaca.....	115,000
Johnson City.....	115,000
Lake Placid.....	90,000
Lancaster.....	90,000
Larchmont.....	125,000
Liberty.....	100,000
Long Beach.....	150,000
Lowville.....	80,000
Lynbrook.....	130,000
Mamaroneck.....	140,000
Manhasset.....	100,000
Messena.....	110,000
Mechanicville.....	85,000
Mineola.....	145,000
Mohawk.....	80,000
Monticello.....	100,000
Mount Kisco.....	100,000
Mount Vernon.....	75,000
New Rochelle.....	600,000
New York City:	
Quarantine station.....	120,000
Office building.....	5,000,000
Northport.....	80,000
Ogdensburg, court house ..	150,000
Ossing.....	125,000
Oswego.....	225,000
Oyster Bay.....	100,000
Palmyra.....	90,000
Pearl River.....	70,000
Perry.....	75,000
Pleasantville.....	90,000
Port Washington.....	110,000
Rensselaer.....	95,000
River Head.....	125,000
Rochester, court house.....	600,000
Rockville Center.....	165,000
Rome.....	210,000
Rye.....	145,000
Saugerties.....	85,000
Sayville.....	90,000
Scarsdale.....	160,000
Silver Creek.....	80,000
Southampton.....	110,000
Spring Valley.....	85,000
Springville.....	75,000
Suffern.....	90,000
Tarrytown.....	160,000
Ticonderoga.....	70,000
Tonawanda.....	120,000
Troy, public park.....	200,000
Valley Stream.....	85,000
Walton.....	95,000
Warsaw.....	90,000
Watervliet.....	90,000
Watkins Glen.....	90,000
Waverly.....	85,000
Westbury.....	80,000
Westfield.....	80,000
Woodmere.....	80,000

NORTH CAROLINA

Albemarle.....	\$85,000
Ashboro.....	20,000
Dunn.....	85,000
Fayetteville.....	115,000
Gastonia.....	210,000
Morganton.....	100,000
North Wilkesboro.....	100,000
Raleigh.....	360,000
Riedsville.....	180,000
Sanford.....	95,000
Shelby.....	85,000
Southern Pines.....	95,000
Wilmington.....	130,000
Winston-Salem.....	625,000

NORTH DAKOTA

Grand Forks.....	185,000
Kenmare.....	65,000
Oakes.....	65,000

OHIO

Barnesville.....	90,000
Bedford.....	90,000
Bellevue.....	95,000
Berea.....	95,000
Bridgeport.....	85,000
Bryan.....	90,000
Celina.....	95,000
Chillicothe.....	35,000
Cleveland, Post office.....	75,000
Circleville.....	95,000
Cuyahoga Falls.....	120,000
Dayton.....	525,000
Franklin.....	85,000
Geneva.....	85,000
Girard.....	85,000
Greenfield.....	90,000
Hillsboro.....	100,000
Kent.....	140,000
Lancaster.....	85,000
Lebanon.....	85,000
Lisbon.....	80,000
London.....	90,000
Marion, A. L.....	15,000
Marysville.....	90,000
Massillon.....	60,000
Medina.....	95,000
Minerva.....	80,000
Orrville.....	80,000
Oxford.....	80,000
Port Clinton.....	80,000
Sebring.....	80,000
Tippecanoe City.....	75,000
Upper Sandusky.....	90,000
Urchsville.....	90,000
Wadsworth.....	90,000
Wapakoneta.....	90,000
Warren.....	350,000
Westerville.....	90,000
Willard.....	75,000
Willoughby.....	85,000

OKLAHOMA

Alva.....	\$80,000
Bristow.....	115,000
Claremore.....	85,000
Clinton.....	120,000
Cushing.....	105,000
Drumright.....	85,000
Elk City.....	95,000
Enid.....	140,000
Henryetta.....	85,000
Holdenville.....	115,000
Hugo.....	70,000
Mangum.....	85,000
Okemah.....	85,000
Pauls Valley.....	85,000
Pawhuska.....	85,000
Sand Spring.....	85,000
Shawnee.....	50,000
Vinita.....	80,000
Wewoka.....	110,000

OREGON

Ashland.....	85,000
Eugene.....	260,000
Grants Pass.....	150,000
Hillsboro.....	80,000
Hood River.....	90,000
McMinnville.....	85,000
Medford.....	85,000
Tillamook.....	85,000

PENNSYLVANIA

Alequippa.....	150,000
Ambler.....	90,000
Ardmore.....	150,000
Bala-Cynwyd.....	90,000
Bangor.....	95,000
Beaver.....	90,000
Beaver Falls.....	215,000
Blairsville.....	90,000
Boyetown.....	80,000
Brookville.....	95,000
Brackenridge.....	80,000
Brownsville.....	90,000
Butler.....	170,000
Canonsburg.....	105,000
Catasququa.....	85,000
Chambersburg.....	60,000
Clairton.....	100,000
Clarion.....	85,000
Columbia.....	105,000
Conshohocken.....	95,000
Coraopolis.....	90,000
Danville.....	90,000
Darby.....	105,000
Doylestown.....	95,000
Drexel Hill.....	90,000
Easton.....	200,000
East Stroudsburg.....	135,000
Ebensburg.....	75,000
Elizabethtown.....	90,000
Emporium.....	85,000
Ephrata.....	90,000
Farrell.....	95,000
Glenside.....	105,000

PENNSYLVANIA—continued

Greensburg.....	\$80,000
Harrisburg.....	750,000
Haverford.....	80,000
Hazleton.....	80,000
Honesdale.....	110,000
Irwin.....	85,000
Jenkintown.....	105,000
Jersey Shore.....	85,000
Kane.....	95,000
Kennett Square.....	75,000
Kutztown.....	75,000
Lansdown.....	115,000
Lansford.....	85,000
Latrobe.....	135,000
Lehighton.....	85,000
Lititz.....	90,000
Mahanoy City.....	110,000
Mannheim.....	100,000
Marcus Hook.....	90,000
Mauch Chunk.....	75,000
Mechanicsburg.....	90,000
Middletown.....	80,000
Millersburg.....	80,000
Mount Carmel.....	100,000
Mount Joy.....	80,000
Mount Pleasant.....	100,000
Muncy.....	90,000
Narberth.....	90,000
Nazareth.....	\$90,000
Northampton.....	85,000
North East.....	90,000
Philadelphia, courthouse.....	2,900,000
Phillipsburg.....	95,000
Pittsburgh, Marine Hospital.....	175,000
Plymouth.....	95,000
Quakertown.....	90,000
Reading.....	850,000
Red Lion.....	80,000
Royersford.....	80,000
St. Marys.....	90,000
Schuylkill Haven.....	90,000
Scottsdale.....	105,000
Sellersville.....	80,000
Shenandoah.....	130,000
Shippensburg.....	95,000
Somerset.....	110,000
Swarthmore.....	100,000
Towanda.....	100,000
Turtle Creek.....	95,000
Upper Darby.....	105,000
Vandergrift.....	100,000
Washington, A.L.....	20,000
Wayne.....	90,000
West Chester.....	80,000
Wilmerding.....	105,000
Windber.....	85,000

RHODE ISLAND

East Narragansett.....	90,000
Providence.....	925,000
Wakefield.....	75,000

SOUTH CAROLINA

Aiken, courthouse.....	\$190,000
Anderson.....	275,000
Charleston, quarantine station.....	130,000
Columbia, courthouse.....	550,000
Greenville.....	360,000
Greer.....	75,000
Greenwood, courthouse.....	175,000
Sumter.....	100,000
York.....	75,000

SOUTH DAKOTA

Mobridge.....	90,000
Rapid City.....	75,000
Yankton.....	55,000

TENNESSEE

Brownsville.....	80,000
Erwin.....	80,000
Johnson City.....	115,000
Memphis, marine hospital.....	175,000
Old Hickory.....	80,000
South Pittsburgh.....	75,000

TEXAS

Abilene.....	345,000
Amarillo.....	55,000
Aransas Pass, Quarantine Station.....	90,000
Austin Courthouse.....	625,000
Ballinger.....	80,000
Borger.....	100,000
Bowie.....	75,000
Brady.....	85,000
Childress.....	100,000
Colorado.....	85,000
Corpus Christi.....	165,000
Dalhart.....	100,000
Dallas, public park.....	850,000
Eastland.....	85,000
Edinburg.....	95,000
El Paso.....	1,250,000
Galveston.....	775,000
Graham.....	95,000
Henderson.....	80,000
Kerrville.....	95,000
Kingsville.....	75,000
Lamesa.....	95,000
Laredo.....	285,000
Lockhart.....	85,000
Longview.....	35,000
Lufkin.....	105,000
Luling.....	90,000
Mercedes.....	85,000
Midland.....	100,000
Mission.....	85,000
Nocona.....	85,000
Pecos.....	160,000
Port Arthur.....	195,000
Quanah.....	85,000
Ranger.....	85,000
San Antonio.....	1,400,000
Shamrock.....	80,000
Vernonville.....	90,000
Waco.....	500,000
Wharton.....	80,000

UTAH

Logan.....	\$50,000
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VERMONT

Montpelier.....	280,000
North Troy, building site.....	56,000
St. Albans.....	275,000

VIRGINIA

Blacksburg.....	80,000
Charlottesville.....	135,000
Fortress Monroe, quarantine station.....	75,000
Hopewell.....	135,000
Lexington.....	55,000
Marion.....	80,000
Petersburg.....	400,000
Roslyn.....	60,000
Staunton.....	80,000
Winchester.....	50,000

WASHINGTON

Auburn.....	85,000
Aberdeen.....	250,000
Anacortes.....	85,000
Bremerton.....	135,000
Centralia.....	110,000
Kelso.....	115,000
Kent.....	80,000
Laurier B.S.....	56,000
Montesano.....	85,000
Mount Vernon.....	90,000
Puget Sound, quarantine station.....	250,000
Puyallup.....	90,000
Renton.....	85,000
Seattle, courthouse.....	150,000
Shelton.....	80,000
Spokane.....	790,000
Wenatchee.....	300,000

WEST VIRGINIA

Alderson.....	80,000
Bluefield.....	110,000
Charleston.....	1,200,000
Keyser.....	85,000
Logan.....	95,000
Montgomery.....	80,000
Parkersburg, courthouse.....	50,000
Weirton.....	90,000
Welch.....	125,000
Wheeling.....	650,000
Wheeling, courthouse.....	50,000

WISCONSIN

Berlin.....	80,000
Clintonville.....	85,000
Cudahy.....	80,000
Eau Claire.....	50,000
Edgerton.....	75,000
Elkhorn.....	80,000
Fond du Lac.....	270,000
Green Bay.....	550,000
Hartford.....	80,000
Jefferson.....	75,000
Kaukauna.....	75,000
Kewanee.....	80,000
Ladysmith.....	75,000

We are also opposed to a general sales tax. We fought it in 1932, and we are just as much opposed to it today.

The Grange would be in favor of financing this program by the issue of noninterest-bearing United States notes. We have had 3½ years of deflation, and we feel that what is needed is a corrective inflation. The legislation recently enacted authorized the President to approve a \$3,000,000,000 issue of Treasury notes. It is stipulated, however, that those notes may only be issued to meet maturing obligations of the Government or to retire Government bonds. All that would be necessary, if we would decide to finance this public works program by the issue of Treasury notes, would be to broaden the scope of that legislation and authorize the issuance of Treasury notes to finance it.

Senator CONNALLY. Mr. Brenckman, cannot that be done without any legislation, under existing law?

Mr. BRECKMAN. Without legislation?

Senator CONNALLY. If we issued bonds for this work which we are proposing to do, we could issue bonds for this and purchase others with this \$7,000,000,000 of currency, could we not?

Mr. BRECKMAN. Yes. As President Roosevelt said in his radio address on the evening of May 7—

Government credit and Government currency are merely one and the same thing. Behind Government bonds there is only a promise to pay; behind Government currency we have in addition to the promise to pay a reserve of gold and a small reserve of silver.

If the Government should issue 4-percent bonds to finance this program during the period of 25 years we would pay as much in interest as the face of the bonds and the debt would still remain. If, on the other hand, we should pay for this construction program by the issue of Treasury notes, it could be provided that they should be retired at the rate of 4 percent per year, and at the end of 25 years the debt would be wiped out.

It should give us pause to remember when William McKinley entered the White House the total cost of running the Government was only half as much as it costs to pay the interest on the public debt. At this time we had the first billion-dollar Congress, which covered 2 years, back in the days of Czar Reid, and now we are paying approximately that much to pay the interest on the public debt.

If there is any way of avoiding it, we feel that nothing should be done to further add to the burdens which the taxpayers are compelled to carry in this connection.

The CHAIRMAN. I am in receipt of a communication from Mr. Henry Woodhouse, chairman of the National Recovery Council, which will be incorporated in the record at this point.

The letter referred to is as follows:

JUNE 1, 1933.

Senator PAT HARRISON,
Chairman Finance Committee,
United States Senate, Washington, D.C.

DEAR CHAIRMAN HARRISON: Noting that questions have been raised about the constitutionality of the National Industrial Recovery Act, I have prepared the annexed survey which gives the constitutional provisions and decisions of the Supreme Court of the United States supporting the act.

I explain it in 5 minutes, or, if you prefer to save time, I will add it to my former remarks, under the leave to extend the remarks granted when I testified.

With your approval, I would also add to my extention of remarks a report on gold and silver resources of the the United States, in support of the amendment which I proposed to create the National Recovery fund.

Sincerely yours,

HENRY WOODHOUSE,
Chairman National Recovery Council.

The report on gold and silver resources of the United States, above referred to, is filed with the committee.

FURTHER STATEMENT OF HENRY WOODHOUSE, CHAIRMAN OF NATIONAL RECOVERY COUNCIL

Mr. WOODHOUSE. Ever since this act was proposed there have been questions raised about its constitutionality.

An examination of the Constitution of the United States and the decisions of the Supreme Court of the United State show that the major provisions of the act are duly authorized, therefore constitutional.

The declared objective of the act being to promote the welfare of the people of the United States, it harmonizes with the preamble of the Constitution, which declares:

We the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty for ourselves and our posterity, do ordain and establish this Constitution for the United States of America.

The means in the Constitution for "providing general welfare of the United States" are authorized at article 1, section 8, which authorizes Congress as follows:

SEC. 8. The Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts, and excises shall be uniform throughout the United States; to borrow money on the credit of the United States; to regulate commerce with foreign nations, and among the several States, and with the Indian tribes.

These provisions are definite powers to Congress, which Congress can translate into statutes which, when enacted, are authorized to be carried into effect by the Executive under article II of the Constitution.

Congress has unlimited power to protect and enforce the rights created by the Constitution.

While Congress has not the power to act contrary to the provisions of the Constitution it has unlimited power to protect and enforce the rights created by the Constitution.

The Supreme Court of the United States has held by several decisions that every right created by, arising under, or dependent upon the Constitution may be protected or enforced by such means as Congress may deem best; if the Constitution guarantees a right, the National Government is clothed with authority to enforce it—the powers given to the National Government are not ineffective because the means of enforcing them are not expressly given.

Congress has a large discretion as to the means to be employed, and may employ those means which, in its judgment, are most advantageous, taking care only that they are not inconsistent with

the limitations placed upon the general power by the Constitution. (In re Quarles, 158 U.S. 536. *Prigg v. Commonwealth*, 16 Pet. 619. *McCulloch v. Maryland*, 4 Wheat. 419.)

The Supreme Court of the United States may not declare inexpedient or unwise any legislation that Congress may enact to protect the people of the United States.

It is well established that the courts may only determine whether the means employed by Congress to accomplish the ends sought have any relation to the powers granted by the Constitution, and if the measures adopted as the most eligible and appropriate are adapted to the end to be accomplished, and are not inconsistent in letter or spirit with the limitations of the Constitution, the courts cannot declare them inexpedient or unwise. (*Cherokee Nation v. Kansas R. Co.*, 135 U.S. 657; *Logan v. U.S.*, 144 U.S. 283; *Motes v. U.S.*, 178 U.S. 462; *Wilkes v. Dinsman*, 7 How. 127.)

The same principle has been applied to all branches of the Government. Their authority to act flows from the Constitution. They have no power outside otherwise.

It has been held, for instance, uniformly that Congress has the power "to regulate interstate commerce by any means which may be proper, so long as such means are not contrary to some provision of the Constitution. (*I. S. C. v. Brimson*, 154 U.S., 447; *Adams Exp. Co. v. Kentucky*, 214 U.S. 218; *Kansas City, etc., R. Co. v. Kaw Valley*, 233 U.S. 75.)

THE CHAIRMAN. I have a statement from the American Petroleum Institute which will be inserted in the record at this point.

(The statement of the American Petroleum Institute is as follows:)

In Ohio, gasoline consumption in 1932 was 126,000,000 gallons less than 1931, of which 113,000,000 gallons occurred after the addition of the 1-cent Federal tax in June 1932 to the existing 4-cent Ohio tax.

EFFECT OF PROPOSED THREE-QUARTER-CENT INCREASE IN FEDERAL GASOLINE TAX

The effect upon your State of the three-quarter-cent increase in the Federal gasoline tax as provided for in the industrial recovery bill now pending in Congress will be as follows:

State of Ohio: With three-quarter-cent increase, the total rate of gasoline tax per gallon in your State will be 5¼ cents.

Gasoline gallonage taxed in your State in 1932 (figures of United States Bureau of Public Roads) 856,729,484 gallons.

Net gasoline tax revenue collected in your State in 1932 (figures of United States Bureau of Public Roads), \$34,269,179.

Estimated additional cost per year to motorists of your State of three-quarter cent per gallon additional gasoline tax (based on 1932 taxed gallonage), \$6,425,471.

Estimated total cost per year to motorists of your State of a total Federal gasoline tax of 1¼ cents per gallon (based on 1932 taxed gallonage), \$14,992,765.

Estimated total cost of additional three quarter cent per gallon gasoline tax over necessary 15-year amortization period (based on 1932 taxed gallonage), \$97,362,065.

Your State's share of \$400,000,000 highway appropriation as allocated to the States by industrial recovery bill, as amended in House (one fourth according to post road mileage, one fourth according to area, and one half according to population), \$16,644,388.

Amount in excess gasoline taxes to be paid by motorists of your State over and above amount received for roads, \$80,718,000.

(Henry B. Fuller, of Cleveland, Ohio, speaking for Ohio Petroleum Marketers, Association and Petroleum Industry Committee of Ohio.)

STATEMENT OF GEORGE SHIBLEY, DIRECTOR OF THE RESEARCH INSTITUTE OF WASHINGTON, D.C.

Mr. SHIBLEY. Mr. Chairman and gentlemen of the Finance Committee: I am George Shibley, of Washington, D.C. I am an independent economist, doing my work through the Research Institute, of which I am director.

I suggest that the authority of the President in planning for industrial recovery be broadened in the declaration of policy by changing lines 3 and 4 on page 2, of Senate bill to read as follows:

And to provide for the general welfare by promoting the organization of industry, including agriculture, and their regulation.

Sec. 2 (a). The President may set up a mechanism for regulating the individual prices of commodities at wholesale, so as to equitably apportion the wholesale prices among the competing groups in private enterprise in our Republic.

The regulatory control shall consist of self-regulation by the producers of the Nation operating through a Federal board of producers, under supervision by the National Government as the President under this act shall provide, a partnership system.

Sec. 2 (b). The President may set up mechanisms for self-regulation of industry and of agriculture, Nation-wide and by districts, separately, under supervision by the National Government.

In support of these suggestions for added power in the President to set up mechanism for regulating private enterprise, I point out that what I am proposing as to Nation-wide mechanisms was recommended to our citizens 4 years ago by President Hoover and 16 other publicists. It was a report to the public on May 14, 1929, under the title, "Recent economic changes," a summary of two volumes of research data by a hundred social scientists, at a cost of \$150,000 contributed by patriotic citizens.

This condensed report is in the daily morning press of May 14, 1929, and the report is on sale by the Superintendent of Documents, price 5 cents; and an additional report is 5 cents. Nothing has as yet been done to carry out that unanimous report by our Republic's leading industrialists.

The recommendations in that report are in two main directions:

First. That the average height of the commodities at wholesale be stabilized by the National Government by providing that the supply of the people's medium of exchange shall day by day be stabilized by the Federal Reserve system by regulating the quantity of the bank credit and paper currency. Four years ago there had not taken place the 50 percent deflation in behalf of the creditor class, which caused the depression.

Second. The recommendation by President Hoover and the 16 other publicists is also to restore and maintain an equilibrium of individual prices at wholesale by partnership regulation, namely, self-regulation of individual prices at wholesale, in connection with supervision by our National Government, as I am suggesting. The report of May 14 points out the great need so as to end the too low prices in agriculture, in bituminous coal, and in textiles. For April 1933 the farmers' relative index was 53, and it should have been 105. The basis of the 5 years before the World War at 100 for the agriculturists is too low, as there existed trust prices in industry other than agriculture.

I summarize by saying that the bill before this committee, for industrial recovery, should authorize President Roosevelt to set up a mechanism for restoring and maintaining an equilibrium of individual prices at wholesale by the competing groups in our Republic.

And still other additional regulations in private enterprise are necessary in bringing about industrial recovery. I suggest section 2 (b) as follows:

SEC. 2 (b). The President may set up a mechanism for self-regulation of industry and of agriculture, Nation-wide and by districts, separately, under supervision by the National Government.

In support of this suggestion I herewith append two bills that I have drafted and I have had them for years; also I point out that Italy has in successful operation the mechanism which I am proposing. A description of the Italian system is in a recent issue of the New York Times, May 14, 1933. In Germany a most successful partnership regulation between the coal industry, iron and potash industries, and the National Government, beginning in 1919, is in the Government and Administration in Germany, by Blachley and Oatman, 1928, page 566. In 1928 the German Trade Unionists declared for this system in private enterprise, thereby ending their support of Marxian Socialism.

Are there any questions?

My three bills that describe the mechanisms I am suggesting are as follows:

BILL No. 1

A BILL To found the Federal Board of Producers, for maintaining an equilibrium of individual prices at wholesale

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

THE MECHANISM

SECTION 1. (a) To provide for an equilibrium between the wholesale prices of the competing groups of citizens in our Republic, each year in July and from time to time thereafter, there shall be calculated an equilibrium of the wholesale prices of the Nation, on the basis of equal rights; that is, an equilibrium between the groups of producers of commodities, especially between the commodities which can be multiplied greatly—the output of factories and mines, in contrast with the output from the soil and water.

(b) The system for gaging these relative prices at wholesale shall be (1) by self-regulation by the competing groups under the chairmanship of a representative of the Federal Trade Commission, the mechanism to be termed, "the Federal Board of Producers"; and (2) supervision by the Federal Trade Commission, both an initiative and a veto power; (3) a veto power in the policy-determining branch of the Federal Government as to the decisions by its representatives, the Commission; and (4) subject to a possible direct submission to the voters, the ruling power when properly mechanized.

(c) This forthcoming system for the restoration of equal rights for the citizens in the channels of industry, shall supplement the Nation's antitrust statutes and case law in connection therewith. The decisions as to national policy by the Federal Trade Commission shall not be passed upon by the Federal judiciary.

(d) In two additional statutes is provided an improved Federal trade system and an improved Federal agricultural system.

FEDERAL BOARD OF PRODUCERS

SEC. 2. (a) The Federal board of producers shall consist of representatives of the several groups of producers, who shall in a direct

manner regulate the wholesale prices, in the manner set forth in section 1.

(b) There shall be maintained the Federal bureau of prices, under the direction of the Government board herein described, the Federal board of producers.

(c) Supplementary regulations shall be enacted by the Federal Trade Commission.

SHORT TITLE

SEC. 3. This act may be cited as "the Federal Board of Producers Act, 1933."

Our proposal is that the incoming Roosevelt liberal government shall enact the substance of the foregoing by incorporating in the National industrial recovery act the amendments I have suggested. Then by order of the President the Federal Trade Commission might set-up the section on equilibrium of wholesale prices.

BILL NO. 2

AN IMPROVED FEDERAL TRADE SYSTEM

A BILL To found an Improved Federal Trade System, for the Nation-wide self-regulation of competition in interstate and foreign commerce, except in agriculture, banking, and other public utilities, in connection with Government supervision on the basis of equal rights

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled:

REGULATED TRADE

SECTION 1. For the promotion of regulated trade in wholesale prices in our Republic, there exists the Federal Trade System, consisting of Nation-wide self-regulation in interstate and foreign commerce (not including banking and other public utilities nor agriculture) by the use of trade associations, in connection with supervision by the Government, operating through the Federal Trade Commission. This system is developed in the bill for the Federal Board of Producers and in this bill.

APPROVAL BY CONGRESS

SEC. 2. (a) Each decision as to public policy by the Federal Trade Commission shall be subject to the approval of the people's elected Senators and Representatives who by the Constitution are clothed with jurisdiction to decide the questions of national policy. To these officials and to the President, the National Trade Commission shall mail a copy of each decision as to national policy, and upon request by a committee of either House of Congress, or the written request of 25 percent of the Members of either House, or a request by the President, a decision by the Federal Trade Commission as to national policy shall be taken up promptly by Congress and be put to a record vote, the issue to be, "Does the Senate (or House) sustain the decision by the Federal Trade Commission?" If the vote shall be that both houses disapprove, the action shall be placed before the President, and in case of his disapproval of the action by Congress the issue shall be returned to Congress for the procedure for a vetoed measure.

(b) This right by Congress to call for a vote shall exist during the 40 days of the session of the two Houses following the date of the reception by the two Houses of copies mailed by the Commission.

(c) Until the expiration of the time for a request for a vote by Congress, the verdict by the Commission shall not be enforced except in an emergency, to be described by the Commission.

SEC. 3. The decisions as to national policy by the Federal Trade Commission shall not be appealable to the Federal judiciary.

SEC. 4. Congress shall provide a system of Nation-wide advisory referendum, the mere existence of which will be an effective veto power in the voters except as to close questions, which ought to be subject to a referendum campaign and vote, both for the improvement of details in the bills, and as an educational system.

FEDERAL TRADE PARLIAMENT

SEC. 5. (a) There is founded the Federal trade parliament, to consist of the chairmen of the Federal trade boards and an equal number of trained experts in trade economics, to be elected by the chairmen of the trade boards.

(b) This parliament shall each year elect a chairman and vice chairman, and shall exist as a legislative body representing the Nation's business interests, their policies adopted, except as to marketing, to be subject to a veto power in the Federal Trade Commission and a power of initiative; and its action to be subject to a veto power in the legislative department of the Federal Government; and its action to be subject to an advisory veto power in the voters.

(c) The members of the parliament shall serve without extra compensation for their services, but may be employed to perform administrative duties. Their expenses while in attendance at the meetings of the parliament shall be paid by the trade system.

(d) The parliament shall provide for its assistants and pay them from the funds of the trade industry.

(e) The parliament shall report to Congress annually.

FEDERAL TRADE BOARDS

SEC. 6. (a) Subordinate to the Federal trade parliament, and subject to Government supervision by the Federal Trade Commission, for the public's protection and the protection of minorities, there shall be founded Federal trade boards, one in each industry, to the extent that commodities enter into interstate commerce or foreign commerce. Thereafter it shall be unlawful for a trade association to operate in two or more States.

(b) Each Federal trade board shall have districts, each to be in two or more States.

(c) These trade boards and the farm boards provided for in a separate act, shall be coordinated into federations or other forms of cooperation, so as to best enable the boards to equitably and inexpensively solve the problems that may arise, such as the relations between producers and manufacturers.

(d) Each Federal trade board shall report to Congress annually.

POWERS MORE IN DETAIL

SEC. 7. (a) In applying Nation-wide self-regulation in industry other than agriculture, banking, and other public utilities, and in connection with interstate and foreign commerce, on the basis of equal rights, thereby to prescribe the Nation-wide plane of competition, and methods of distribution in business enterprises at wholesale, there may be included:

(1) Profit sharing or copartnership between capital and labor, independent plants, equal rights to raw materials and apportionment of production.

(2) The minimum wage and maximum hours.

(3) Other factory or mining regulations, such as cooperative marketing of the products in an industry.

(4) (a) To regulate the voluntary organizations affecting an industry, such as the organization of employers and of work people, by requiring the filing with the board of agreements which take place within the voluntary organizations and between organizations. Such parts of an agreement as the Federal trade board accepts without a public hearing shall become operative 40 days after filing: Provided, that the power of the Federal trade board shall be limited to regulations affecting interstate or foreign commerce until such time as a constitutional amendment shall authorize the use of Nation-wide regulations in private enterprise regardless of State lines, as is now the case under the war power.

(b) Emergency. In an emergency, which shall be described in a regulation by a voluntary organization, the regulation may be placed in operation subject to approval of the appropriate Federal trade board.

(c) Procedure. Wherever a regulation by private interests is not approved promptly by unanimous vote of a Federal trade board there shall be set a date for a public hearing, and all of the parties shall be notified, and public notice shall be given.

(d) Plenary power. Each Federal trade board is directed to install such regulations as may in its judgment be helpful in installing and maintaining equal rights in private enterprise.

ADMINISTRATIVE DETAILS

SEC. 9. Federal license.—Each Federal trade board shall take out a Federal license, to be granted by the Federal Trade Commission.

SEC. 10. Funds.—(a) Each Federal trade board because it shall be engaged in self-regulation, shall not be dependent on the National Government for funds, but shall provide its own funds by taxation of the interests that are being regulated, on the basis of the volume of business.

(b) At the start in each line of regulation the board may borrow funds to the extent of the anticipated 12 months' income, and later may borrow to the extent of the previous 12 months' income.

SEC. 11. Reports.—A series of reports shall be issued by each Federal trade board and by the Federal trade parliament and by the Federal Trade Commission. Each series shall include advance sheets for temporary use, and the system be sold to the public at cost of paper, press work, postage and binding, plus 25 percent.

(Beginning here the administrative details are in line with the Federal Trade Commission Act.)

SEC. 12. Investigations by Federal trade boards.

SEC. 13. Witnesses.

SEC. 14. To conduct researches.

SEC. 15. Intervention.

SEC. 16. Additional procedure.

SEC. 17. Law enforcement—damages.

SEC. 18. Law enforcement—special orders.

SEC. 19. Penalties.

SEC. 20. Definitions.

SEC. 21. Powers.

SEC. 22. Separability of provisions.

SHORT TITLE

SEC. 23. This act may be cited as "The Federal Trade Act of 1933."

AFFIRMATIVE ARGUMENT

In the peaceful revolution that is moving in the direction of regulated private enterprise, the dominant power is to become the majority of our citizens, to operate through scientific government—national liberal government, State liberal government, and municipal liberal government. Such is to become our Federal system.

BILL NO. 3. A PROPOSED IMPROVED FEDERAL AGRICULTURAL SYSTEM

A BILL To found the Improved Federal Agricultural System, for Nation-wide self-regulation of competition in agriculture in interstate and foreign commerce, under Government supervision, to include (1) the orderly marketing of crops and caring for temporary surpluses; (2) the possible limitation of crop acreage, plus an export bounty where necessary to aid in maintaining an equilibrium of prices between the vocations; and (3) to promote the development of cooperative associations in wholesale and retail distribution in interstate and foreign commerce for the maintenance of competitive retail prices, thus to lower the cost of living.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled:

REGULATED AGRICULTURE

SECTION 1. For the founding of regulated agriculture in our Republic there are hereby established the Federal Agricultural Council and Federal Farm Boards, in connection with supervision by the Federal Agricultural Commission, responsible to the President and to Congress, with a veto power in the voters.

FEDERAL AGRICULTURAL COUNCIL

SEC. 2. (a) The Federal Agricultural Council shall consist of the chairman of the Federal Farm Boards and an equal number of trained experts in agricultural economics, to be elected by the chairmen of the farm boards.

(b) This Council shall each year elect a chairman and vice chairman, and shall exist as a legislative body representing the Nation's agriculturists, their policies adopted, except as to marketing, to be subject to a veto power in the Federal Agricultural Commission and a power of initiative; and its action to be subject

to a veto power in the legislative department of the Federal Government; and its action to be subject to an advisory veto power in the voters.

(c) The members of the Council shall serve without extra compensation for their services, but may be employed to perform administrative duties. Their expenses while in attendance at the Council meetings shall be paid by the agricultural industry.

(d) The Council shall provide for its assistants and pay them from the funds of the agricultural industry.

(e) The Council shall report annually to Congress.

FEDERAL AGRICULTURAL COMMISSION

SEC. 3. (a) The name of the existing Federal Farm Board shall be changed to Federal Agricultural Commission, and its membership be reduced to three to be appointed by the President by and with the advice and consent of the Senate. Appointment shall be made annually. The salary shall be yearly, payable monthly. The Commission shall be subject to instructions in writing by the President. (This complies with the decision in 1926 in the Meyers case by the Supreme Court: 272 U.S. Repts., 52.)

(b) APPROVAL BY CONGRESS

SEC. 4. (a) Each decision as to public policy by the Federal Agricultural Commission, except as to marketing, shall be subject to the approval of the people's elected Senators and Representatives, who by the Constitution are clothed with jurisdiction to decide the questions of national policy. To them shall be mailed a copy of each decision by the Federal Agricultural Commission. Upon request by a committee of either house of Congress, or the written request of 25 percent of the Members of either house, or a request by the President, a decision by the Federal Agricultural Commission as to national policy shall be taken up promptly by Congress and be put to yea and nay vote, the issue to be, "Does the Congress sustain the decision by the Federal Agricultural Commission?" If the vote be that both houses disapprove, the action shall be placed before the President for an expression of judgment, and in case of disapproval of the action taken by Congress the issue shall be returned to Congress for the procedure provided for a vetoed measure.

(b) This right by Congress to call for a vote shall exist during the 40 days of the session of the two Houses following the date of the reception by the two Houses of the copies mailed by the board.

(c) Until the expiration of the time for a request for a vote by Congress, the verdict by the commission shall not be enforced except in an emergency, to be described by the commission.

SEC. 4. The decisions as to national policy by the Federal Agricultural Commission shall not be appealable to the Federal Judiciary.

SEC. 5. Congress should provide a system of Nation-wide Advisory Referendum, the mere existence of which will be an effective veto power except as to close questions, which ought to be subject to a referendum campaign and vote, both for the improvement of the bill, and as an educational system.

FEDERAL FARM BOARDS

SEC. 6. (a) Subordinate to the Federal Agricultural Council, and subject to Government supervision by the Federal Agricultural Commission, for the public's protection, there shall be founded Federal Farm Boards, one in each field along crop lines, to the extent that a product enters into interstate commerce or foreign commerce. The name of each board shall have in it the name of the crop or group of crops.

(b) Each Federal Farm Board shall have districts, each to be in two or more States.

(c) These Federal Farm Boards and the Federal Trade Boards shall be coordinated into federations or other forms of cooperation, so as to best enable the boards to equitably and inexpensively solve the problems that may arise, such as the relations between producers and manufacturers.

POWERS MORE IN DETAIL

SEC. 7. (a) In applying nation-wide self-regulation of competition in agriculture and in connection with interstate and foreign trade, by the will of the majority of the citizens who are most vitally affected, to include the wage workers in

the particular lines of crops, on the basis of equal rights to the citizens, thereby to prescribe the plane of competition in agriculture, by districts in two or more States, there may be included in the regulations:

- (1) Profit-sharing or copartnership between the workers and capital.
- (2) A minimum wage and maximum hours; together with
- (3) Other regulations, such as a combination in an industry of cooperative and private marketing of a product; and
- (4) (a) To regulate the voluntary organizations in connection with agriculture, such as wage workers and employers, by requiring the filing with the board of the agreements within the organizations and pertaining to production or distribution. Such parts of a regulation as a Federal agricultural board accepts without a public hearing shall become operative in 40 days after filing: *Provided*, That the power of the Federal agricultural board shall be limited to regulations affecting interstate or foreign commerce until such time as a constitutional amendment shall authorize the use of nation-wide regulations regardless of State lines.

(b) Emergency: In an emergency, which shall be described in a regulation by a voluntary organization, the regulation may be placed in operation subject to the approval of the appropriate Federal board.

(c) Procedure: Wherever a regulation by private interests is not approved promptly by unanimous vote of the Federal agricultural board, there shall be set a date for public hearing, and all of the parties be notified, and public notice shall be given.

(d) Plenary powers: Each Federal agricultural board is authorized to install further details for securing notice to it of regulations by private interests affecting interstate or foreign commerce; and each of said boards is directed to install such additional regulations as may in its judgment be helpful in installing and maintaining equal rights in interstate and foreign commerce.

SEC. 8. Futher powers: (a) To aid in providing an equilibrium between the prices of all the groups of producers in private enterprise, the Federal agricultural council and the Federal farm boards shall use their utmost powers, and are directed to do whatever is reasonably necessary to include:

(b) Authority to collect from the growers of a product a percentage on the sales to pay—

- (1) The cost of advertising to possible consumers the qualities of a product, or other fact, such as the advantages from purchasing at certain times.
- (2) The cost of cooperatively carrying over a surplus to another crop year.
- (3) The cost of experiment, investigation, research or instruction.
- (4) The cost of construction or acquisition of buildings or other structures or works or the acquisition of land, livestock, machinery, implements, and equipment necessary to any of the purposes mentioned in paragraphs (2) and (3).
- (5) The cost of grading or other undertaking cooperatively decided upon by the majority of the producers of any kind of crop.

(c) The acreage in any crop may be limited in our Republic by majority vote of the producers or their representatives, and become enforceable. Apportionment shall be on the basis of the preceding year, with a right in each grower to exchange or sell his acreage right. An affirmation or oath may be called for the penalty for falsity to be as hereinafter prescribed. A referendum vote of the growers of each crop may be ordered by an agricultural board or by the Government commission, decision to be by a majority of the acreage that is voted.

(d) To meet promptly the cost of storage facilities for the spread of cooperative marketing of agricultural products there shall be—

(e) For the maintenance of an equilibrium of prices at wholesale in 1932-33 between the competing groups in private enterprise, on the basis that the work people shall be accorded equal rights, hereby there is appropriated for possible use as export debentures the sum of \$250,000,000. The Federal agricultural commission shall administer the fund.

(f) (a) To lower the cost of living and to help raise the prices to the producers, there shall be promoted by the Federal farm boards, and by the Federal trade boards, and by the Federal agricultural council and the Federal trade parliament, and by government commissions with supervisory powers, the founding and maintenance of cooperative wholesale and retail marketing in interstate and foreign commerce, to include the right to both buy and sell, on the basis of equal rights with the business units.

(b) The Federal agricultural system shall jointly frame for the various branches of cooperative marketing ideal models, to include uniform accounting.

ADMINISTRATIVE DETAILS

Sections 9 to 22, inclusive, are similar to the administrative details in the preceding bill, (bill no. 5,) for an improved Federal trade system.

SHORT TITLE

Sec. 23. This act may be cited as the "Federal Agricultural Act."

AFFIRMATIVE ARGUMENT

The three foregoing bills set forth a workable plan for partnership between industry (including agriculture) and the Roosevelt liberal government, to the end that there shall come forth regulated private enterprise. I am now proposing to incorporate in the bill for national industrial recovery the amendments I am proposing, so that the President by Executive order may direct first, that the Federal Trade Commission shall set up the section on equilibrium of wholesale prices; the section for regulation of industry; second, that the Federal Farm Board shall set up the section for regulation of agriculture.

The CHAIRMAN. I have a letter and statement from J. Briskman, 110 West Forty-second street, New York City, which will be inserted in the record at this point.

(The letter referred to is as follows:)

MAY 29, 1933.

HON. PAT HARRISON,
*Chairman of the Finance Committee,
Senate Office Building, Washington, D. C.*

MY DEAR SENATOR HARRISON: I desire to appear at the hearing of the industrial bill to prevent you, as chairman, and all other Democratic members of your committee, from a great injustice that you will be indirectly forced to commit by making our present Government become a partner of every business and impose additional taxes upon our depressed people.

Will present certain information which will convince you that the main theories of the industrial bill were designed by loyal Republicans, who know very well that the partnership business is a joke and this relief is just a drop in the bucket, and that 10 times said amount will not put to work even 5 percent of the unemployed created by their economy bill. They are also aware that these additional taxes will be like pouring oil on a fire, with about 50,000,000 of our people in greater want than before for food, clothing, and shelter.

The facts and data gathered during the last 10 weeks interviewing secretaries of all 10 departments, indicates that in addition to this industrial bill, the theories and devices injected into the economy and farm bills were designed by loyal Republicans and many have been approved by their predecessors before it reached the advisors for presentation to our President and Congress, for legislation for one single purpose; namely, to give our people a lesson to remember at least 20 years the mistake they made at the last election.

Will also present facts and data that will convince you that this mortgage-certificate plan (pamphlet inclosed) will create many billions of dollars of additional taxes and will put to work all our unemployed, creating prosperity for a period of 14 to 20 years, under the present administration and without any obligation or investment of the Government or the people as the entire expenditure of about 350 to 400 million dollars will be financed by the Commodity Mortgage Corporation and repaid in the end by the natural resources.

All it requires in the backing of legislation as specified on the last page of the proposed bill before Congress adjourns and two months thereafter, if my statements prove correct, to put said plan in operation as the cure, otherwise to be vetoed by our President.

I will be ready to appear before you immediately upon hearing from you.

STATEMENT OF J. BRISKMAN, NEW YORK, N.Y.

Mr. BRISKMAN. Proposed bill, 1933, allowing the people throughout the country to work and earn sufficient purchasing power to provide plenty of food, clothing, and shelter for their dependents without charity.

By allowing the poor people to make use of our mortgage credit system, same as the rich people having it, for the last hundred years.

And for the main purpose of placing \$100 purchasing power in the hands of every eligible person of about 80,000,000 people in the United States, which will accomplish the following:

1. Will consume all Government surplus of commodities accumulated for the last 4 years at wholesale and retail stores.

2. The requirement of new commodities will start the wheels of industry in every village, town, and city.

3. All of our unemployed will be offered all kinds of inducements to return to their jobs at the 1929 wage scale, as it will be an immediate necessity to reproduce and replace all that was consumed.

4. The starting with this mortgage certificate from the roots instead of the branches. Said turnover of about \$144,000,000,000 in commodities will create large business and in turn, a large tax yield to our Government from each and every industry, separately, until it reaches the consumer, starting with agriculture. Foundries, manufacturers, retail stores, amusements, mills, sales agents, hotels, wholesalers, railroads, restaurants, and so forth.

5. The tax income will be so large that it will put our administration at leisure to create such legislation, starting where we left off in 1929, and leading to higher and better standards of living instead of going lower.

6. Our present administration will be a leisure and pleased to appropriate a few billion dollars for our War and Navy Departments, to build immediately up-to-date war machinery for the following two purposes: To supply thousands of our people with employment and to command respect and peace from the European Nations that may become hostile overnight.

7. To appropriate sufficient funds for the Interior Department for building and improving Government projects so they can supply more employment and create additional purchasing power.

8. To appropriate sufficient funds for our Justice Department for the purpose of raising the salary of all our judges and their employees, thus creating more efficiency than by cutting it and will afford our judges a better standard of living, also creating more purchasing power.

9. It will also be of great benefit to the other four Departments, as State, Commerce, Treasury, and Agriculture, to abandon their present six bills already enacted, devised by their chief advisors, consisting of doctors and professors with a life of experience good for college and university teaching and not for such four Departments of such vital importance to the life of our entire Nation.

10. Our present administration with a large income from taxes will be pleased to help create immediate prosperity throughout the country, by the adoption of the following amendments:

Banking law: To help all small banks to open their doors, saving their depositors, which will create billions of dollars purchasing power.

Economy law: All Government branches to add more departments, creating additional employment, raising the pay of all their officials and employees, creating more purchasing power.

Farm bill: Extension of payment of principle of their mortgages at the legal interest for 1 year, with a small loan by the mortgage

companies on their 4-month papers, with a provision of 2 renewals of 75 percent (if requested). This will give them the necessary start, as the proceeds for their natural resources will make them the wealthiest people and the largest taxpayers in this country, after the first year.

Forest bill: To veto by our President. This will cure all the ill feeling created with about 10,000,000 people against our present administration, consisting of parents and sympathizers of the 250,000 men to be taken away from their families and drafting them thousands of miles from their homes, somewhere in the forests to work at \$1 per day. These men will never do the work unless forced to, as they are not accustomed to it. They will be able to find plenty of work at their own lines and at their home towns among their own friends.

11. All of our agriculture, railroads, mortgage companies, bankers, builders, and construction workers will start operating their own lines of business on a profitable basis and instead of borrowing from our Government to retire from the borrowing business and becoming indirectly a usurious money-lender, as provided in the present 2 farm bills and be compelled to withdraw acreages and curtail soil products as provided on page 6 of the farm bill for which about 50,000,000 of our people throughout the United States are still waiting and are now in greater need for than before, namely, food, clothing, and shelter.

This purchasing power and the starting from the roots instead of the branches will create prosperity for all of our people, including the poor people and the workers. Every home throughout the country, every treasury of our local and Federal Government will enjoy prosperity, which I estimate should last at least 7 to 21 years, without costing a single dime to either our Government or the people, as the entire expenditures of about 350 to 500 million dollars will be subscribed direct by the people and repaid on or after the first year, by and with our natural resources in the following manner:

The Commodity Mortgage Corporation, under the laws of the State of Delaware, with about 24 directors and officers, all practical industrious business leaders, one of each industry, chosen from the people, the entire undertaking will be under the control of the United States Treasury. The proceeds from the sale of stamps to pay for said mortgage certificate, will be delivered into the Treasury daily, by the district managers with a surety bond, accepted and approved by the United States Treasury. The United States Treasury will guarantee the payment of these mortgage certificates after the funds will be at the Treasury, waiting for a few months before this certificate matures and is due for redemption.

The raising of the first working capital will be followed on the same procedure as our railroad companies, Reconstruction Finance Corporation or the National Commodity Corporation, manipulated by Mortimer F. Buckner, with the exception of, instead of using the people's funds through the Government, as they, we will raise the funds from the people direct, each person whether he is a Senator, banker or laborer, will have the same uniform privilege of subscribing to a block of preferred stock of \$100 par, from 1 to 100 shares at \$86 per share, redeeming on or after the end of 1 year at par from the income of \$1 legal consideration, and the 4 percent. Also a uniform dividend from the profits (if any) to every stockholder or unredeemed stock by the end of the year.

Said corporation will require about 1,000 leaders to act as district managers under a surety bond, approved and accepted by the United States Treasury Department. It will give employment to about 50,000 people and at the 1929 wage scale, and in addition will supply work to thousands of people to print these mortgage certificates, stamps, stationery, office supplies, also the rental of offices, with a total expenditure of about 350 to 400 million dollars, all of which will be paid at the end by our natural resources and in the meantime, create that much more purchasing power.

This entire project will only last about 1 year.

I personally will be in control and manage said undertaking from the beginning until the end, because I estimate that thousands of money lenders will spend hundreds of millions of dollars to make a monkey of this mortgage-certificate plan, before the legislation stated below is enacted, or during the 1 year existence and operation of the undertaking by said commodity-mortgage corporation.

LEGISLATION REQUIRED

1. For consideration of \$1 every person 16 years of age or over, throughout the United States, shall be entitled to purchase from the Commodity Mortgage Corporation a book of 23 commodity mortgage certificates amounting to \$105, negotiable in 10 installments during a period of about 5 months.

2. The acceptance of said certificates at par.

3. The United States Treasury is to receive the daily net proceeds realized from the sale of stamps from the district managers of the Commodity Mortgage Corporation duly approved by the United States Treasury for the purpose of paying certificates at maturity when presented for redemption.

4. Seller and employer are to purchase from said district managers the necessary stamps to sell to purchasers and they must also see that the stamps are duly attached and canceled with the puncher provided.

5. Amending the present general law (if necessary) holding liable any person counterfeiting the stamps or certificates.

RE UNEMPLOYMENT—AGRICULTURE MORTGAGE SITUATION

This mortgage certificate is like mortgages used for the last century by the rich people. It is self-liquidating, limited to 26 turn-overs in small denominations, extending in uniform use to all classes including the poor people.

And for the main purpose of placing \$100 purchasing power in the hands of every eligible person numbering about 80,000,000 people in the United States, which will return all our unemployed to their jobs immediately and enable the farmers, railroads, Government and all other industries to pay and reduce their funded debts.

The study of the plan, certificate and all other information here attached, especially the facts, indicate the vital necessity of the immediate adoption of this plan. This will allow a breathing spell to the entire Nation for at least 1 year. It will also create new wealth of about one hundred forty-four billions of dollars, none of which will be subject to new loans at additional interest accumulations.

With the revenue and taxes of big business turnovers, our President will be pleased to create new departments for the purpose of increasing employment; to raise the pay of all Government officials, judges, and all other employees to create more purchasing power.

Moreover, the present natural ill feeling toward us existing in debtor countries would be quickly eliminated for with this plan in operation, our Government could then arrive at a favorable adjustment of our foreign debts, which in turn would create new markets for our commodities.

Your personal opinion on this plan as a leader of industry will be greatly appreciated.

I would appreciate if you would note below any suggestions or criticisms that you might have to offer. These I will attempt to answer immediately after the formal hearing.

(The following brief was submitted by Mr. Larry Conant, economic engineer, with Dr. H. C. Dickinson, president of the Society of Automotive Engineers, collaborating.)

In its present form, the Industrial Recovery Act will not work.

Such a statement, of course, requires both definition and proof. When we say this act will not work as written, we mean it will not effectuate the policy set forth in the title with sufficient celerity to assure us prompt, satisfactory recovery.

Conservative estimates of possible increases in purchasing power and employment under the act as now written over the next 6 months do not run above 10 percent. This figure appears to us high rather than low. To stage a certain and truly satisfactory recovery within 2 years, an increase of at least 27 percent during the first year would be highly desirable. (See brief by Mr. Dickinson.) While the difference between these two figures may not at first sight appear great, its significance both nationally and internationally is difficult to overestimate. One may spell ultimately gratifying world-wide recovery; the other long drawn out continuance of present pitiable conditions, both in this country and abroad.

To avoid argument, however, let us say that the above estimate of 10 percent improvement in 6 months under the act as now written is not too high. If the assurance of achieving results even as satisfactory as these can in any way be definitely improved, there should be few legislators, no matter what their political inclinations, who would object to seeing the act thus amended.

The reason why the act as written will not become more immediately and completely operative has an important bearing on these proposals. The most important of these reasons are:

(1) The possible relaxation of the antitrust laws alone is not in itself, in all cases, a sufficiently powerful incentive to make certain that a very large number of associations will immediately and/or voluntarily adopt codes otherwise temporarily, at least, more or less disadvantageous to their interests.

(2) Deflation has already proceeded so far, and both purchasing power and hours of employment have fallen so low, that if codes are actually to effectuate the policy of the title they must be far more drastic than most industrial leaders yet realize. The administrator, therefore, will find himself between Scylla and Charybdis. Unless drastically shorter work weeks, of 20 to 25 hours per week, and startlingly higher minimum wages, are inflicted on those willing to come into the controlled circle, little of real consequence will be accomplished to reduce unemployment, as pointed out above. The difficulty of getting any very large percentage of industries or trades to adopt such drastic codes under the act as now written can well be imagined.

Despite the recent radical changes in economic thought, which have come about in the last few months, the principle reiterated in Russell Conwell's "Acres of Diamonds" remains unaltered. In seeking some means, therefore, to make this Industrial Recovery Act more promptly and surely effective, we need not be too greatly surprised if we find that the catalyst we choose may of itself possess certain inherently valuable characteristics. The first proposal has, in fact, been deduced from the recovery plan of Dr. H. C. Dickinson, president of the Society of Automotive Engineers, which plan in itself is considered by many to possess many outstanding advantages. We wish to make clear the fact that the fortunate combination resulting from combining several of Dr. Dickinson's proposals with the Industrial Recovery Act, arose from an understanding of a real need for something of this sort in the act itself.

The first provision we recommend is: The President should be authorized to purchase on behalf of the Government a limited amount of the products of those industries and trades which operate under sanctioned codes.

To visualize clearly a few of the far-reaching effects of this proposal, we need only to place ourselves in the position, for example, of a small hosiery manufacturer, located as many are, in a small town, let us say in North Carolina. Time, 60 days hence. A fairly vigorous code has been agreed upon by the textile industry and will be placed in immediate operation as soon as the purchasing program by the Federal purchasing agents has been completed for all those companies which have agreed to comply with this code. The Federal agent is with us today. He will do half of his buying now, and assuming that we behave ourselves in the meantime, the order will be duplicated at our own request any time after the first order has been satisfactorily filled. The agent is not too hard boiled—just pleasantly firm with respect to prices which appear out of line. He points out jocosely that we will want to buy the goods back sooner or later ourselves at the same price, anyhow; that prices are bound to rise, and that therefore we are certain of a nice little profit on the deal. Together we decided which lines of merchandise should be most marketable a few months or possibly a year hence, when prices have advanced and the labor situation is actually in hand. The agent leaves us with the comfortable “after-dinner feeling” in the shape of a back-log order backed by the credit of the United States Government for two solid weeks of work, with a promise of duplication later “when needed.” Not such a nasty old Industrial Recovery Act after all. One immediate hurrah for President Roosevelt, with several more hurrahs reserved if the plan works out O.K. in the long run, as it will.

The proof of any pudding is in the eating. We have all tasted of this pudding before, and it was good. For example we did so when the World War started in 1914 and 1915. True, the concoction of those and later years left a bad taste in our mouths, which arose from the uncollectable foreign debts. But even though we “lost our shirt” through bad credit risks, the prosperity pudding was mighty good at that time.

Which brings up, by the way, the question: What will the manufacturers do with the goods after they have been O.K.'d by the Federal inspectors, and immediately paid for. If the manufacturer has ample storage space, as some have, they need not be removed from the plant; if he has not, warehousing is the logical answer. Notice, however, that so far as the bad-debt question for the manufacturer is concerned, there isn't any. Some obsolescence will of course result, but with the tremendous increase in purchasing power resulting from the combined effect of “war activity” plus the effect of the Industrial Control Act, the sale of all available products within a reasonable time is practically assured.

Now for your second question: Won't prices be held down by all these stored goods, just as the prices of wheat were affected by Government oversupply? Answer the question any way you like, the answer is still not unfavorable to the plan. The real answer is: No, they will not. The storing of wheat did not materially add to the purchasing power of the masses; and if it had, they wouldn't have purchased much more wheat. In the case of automobiles, for instance—well, can you imagine giving a million men increased wages and assurance of steady employment over the next 6 months or year without stimulating automobile buying just a little, tiny bit.

But will this plan in itself really increase purchasing power? It did in 1914 and 1915; should do it again. Remember, the primary purpose for suggesting the use of this plan at this time is to induce as nearly 100 percent of industry as possible to come in immediately under the code plan of the Industrial Recovery Act, with fairly high minimum wages (if you will) and reasonably few working hours per week. If the Industrial Recovery Act won't reduce unemployment, increase national income, and build up the purchasing power of workers with this provision for Federal purchasing of goods added, it surely won't without it.

Now for your next question, which you think is going to be damaging, but which isn't. How much will it cost?

Again let's depend upon actual experience, rather than economic theory. How much did it cost in 1914-15 and thereafter? About \$9,000,000,000 of bad debts, is I believe somewhere near the actual figure (a few billion plus or minus makes little difference). Will it cost that much this time? No; but let's face squarely the fact that if it did, it would be worth every cent of this cost to bring back national recovery quickly. As a matter of fact, this time it should cost us less than nothing, even figuring that the Government 3 or 4 years hence might have to give away or confiscate a considerable amount of obsolete merchandise.

Why will it cost less than nothing? Because of the tremendous significance of the element of time. A billion dollars' worth of confidence in the future of the United States and of the world right now will produce—actually, not just theoretically—far more than \$2,000,000,000 worth of capital, calculated on the basis of income (the only sensible way to calculate it) 2 or 3 years from now, when our national income has been put back to its 1929 level or above. Also, it might be added, that doing this—that is, swinging our tremendous industrial machine back into operation—is the only possible way of getting our surplus labor situation under control, and thereby by (possibly) realizing at least a few billions from our bad debts hanging over from the war period. And every million dollars thus “saved” to American labor would have to be deducted from any obsolescence cost incurred.

But you naturally insist on knowing approximately at least how much the cost of this program would add to the \$3,300,000,000 provided by the act in its present form, and also you wish to know how this additional capital could be raised—or at least serviced. The second question is perhaps more easily answered than the first. As a postulate of budget balancing, we may certainly set forth that it is relatively easy to balance budgets with wages and prices mounting, and practically impossible to do with both dropping. Since the proposal above made (i.e., purchasing merchandise for the account and risk of the Federal Government) in connection with other features of the Industrial Recovery Act assures that prices and wages will rise, it should not be in the least difficult to tap in on this rise at one point or another and rather quickly amortize the additional debt which must temporarily be set up. Two possible plans are here merely suggested, it being beyond the scope of this brief to cover these proposals in detail:

Financing plan no. 1: Taxing the rise in security values which is bound to accompany industrial recovery. This plan is mentioned first because of its probable stabilizing effect over a period of time. Had 5 percent or 10 percent of the unearned increment accruing in security values been redistributed in one way or another to working classes in 1927-28 and 1929 there might have been a different tale to tell today. Listed security values have already risen \$_____¹ since March 4. Assuming that they will experience a further rise of \$_____¹ before our national income is doubled, (apparently a reasonable assumption) a tax of — percent on this increase in value would furnish more than the \$500,000,000 to 2 billions necessary entirely to retire the short-term bonds which might be used to finance the purchase of merchandise immediately by the Government.

Financing plan no. 2: Taxing the rise in real-estate values. Principles are not dissimilar from those covered for financing plan no. 1.

STATEMENT OF DR. H. C. DICKINSON, PRESIDENT SOCIETY OF AUTOMOTIVE ENGINEERS, INC.

Dr. DICKINSON. In 1914 the world went to war. We were then in a period of what was called a depression. Not only the United States but the world in general had suffered a moderate business recession and there was prospect of its becoming worse. In the United States, at least, when war was declared a wave of prosperity ensued. By prosperity we mean a rise in the general scale of living, in the ease of finding employment, and in general trade or business. People certainly are prosperous when they have a maximum of goods and services for their use. People “made money” and spent it, were cheerful, well fed, and hopeful.

This is a paradox which may throw some light on our present situation. What underlying economic acts had so profound an effect on the immediate prosperity of the nations not then at war?

The first obvious fact was that some one began to spend money. Let us analyze just how this came about. The nations at war needed munitions and supplies so they came to us to buy. We accommodated

¹ Figures not available at time of going to press.

them, sending abroad goods of all sorts in great quantity, receiving in turn a little gold and a vast amount of paper promising to pay money or the equivalent in the future.

The gold which we received was, of course, useful as a basis for the increased currency which was needed but the amount was small and we should have had little difficulty, or none, if there had been no gold at all. We have much more gold now and it obviously does not afford us prosperity. The gold itself, therefore, was not an essential element in the rise of prosperity in 1914-15.

The goods which we sent abroad to feed the armies of Europe or to be exploded in hostile trenches were of no use to the people of the United States. These things were completely lost to us. Even worse than that, we worked hard night and day in some cases to make in a feverish hurry things which we did not use.

Obviously, therefore, the goods which we made and sent abroad did not of themselves promote immediate prosperity in the United States.

The foreign credits which we received in return for most of the goods were partly used to buy for ourselves other goods from other countries, but mainly they were put in banks as credits based on the ability of the rest of the world to pay interest and principal at some time later.

So far as these receipts were expended for goods and services from other nations they represented only ordinary foreign trade. It is only a matter of convenience, so to speak, whether we make certain things and use them ourselves or exchange them for other things which we prefer in their places. This we always can do at will so that increased foreign trade in the exchange of goods did not of itself result in prosperity.

The foreign credits which were kept in the country long since have been mostly canceled. At best they have never been of much real value to the Nation and whatever their value they did not in 1914 and 1915 contribute directly anything which the people of the United States could eat or wear or use. They did not therefore directly bring about prosperity, other than through their use as credits.

It is clear, therefore, that neither the little gold which we received, nor the vast amount of goods which we sent abroad, nor the small amount of goods which we traded with others, nor the paper which we received for the goods sent abroad was the immediate source of prosperity.

What then did produce the wave of prosperity? And can we have it again without war?

The outstanding fact is that men went to work to produce more goods and services. They produced so much more of both that we sent abroad a vast amount and still had more than before for our own use at home. There was a good market for all we had to spare.

Prosperity, in fact, requires only a (1) sufficient market, (2) productive capacity to supply that market, and (3) credit to permit purchasers and producers to transact business.

Why should we need a war to supply these things? All the elements except credit are present in the United States today. How about credit?

The average annual net income in the United States for the years 1920-29, in 1932 dollars, was about \$450 per person; the present

income is \$300 or less. This is a deficit of \$150 per person as compared, not with dollar incomes, but with cost-of-living incomes averaged between 1920 and 1929; a deficit in annual incomes of the Nation of about 20 billion dollars expressed in goods and services. In dollars the deficit is much more. In addition to this, property has been depreciating for 3 years and must be renewed. It is safe to say that there is an urgent market for 25 to 30 billion dollars' worth of goods and services in the United States within the next year to bring us back to normal incomes. No such market existed in 1914-15; even for war materials.

This market, however, is at home, not abroad. The people of the United States will be both the producers and the consumers. Therefore we have the market a greater immediate market than ever existed before, perhaps in the history of the world.

As for men and machinery, there is no need for further analysis. We have some 18 million men, many of them actually starving for work. We have the factories, railroads, roads, and industrial set-up. Moreover, in 1914-15 we were called upon to make machine guns, shells, and aircraft engines. Things for which we had no factories ready. The present market, however, is for shoes and shirts, for meat and potatoes, for automobiles and harrows, and for services and entertainment, schools and research, all of the things which we are all set to supply. We have the productive capacity.

As for credit, the only other factor, what is wrong?

Clearly at a time like this when confidence is lacking and there is no assurance that any one factory or store can stem the tide of deflation, credit cannot be extended with safety, to individuals. In fact it is certain that no one firm can prosper by itself. The best that any one firm can do is to reduce its costs, discharge its surplus men, and try to make a profit. The process of doing this results with certainty in a decrease of net annual income somewhere about four and three tenths times the sum saved by reduction of staff. This figure comes from a simple analysis of the facts of the past few years. It contains no guesses or opinions. This process followed at the same time by all the country accounts for the falling income. Credit cannot be extended to individuals so long as this condition holds. Yet the condition must continue until credit is extended. A vicious circle, how can we break it?

Statistics of income, employment, and bank turnover

	1929	1930	1931	1932
(a) People unemployed (millions).....	1.6	4.8	8.2	11.0
(b) People employed (millions).....	47.0	44.5	41.1	38.9
(c) National income (billions).....	85.2	70.7	52.7	37.2
(d) National income per employed (dollars).....	1,813	1,589	1,273	956
(e) Loss in national income from preceding year (billions).....		14.5	18.0	15.5
(f) Loss in national income from preceding year per worker added to unemployed (dollars).....		4,531	5,294	5,536
(g) Loss in national income per worker added to unemployed in percent of worker loss.....		250	333	434
(h) Rate of turnover of bank deposits (times).....	45	31	23	18

Sources: (a) Based on U.S. Bureau of Labor Statistics index numbers applied to U.S. Census Bureau's mid-year estimates of population, and to an estimated constant 40 percent of the total population as having gainful occupations; (b) derived from above calculations; (c) figures for 1929-31 from National Industrial Conference Board; figure for 1932 estimated by Alexander Hamilton Institute and published by National Industrial Conference Board pending the development of their own figure; (e), (f), and (g) derived directly from foregoing statistics; (h) based on data furnished in chart on p. 5 of Federal Reserve Bulletin for January 1933. Figure of 14 times used in text is merely an extension of these data into 1933.

In 1914-15, credit could not have been extended to individuals abroad, but national governments asked for it. There is no other alternative today in the United States. The National Government must ask for credit to supply the third essential to prosperity. The Government must put men to work producing goods and services to supply the market which exists in the United States. It is much less difficult to put men to work at their old jobs in the existing factories and on existing farms to make the same old products for our own use, than it was in 1915 to put men to work at new jobs building and operating new factories to make new and unfamiliar products for someone else to use outside the United States. All that is needed is to order made a few billion dollars' worth of useful goods, pay for them in advance with credit, and before the goods are finished the people who made them will be around to buy the goods. In fact, if we put a million men to work tomorrow producing something, it is certain that two or three million more men will go to work automatically in the next few months to supply themselves with other products. These, too, will be in the market for the Government's new supply of useful goods. This factor of 4 to 1 has dogged unemployment on the way down. It also will lead the way up if trade is once started.

Now how about security?

Credit always must have some sort of a foundation.

In 1914 the Nations of Europe came to the United States for credit. They wanted modern guns and shells, and automobiles and gasoline with which not to produce wealth but to destroy it. They promised, however, to pay the bill at some future time. We extended the credit took the promises and sent along the goods in due course. They badly needed the munitions but time has shown how good was the security back of the credits. We didn't know then and most of us don't know yet that we could not have accepted repayment of these loans without disaster to ourselves, even if the debtor could have paid them. But the fact is that they were not paid and mostly never will be.

So much for the security on which the United States extended credit in 1914-15 and thereby had prosperity.

What security does the United States offer at present for a prosperity loan to supply our own market with our own home products?

The United States has about five billions in gold, a few hundred billions (whatever the current price) in capital, a present annual net income of about \$40,000,000,000, a market which when supplied will yield an added net annual income of from \$20,000,000,000 up to perhaps twice that amount. A prospective increase in the real value of capital, above its current price (due to increased earnings), of \$100,000,000,000 or much more, and finally a little item of replacement for the past three years of depression which may be anywhere from \$5,000,000,000 to \$15,000,000,000. Never before in the history of the world was there such an array of existing and procurable assets, and by procurable I mean certainly so. The total figure is too staggering to grasp. Over against this we need a small credit. Some estimates have gone as high as \$5,000,000,000 needed to start a recovery through putting men to work.

There are two unique facts about this transaction which seem to have been missed by about all those who have discussed the problem. One is that the United States Government has complete authority to collect the funds to liquidate credits. Creditors need not risk the

uncertainties of any foreign government. If the banks do not wish to extend the credit, the people would buy recovery bonds as readily as Liberty bonds, and the bondholders would be the voters, so they would assure their own payments.

The other even more pertinent fact is that neither the credits nor the money spent can get away. The entire transaction will be handled within the United States. If even \$10,000,000,000 were distributed in the United States, it is still in the United States; it can not get away from here. Therefore, at worst, the Government, with its taxing power could get it back again.

But who ever saw a financier who would not loan \$5,000,000,000 on a \$300,000,000,000 security which could not get away nor in fact do anything but increase in value provided he made the loan.

Suppose today we borrowed 2 billions or so on recovery bonds, spent the money for products to be used by the people at home who want to buy them.

This 2 billion dollars would buy 10 percent of all the prospective year's products which are not being bought by the Nation now, on account of reduced national income. We could buy this 10 percent of the deficit in output by offering to purchase from any and all producers, at current prices, an amount of their products equal to 10 percent of the excess of 1928-29 sales in the United States over their present domestic sales. This should be done, on condition that the purchase prices goes into increased pay rolls or purchases of supplies. As has been shown, the net national income would increase by about four times the amount expended for increased employment. This would provide much more than a market for the goods then held by the Government, and prices would rise. The goods then would be resold to the producer at the same price and he could make a profit on them. The original sum could then be reinvested in another 10 percent of the output next month, keeping up the process, using the \$2,000,000,000 as a revolving fund.

By this means the 2 billions would be returned to the Treasury, the bonds paid off, business would be restored, and we should prosper at no expense.

No single industry can do this alone because there is no certainty of a market but there is certainty of a national market if even half the industries are included and national action can accomplish the result with certainty.

The detailed administration of a program like this would be vastly simpler, easier, and less costly than the war program of 1917 and would assure national prosperity. It could be administered by the agencies set up in this bill.

When new funds are put in circulation as here provided three things may happen; (a) They may remain in circulation through purchases of goods and services, (b) they may be invested, or (c) they may be hoarded.

If they remain in circulation both commodity prices and the volume of business will increase and the total amount will be promptly returned to the Treasury through the resale of the goods purchased.

If there is an increased demand for investment the price of securities will rise and the initial loan can be recovered by a levy on the increase in value of securities.

If the recovery process is sufficiently to reverse the trend toward further unemployment, and employment wages and prices begin to rise there will be no more hoarding, and in fact a large amount of hoarded money will be put into circulation.

This process if undertaken promptly on the scale here suggested, would inevitably lead to a truly enormous national profit.

In the 2 years' time this should amount to (a) an increase in net national income of some \$50,000,000,000 in terms of present prices, (b) possibly a like amount through increase in the general price level, and (c) an increase of not less than \$100,000,000,000 in the real value of the capital of the country based on increased earnings.

In most of the discussions of schemes for recovery it has been assumed that the process was going to cost somebody something. If properly handled it should cost no one anything and yield a profit to everyone equivalent to at least an average of \$1,000 per person throughout the United States in the next 2 years.

The CHAIRMAN. This closes the hearing on this bill, and the committee will meet, at the call of the chairman, which may be this afternoon, to go into executive session.

(Whereupon, at 11:20 a.m., the hearings were closed.)