

N O M I N A T I O N

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
EIGHTY-FIFTH CONGRESS

FIRST SESSION

ON

NOMINATION OF ROBERT B. ANDERSON, SECRETARY OF
THE TREASURY-DESIGNATE

JUNE 28, 1957

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NOMINATION OF ROBERT B. ANDERSON TO BE SECRETARY OF THE TREASURY

FRIDAY, JUNE 28, 1957

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

The committee met, pursuant to call, at 10:15 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), Kerr, Frear, Long, Douglas, Gore, Williams, Flanders, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will be in order.

The hearing today is on the nomination of Mr. Robert B. Anderson to be Secretary of the Treasury. Mr. Anderson, will you take the stand and give us a brief résumé of your educational background and business experience?

STATEMENT OF ROBERT B. ANDERSON, NOMINATED TO BE SECRETARY OF THE TREASURY

Mr. ANDERSON. Mr. Chairman, I think there has been distributed to the members of the committee an autobiographical sketch which outlines my career since the date of my birth, June 4, 1910. I believe there is a copy before each member of the committee.

(The biographical sketch is as follows:)

ROBERT BERNERD ANDERSON, NOMINATED FOR APPOINTMENT AS SECRETARY OF THE TREASURY

Born: Burleson, Tex., June 4, 1910.

Education: Weatherford College, 1927; the University of Texas, 1928-29; the University of Texas Law School, 1930-32, bachelor of laws.

Marital status: Married.

Experience:

1932: Admitted to Texas bar; began practice of law, Fort Worth, Tex., elected to Texas Legislature; appointed assistant attorney general of Texas.

1933: Adjunct professor of law, the University of Texas.

1934: Appointed State tax commissioner, racing commissioner, member of State tax board, Texas.

1936: Appointed chairman and executive director, Texas Unemployment Commission.

1937-41: General attorney, W. T. Waggoner estate, Vernon, Tex.

1941-52: Manager, W. T. Waggoner estate, Vernon, Tex.

1953-54: Secretary of the Navy.

1954-55: Deputy Secretary of Defense.

1955-57: President, Ventures, Ltd., New York, N. Y. Resigned May 30, 1957.

Other:

Present: Director, Boy Scouts of America (National Council); Chapter of Washington Cathedral; National Committee of Church Men for Church Colleges.

September 1955-June 1957:

Director: Canadian Bank of Commerce; Crown Trust Co.; Greenwich Trust Co.; Webb & Knapp (Canada) Ltd.; Missouri Pacific Railroad Co.; Dresser Industries, Inc. (also chairman of executive committee); The Hanover Bank; Committee for Economic Development; Special Studies Project for Rockefeller Brothers Fund.

Chairman, American Council on NATO.

Member, The Ford Foundation.

1937-52:

Chairman, Texas State Board of Education.

Vice president, Associated Refineries, Inc. (during World War II).

Director: Texas Wesleyan College; Vernon Industrial Association; Independent Petroleum Association of America; American Petroleum Institute; Southwestern Bell Telephone Co.; Federal Reserve Bank of Dallas, Tex. (deputy chairman); Vernon Times Publishing Co.; Vernon Transit Co.; Texas Mid-Continent Oil & Gas Association (president, 1948-52).

Honorary degrees:

Doctor of letters: Midwestern University, Wichita Falls, Tex.

Doctor of laws:

McMurry College, Abilene, Tex.

Texas Christian University, Fort Worth, Tex.

Illinois Wesleyan College, Bloomington, Ill.

Northwestern University, Evanston, Ill.

Hahnemann Medical College, Philadelphia, Pa.

Baylor University, Waco, Tex.

University of Maine, Orono, Maine.

Long Island University, Brooklyn, N. Y.

Home: Midwood Drive, Deer Park, Greenwich, Conn.

Office: 230 Park Avenue, New York City.

Present position: President, Ventures, Ltd. (resigned May 30, 1957).

Voted 1956 general elections, New York, N. Y.

Mr. ANDERSON. I should like to say that pursuant to qualification for this responsibility, I have resigned from all of the directorates and offices that I hold or have held in various companies.

I have also resigned from a number of extracurricular activities in which I have been engaged, such as serving on the boards of foundations and similar organizations.

I have sought the counsel of the firm of Milbank, Tweed, Hope & Hadley, of New York, a very distinguished law firm with whom I have never had any business or any connections whatsoever, to review my personal situation with the idea of determining my qualifications, my compliance with all of the statutes with reference to this office, and I have the opinion of that firm saying that, in their judgment, I have fully qualified in the arrangements which have been made and are being made, and I have presented to the chairman this morning a list of the business and investment interests that I will own in the event of my assumption of the office of Secretary of the Treasury.

I will be glad to answer any of the questions which any member of the committee would like to ask me, sir.

The CHAIRMAN. Please read the list.

Mr. ANDERSON. The following is a list of the business and investment interests that will be owned by R. B. Anderson upon his assumption of the office of Secretary of the Treasury:

Land and dwelling at Greenwich, Conn.

Farm of approximately 250 acres near Vernon, Tex., one-half ownership.

Vernon Times Publishing Co., a small, inactive company at Vernon, Tex., one-half ownership.

Fixed payments due from Anderson & Roberts, Anderson's former law firm, in liquidation of his interest in that firm.

Contingent obligation of Tennessee Gas Transmission Co., payable in the event of production.

Notes, nonvoting stock, and contingent obligation, dependent on production, of Dalada Corporation of Nevada (option to purchase).

Oil-royalty interest in property in Eddy County, N. Mex., not now in production.

Bonds of Pan American Sulphur Co.

Stockownership, in each instance less than majority or control, in: Dresser Industries, Inc.; Webb & Knapp, Ltd., of Canada; General Carbon & Chemical Corp.; Great Southwest Corp.

Life cotrusteeship of the estate of Guy L. Waggoner, Texas, deceased.

Fixed and final termination payments from Ventures, Ltd., which was my former company.

Senator GORE. I did not understand that last one.

Mr. ANDERSON. Fixed and final termination payments from Ventures, Ltd., in which I was a former partner.

The CHAIRMAN. You are familiar, Mr. Anderson, with title 5 of the United States Code, section 243, adopted, I think in 1873, which reads as follows:

No person appointed to the office of the Secretary of the Treasury or Treasurer shall directly or indirectly be concerned or interested in carrying on the business of trade or commerce, or be owner in whole or in part of any sea vessel, or purchase by himself, or another in trust for him, any public lands or other public property, or be concerned in the purchase or disposal of any public securities of any State, or of the United States, or take or apply to his own use any emolument or gain for negotiating or transacting any business in the Treasury Department, other than what shall be allowed by law.

In view of the law as read and your operations and ownerships, do you have any conflict of interest?

Mr. ANDERSON. I do not think so, Mr. Chairman, and have asked the legal counsel to specifically consider my ownership of interest in relationship to this statute, and they have so advised me that there is none.

The CHAIRMAN. There is another part of the code I will call your attention to:

Interested persons acting as Government agents. Whoever, being an officer, agent or member of or directly or indirectly interested in the pecuniary profits or contracts of any corporation, joint-stock company, or association, or of any firm or partnership, or other business entity, is employed or acts as an officer or agent of the United States for the transaction of business with such business entity shall be fined not more than \$2,000 or imprisoned not more than 2 years, or both.

Have you any conflict of interest resulting from ownership of stock or any other interests in a corporation which deals with the Treasury Department?

Mr. ANDERSON. None that I know of, sir. And, again, counsel has directly considered that question.

The CHAIRMAN. Your attorneys have advised you that what you have done in divesting yourself of certain stocks makes it very clear there is no conflict of interest?

Mr. ANDERSON. Yes, sir.

The CHAIRMAN. Thank you, Mr. Secretary.

Senator KERR. Mr. Anderson, I notice here: "Contingent obligation of Tennessee Gas Transmission Co., payable in the event of production."

I take it that that is an obligation against a piece of royalty or leasehold interest, and not a liability of the Tennessee Gas Transmission Co.

Mr. ANDERSON. That is correct, sir.

Senator KERR. The only obligation the Tennessee Gas Transmission Co. would have, I presume, is to pay you the part specified in a contract in the event a certain piece of royalty or leasehold interest produces it.

Mr. ANDERSON. Yes, sir; that is correct.

Senator KERR. Now, "Notes, nonvoting stock, and contingent obligation dependent on production, of Dalada Corporation of Nevada."

Would that be the same kind of an obligation?

Mr. ANDERSON. The notes are payable in any event, because they are secured by properties sold to the corporation. The contingent payment would be contingent upon the production lasting long enough to produce additional revenue.

Senator KERR. It is separate from the notes?

Mr. ANDERSON. Separate from the notes.

Senator KERR. It is not a continuing obligation of the corporation, then, except to pay you in the event this specific property produces?

Mr. ANDERSON. Yes, sir.

Senator KERR. That is all, Mr. Chairman.

The CHAIRMAN. You have severed definitely all of your connections with the law firm in which you were a member?

Mr. ANDERSON. Yes, sir.

The CHAIRMAN. The name of that firm is Anderson & Roberts?

Mr. ANDERSON. Yes, sir, and my name has now been removed.

The CHAIRMAN. Your name has been removed, and this is in liquidation of your interest, and you will receive no further payments?

Mr. ANDERSON. Other than the fixed amount which has been agreed.

The CHAIRMAN. After you take the office of Secretary of the Treasury, will all compensation stop?

Mr. ANDERSON. Well, the liquidation agreement provides—

The CHAIRMAN. I mean with respect to business after that date.

Mr. ANDERSON. Yes, sir; completely, sir.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. I will pass to Senator Gore. I would like to look at that a moment.

The CHAIRMAN. Senator Gore?

Excuse me, Senator Frear.

Senator FREAR. That is all right. I have no questions to ask.

I would like to say, Mr. Anderson, that I am sure you realize the responsibilities in the position of Secretary of the Treasury, which is a very wide and responsible one, and I shall be happy to vote for your confirmation, and I hope your appearances here will be a pleasure to you as well as to this committee.

We do, as you, of course, know, get pretty deep into detail at times on the operation of the Treasury, and we feel, or, at least I feel as though your confirmation protects your side of it, and it gives us an opportunity to learn more about the Treasury, too.

Mr. ANDERSON. I shall look forward to my appearances before this committee, because I think it quite appropriate that the Congress and its Finance Committee look with detail into the operations of the Treasury, which is of such vital importance to the country.

Senator FREAR. I have no further questions.

The CHAIRMAN. Senator Flanders?

Senator FLANDERS. Mr. Anderson, I think we asked George Humphrey to list the number of shares in each of the companies he held, or at least he gave them to us. I am just thinking we ought to do about the same in your case.

We have 4 companies here in which you give stock ownership, and I wonder if there is any harm in asking you to list the number of shares for those 4 companies.

Mr. ANDERSON. No, sir.

I will say that this list was prepared after consultation with the chairman on the manner in which it was to be done.

Senator FLANDERS. I see. If that is the chairman's point of view—

The CHAIRMAN. I will say that in some instances, the number of shares has been given, and in others they have not been given. I would say if the committee has interest in some particular company which might have connection or alleged connection with the Treasury Department, it would be proper to give the number.

There is nothing improper about requesting it or giving it, but I more or less limited detail to situations which may become involved with the agency involved.

I know that has been the practice of the Armed Services Committee and Senator Flanders is a member of that committee.

Senator FLANDERS. Of course, it is a rather difficult situation in which any Secretary of the Treasury finds himself, because anything he does taxwise affects every company—

Mr. ANDERSON. That is correct.

Senator FLANDERS. And every individual—

Mr. ANDERSON. Yes, sir.

Senator FLANDERS. In the country. So that he can scarcely withdraw himself from complicity, because it is his business to affect the operations of every company.

I do not see anything in there, Mr. Chairman, that I would feel disposed to require the size of his stock ownership, as long as it is a small part of the total.

Senator GORE. Mr. Chairman, I suggested to the chairman that the statement of Secretary Humphrey's holdings, which had been omitted from the records of the committee, be given to the committee. Upon the request of the Chairman to Secretary Humphrey, that statement was supplied. I feel that, in order to be consistent, I must, of necessity, now ask Mr. Anderson to list the amount of his corporate holdings.

I am not concerned, and I doubt if any member of the committee would be concerned, with the value of a farm in Texas or a small

publishing company or the details of the dissolution of his law partnership. But I do believe it would be proper to have the detailed list of the corporate holdings.

Senator WILLIAMS. Mr. Chairman, I would like to support that, because at some future date it might prove embarrassing to the Secretary in an event similar to the instance with Secretary Humphrey.

I know at that time the committee suggested that he furnish his list of holdings, and they were furnished to the committee in accordance with the instructions of the committee, and were available for examination. And there was a misunderstanding that perhaps they had been intentionally deleted from the record. Of course, Senator Millikin was not here to speak, but I am sure he had no such intention.

I think in order that there might be—

Senator GORE. I would not like to have my suggestion interpreted as implying that former Senator Millikin intentionally deleted anything.

Senator WILLIAMS. No.

Senator GORE. I think the Secretary supplied a list of his corporate holdings. According to the record, Secretary Humphrey supplied it to the chairman, but the then chairman retained it in his own files instead of forwarding it to the committee.

Senator WILLIAMS. He was not here to furnish it, and to avoid any possible misunderstanding, it would be well for Mr. Anderson to furnish it so it will be part of the record.

And, as Senator Flanders pointed out, you cannot escape the fact that all companies, directly or indirectly, will be affected by the decisions made there.

The CHAIRMAN. In the Humphrey case, during the hearing on his confirmation, Senator Kerr asked if Mr. Humphrey was willing to furnish an itemized statement of his holdings. Mr. Humphrey said he would.

Mr. Humphrey furnished the statement to Senator Millikin who at that time was chairman of the committee. When the question came up recently, we telephoned Mr. Millikin's office in Colorado, and were advised that the files were in storage and were not readily accessible at that time.

Senator Gore made the request for the list. When Mr. Humphrey was advised of the situation he cheerfully furnished a duplicate. The file is now complete in that particular matter.

I never saw the statement which was furnished to Senator Millikin. He may have shown it to Senator George, who was at that time the ranking Democrat on the committee.

Senator KERR. Mr. Chairman, in view of the fact Mr. Anderson furnished the statement in the form requested by the chairman, and in view of the fact that a member has indicated it would be appropriate to provide a list of the number of shares in each of four corporations, I am certain Mr. Anderson would be delighted to do that.

Mr. ANDERSON. I would be glad to, Mr. Chairman, if that is the wish of the committee.

The CHAIRMAN. That, of course, will be available to the members of the committee.

Senator GORE. And a part of the record.

The CHAIRMAN. Yes.

(Mr. Anderson subsequently submitted the following:)

Statement of units of stock ownership of Robert B. Anderson as requested by the Senate Finance Committee:

	<i>Shares</i>
Dresser Industries, Inc.-----	2, 000
Webb & Knapp, Ltd., of Canada-----	14, 701
General Carbon & Chemical Corp-----	1, 250
Great Southwest Corp-----	172

Are there any other questions, Senator Flanders?

Senator FLANDERS. I have nothing more. I have finished except to say that I have confident hope that the candidate before us will make a good Secretary of the Treasury.

Mr. ANDERSON. Thank you, Senator Flanders. I shall certainly try.

Senator FLANDERS. That, in a way, commits me to support you, sir.

Mr. ANDERSON. Thank you, sir. [Laughter.]

The CHAIRMAN. Senator Gore?

Senator GORE. Mr. Anderson, I take it that you would consider it a compliment for any citizen to suggest and recommend you for the high honor of Secretary of the Treasury.

Mr. ANDERSON. Yes, sir.

Senator GORE. I would so interpret such a recommendation.

In asking you this question, I do not imply anything in the nature of an impropriety, but I would like to have some clarification.

In the exchange of letters between President Eisenhower and Secretary Humphrey at the time of the announcement of your selection, and then in your own statement, it is implied or stated that you were suggested to President Eisenhower by Secretary Humphrey. I notice in your statement, as I read it from the newspaper:

I have great respect and friendship for Secretary Humphrey, who paid me the high tribute of suggesting me as his successor.

Do you have any comment on that?

Mr. ANDERSON. Senator Gore, it may have been a little presumptuous of me in the making of such a statement to have said that Secretary Humphrey suggested. I will say quite clearly that I was invited to assume this responsibility by the President. I would not, of course, have assumed nor would the nomination be here.

On the other hand, I have talked both with the President and with Secretary Humphrey about it.

As to whether or not the suggestion was originally made by the Secretary of the Treasury or someone else, I do not know.

Senator GORE. Who first discussed the possibility of your becoming Secretary of the Treasury with you, Mr. Anderson?

Mr. ANDERSON. Secretary Humphrey suggested to me that the President would like for me to come to see him to discuss the matter. That was the first thing.

Senator GORE. Where were you at the time this suggestion was made, and when was it made?

Mr. ANDERSON. As to the time, I do not remember specifically. The suggestion was made at a time when I was in Washington on other business. I left—I was here for a very short time.

Senator GORE. About when was it?

Mr. ANDERSON. I would judge about—I would judge somewhere in early April, I would say. I am guessing, Senator.

Senator GORE. Well, it was recently? It was shortly before the announcement was made?

Mr. ANDERSON. Yes.

Senator GORE. Did the conversation occur in the Secretary's office or by telephone?

Mr. ANDERSON. As I recall, the Secretary called me at the hotel where I was stopping, and made the suggestion, and said that he was having to leave town during that day. And that was the extent of the conversation.

Senator GORE. Did a conference—I will not ask you about any conversations between you and the President—but did a conference ensue between you and President Eisenhower?

Mr. ANDERSON. Yes. More than one, sir.

Senator GORE. Who first discussed with you, upon your previously leaving the Government, or prior to your leaving the Government, your connection with Ventures, Ltd.?

Mr. ANDERSON. I think Mr. Roger Kyes did, if I recall correctly.

Senator GORE. Former Under Secretary?

Mr. ANDERSON. Former Under Secretary of Defense, yes.

Senator GORE. Did Secretary Humphrey ever discuss in any way your making a connection with Ventures, Ltd.?

Mr. ANDERSON. No, sir.

Senator GORE. Do you know if either Secretary Humphrey or any members of his immediate family, or the M. A. Hanna Co. or any of its subsidiaries, have a financial interest in Ventures, Ltd.?

Mr. ANDERSON. None that I know of, sir.

Senator GORE. Are you aware of the identity of the stockholders of Ventures, Ltd.?

Mr. ANDERSON. I have seen the stock lists, and I do not recall any of those names on there. I would not say that there are not.

Senator GORE. Are there interlocking directorships between Ventures, Ltd., and M. A. Hanna Co. or any of its subsidiaries?

Mr. ANDERSON. No, sir.

Senator GORE. In your statement, Mr. Anderson, I find these sentences:

During my service as Secretary of the Navy and Deputy Secretary of Defense I came in close contact with the plans and policies which have guided President Eisenhower and Secretary Humphrey in the conduct of the Government's fiscal affairs. These principles I expect to carry forward, in the firm belief that wise fiscal policies are basic to the continued security and strength of our Nation, both economically and militarily.

In view of this statement, would you be so kind as to give us a statement of your understanding of these policies, and tell us what the fiscal and monetary policies of Secretary Humphrey and President Eisenhower are?

Mr. ANDERSON. Senator Gore, let me say that what I have intended to say, what I did intend to say or to convey by such a statement, was the objective goals that I would support, the objective goals of operating the Government as economically as possible, consistent with our national defense; of maintaining the integrity of our currency; of providing, if at all possible, balanced budgets and some surplus which might be applied against the national debt.

That any of the actions which I might take as Secretary of the Treasury would be on my own responsibility. I have been asked for

and have made no commitments of any kind or character with reference to them. And, while I have the greatest respect for and friendship for Secretary Humphrey, the responsibility will be mine.

That I would try as diligently as I know how to discharge it in the best interests of the country.

And that, sir, is about what I intended to convey.

Senator GORE. You did not mean by the statement, then, to say or imply, nor do you now wish this committee to understand that upon the assumption of your duties as Secretary of the Treasury, if confirmed, you will not exercise your own responsibility, but will feel yourself bound by policies of your predecessor?

Mr. ANDERSON. Senator Gore, I will be completely loyal to the President, of course.

Senator GORE. I understand, and I would not want to see you or anyone else appointed who would not be.

Mr. ANDERSON. Yes, sir. But I have made no commitments, I have been asked for none, and I would feel under no obligation to anyone except to the people of the United States in the discharge of my duties in that responsible office.

Senator GORE. Well, I will say that was spoken as a true Texan

Mr. ANDERSON. Thank you, sir.

Senator GORE. And most Texans are former Tennesseans.

Mr. ANDERSON. That, I am sure, is so, sir. [Laughter.]

Senator GORE. I should not say "most." A great many.

Senator KERR. I was going to say they have been working pretty diligently, if that is correct.

Senator GORE. I am not going to belabor you with the responsibility of defending a statement which Secretary Humphrey has been busily defending for the past 7 days, but I would like to call one basic fact to your attention.

In response to a question from Senator Kerr, Secretary Humphrey undertook to explain, or did explain, what he regarded as the cause of the current inflation in the following terms:

It is the demand for building, it is the demand for goods, it is the demand for all sorts of things, that are exceeding the supply, and that is what is putting the pressures, the inflationary pressures, on us today.

The question I would like to ask you is, do you think or do you not think that we are in the classical kind of inflation which is characterized by an excess of money and credit bidding and contending for a limited supply, or an inadequate supply, of goods and commodities?

Mr. ANDERSON. Senator Gore, I have not had the opportunity of knowing as much—of having available as much detailed information, perhaps, as Secretary Humphrey or Senator Gore, which was the predicate for this discussion.

Senator GORE. Senator Kerr.

Mr. ANDERSON. I mean Senator Kerr, I beg your pardon, sir.

I think we are living, economically, in a very complex situation in this country. I notice that in the report which was issued a day or two ago by the House committee, the term "cost price inflation" was used.

I think you cannot eliminate as a factor in the inflationary pressures such things as demand, both for goods and for money.

I think, on the other hand, that you cannot resolve it into any simplicity by attributing a classical formula to the basis upon which the inflationary pressures operate.

I would say to you that I think this is a subject which requires the most concentrated study on the part of the American people, and I think, and hope, that the contribution which will be made by this committee, in its findings and in the discussions which take place before it, will be very enlightening to me in the discharge of the responsibility I am about to assume.

Senator GORE. Well, I do hope you will take advantage of the record. I ask no one else to see the situation as I see it, but I would ask you and others to consider my point of view.

Mr. ANDERSON. I can assure you, Senator, that I look forward to taking advantage of the record and of the hearings before this committee.

Senator GORE. As I see it, Secretary Humphrey has misdiagnosed our national economic ills. According to his statement, which I read to you, he has diagnosed the inflationary pressures as the result of an oversupply of money and credit, and an undersupply of goods and services.

After the consultation on the ills of the patient before this committee, when Dr. Kerr and Dr. Fact were called in, the diagnosis, it seems to me now, is clear that, instead of the patient having high blood pressure, he may have anemia.

Yet, Secretary Humphrey is still trying to convince his anemic patient that he has high blood pressure and still giving him that kind of treatment.

In order to bring this down to practical application, do you know of any scarce commodities?

Mr. ANDERSON. Senator Gore, without more factual information, which I would have to examine, and the volume of material that is available, and that sort of thing, I would not want to try to establish what might or might not be scarce. Frankly, I have not had the opportunity of examining that.

Senator GORE. I realize that you are not yet Secretary of the Treasury and do not have the advantage of the technical staff.

Mr. ANDERSON. That is correct, sir.

Senator GORE. I am not attempting at all to belabor you, and I shall not ask you to provide a long list of things. But I just ask you: Are you aware of any widespread scarcities of commodities in the United States today?

Mr. ANDERSON. Well, as a matter of answering factually, I would simply say that I would want to examine the facts which might be shown by economic indices as to what the basis was before I made a statement.

Senator GORE. I am only asking you now, Mr. Anderson, if you are now aware of any widespread scarcities of commodities in the United States.

Mr. ANDERSON. Any specific field, I am not, sir, as far as detailing items is concerned.

Senator GORE. Well, I think that is a satisfactory answer. Would you think that the increase in the price of steel announced yesterday could possibly be the result of inadequate production facilities, when the steel mills are operating at only 86 percent of capacity?

Mr. ANDERSON. Senator Gore, I would not feel myself competent to pass on that specific question. I, frankly, do not know enough about the steel industry, the problems of its operation, to find myself a competent witness on the subject. I will say that I wish the steel increase had not taken place.

Senator GORE. You are aware of the fact that, when there is an increase in the price of basic metals, that means an increased price of a thousand and one things—hammers, saws, refrigerators, automobiles, nails, roofing—all across the fabric of the metallic part of our economy?

Mr. ANDERSON. That is correct.

Senator GORE. Do you know how higher interest rates could possibly discourage the steel companies from raising their prices?

Mr. ANDERSON. Well, as to higher interest rates being a specific deterrent, I think you have to know more about the motivations and the response behind the decisions of the steel corporation than I know, to pick out a particular item and say that this would be the cause for the raise or would have deterred them from doing it.

Senator GORE. I am not asking you, Mr. Anderson, to respond to questions from detailed knowledge of the steel industry. I am just asking you to respond as a citizen, with experiences in some respects not unlike mine. I want to recall to you that, at the time you were helping to write the Unemployment Compensation Act of Texas, I was helping to do the same thing in Tennessee.

Mr. ANDERSON. Yes.

Senator GORE. Perhaps it might be said we were "New Dealers" together at that time.

A short time thereafter, you were in the cabinet of the Governor of Texas. I was in the cabinet of the Governor of the State of Tennessee, administering the unemployment-compensation program.

So, in asking you this question, I am not propounding it as one who has intimate knowledge of the steel industry, nor do I expect you to reply from that standpoint. I am just asking you, as a citizen, if you can see any way in which higher interest rates have discouraged the increase in the price of steel.

Mr. ANDERSON. No, Senator. I think that if you look at interest rates from the standpoint of its effectiveness in the rationing of credit, then you would say that it has a deflationary effect. If you look at interest rates from the standpoint of contributing to the cost of an article, which might be passed on, then it has an influence in increasing the price and in increasing the inflationary pressures.

Senator GORE. I agree with you on the latter statement. I will not ask you to comment on the example which Secretary Humphrey gave. He gave us the increase in the monthly payments of a house, and said that, of this increased amount, only \$8.91, I believe it was, was added interest.

Of course, that is not an inconsequential amount when one has to pay it for 25 years. But the Secretary listed only the payment of interest by one individual. He completely omitted the increased cost of doing business in producing lumber, brick, cement, plumbing, roofing, doors, and windows.

And I agree with your statement; I emphatically disagree with the statement the Secretary made. But I do not ask you to comment on that at all.

Coming back to this analysis of the steel situation, it seems to me that this illustrates a basic problem at issue in the current Finance Committee hearing: The effect of higher interest rates on inflation.

I agree with your statement, that, in some respects and for some people, higher interest rates do have a deflationary effect. For others, it increases costs, and thereby prices, and has an inflationary effect.

It seems to me—again, you and I are talking as we have talked privately, to my pleasure and delight, on somewhat comparable terms—that increased interest rates seem to encourage inflation in the administered-price sector of our economy.

Increased interest rates encourage inflation because the higher interest rates which the companies would have to pay encourage them to look to sources other than borrowings for capital for their expansion. They look to internal financing, they look to the price structure, higher prices and higher profits.

That is what we are finding in steel, in aluminum, and in basic metals across the board. We also find it in other more or less monopoly-controlled fields, such as sugar and automobiles.

On the other hand, in the competitive sector, the part of our economy represented by textiles, lumber, and farm products, for example, we find that there is a deflationary effect, and a very severe effect.

We will not go further with this, Mr. Secretary. I already call you "Mr. Secretary." I expect to vote for your confirmation.

Mr. ANDERSON. Thank you, sir.

Senator GORE. And I am pleased with your responses here this morning.

Mr. ANDERSON. Thank you, sir.

Senator GORE. Perhaps further questioning will be gratuitous, but I hope you will not consider it so, because I have a responsibility as a Member of the Senate, and as a member of this committee, which responsibility I am trying to exercise.

The Federal Reserve may be independent of the Treasury Department. It is not independent of the President of the United States.

You are to become Secretary of the Treasury at one of the most critical times this Nation has ever faced, fiscally and monetarily.

You have said you want to operate the Government as economically as possible. I agree with you. And I take it that you will not undertake to use the powers of the Secretary of the Treasury, or to persuade the President to use the power of the Presidency, to push interest rates up on bonds of the United States Government.

Would you mind responding to that?

Mr. ANDERSON. I can only respond by saying that I hope I can look forward to some time when the interest rate will not be as high as it is.

Senator GORE. I agree with that, too.

Now, the one bright spot I see in an otherwise gray outlook for the Nation's money condition is the personal equation which I understand exists, happily, between you and President Eisenhower.

Unless you are able to persuade Mr. Eisenhower to use the powers of the office of President to bring order out of the chaotic monetary situation, a situation in which you are soon to play an important part, then the situation will grow worse instead of better.

I hope you can do so. I will not go further with that.

What is your attitude toward depletion?

Mr. ANDERSON. Senator Gore, I assume you refer to the statutory depletion allowance.

Prior to my association with the Government as Secretary of the Navy, I made more than one appearance before the House Ways and Means Committee in favor of the depletion allowance.

I think you have to look at it historically, as to whether or not—

Senator GORE. In so doing, you were representing an organization in Texas?

Mr. ANDERSON. I was at that time the president of the Texas Mid-Continent Oil & Gas Association.

Senator GORE. In so doing, you were in the proper exercise of your employment.

Mr. ANDERSON. Yes, sir.

Senator GORE. And your business interests.

Mr. ANDERSON. Yes, sir.

I think depletion ought to be looked at historically from the standpoint of what the petroleum resources of the country are, and their adequacy, both in times of war and peace.

I think, on the other hand—and I want to be quite clear about saying this—that in the responsibility which I will assume, I will have a responsibility not only for considering this kind of a tax, but a number of other taxes. I shall approach them as objectively as I possibly can and as I know how.

And I will be pleased at any time to cooperate with the Congress or any of its committees in reviewing the depletion allowance, as to whether or not—I mean as to any way in which Congress would like it to be reviewed.

Senator GORE. Well, do you see, from your experience in the development of natural resources, any distinction between a depletion allowance for those who actually use it for the development of the country's natural resources, and those who merely invest for monetary return, having no intention of ever participating in the development of natural resources?

Mr. ANDERSON. Yes, Senator. I think there is a very proper area of concern between those people who are actively engaged in exploration for and development of the mineral resources of the country, and those who simply buy mineral resources that have been developed.

I think, on the other hand, one has to remember the constitutional limitations that we all have about making taxes applicable to one group or to another group; and this is an area which I think has had, and which will continue to have, very active study.

Senator GORE. I agree with you that there is a distinction, and should be. My concern is that under the tax law there is no distinction.

My attitude is that, whatever the proper rate of depletion is, I would lean over backward to be liberal.

Mr. ANDERSON. Yes.

Senator GORE. In order to encourage the development of the resources. The man who goes back furthest in the mountains and out furthest to sea and deepest into the earth, whether it be for development of oil, coal, or other natural resources, deserves some consideration.

But I agree with you that there is a distinction, and that the matter deserves study. And you say you are willing to give it study.

Mr. ANDERSON. Yes.

Senator GORE. I will not press you further upon that. Your responses have been forthright, and I now tender you my support for your confirmation.

Mr. ANDERSON. Thank you very much, Senator Gore.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Mr. Chairman, I just wish to state it is certainly a pleasure for me to be able to vote for the reporting of the confirmation of the nomination of Secretary Anderson. I think the country is fortunate to get a man of his ability, his experience, and his patriotic motives, which I know of personally, over many years of service, as a successor to one of the great Secretaries of the Treasury, Mr. Humphrey.

Mr. ANDERSON. Thank you, Senator Carlson.

The CHAIRMAN. Senator Long?

Senator LONG. I can echo Senator Carlson's sentiments. I am glad to see your name come up here for confirmation, Mr. Anderson.

Mr. ANDERSON. Thank you, Senator Long.

Senator LONG. The only question I had in mind was one to which I know the answer already; and that is, regardless of this investigation we have pending on monetary affairs, there is a great amount of information which only the Treasury can supply to us, and I do not have in my mind any evidence, the argument goes back and forth which we have had so much last week, about the philosophy of government.

I have in mind just the cold statistics that can be acquired by your Department. I would hope that when they are requested, you will see that they are compiled by your staff and the best estimates that your Department can bring to us, and that no one will attempt to compile any with any preconceived notions they will just get the facts before us insofar as they can lay them before us, and let us try to arrive at a conclusion here.

Mr. ANDERSON. Senator Long, I can assure you of my fullest cooperation in trying to provide this committee of Congress, or any other committee absolutely factual information to the best of the ability that I have to see that it is done.

Senator LONG. I appreciate the statement you have made here, that so far as monetary policy is concerned, you want to work with this committee, and that you yourself are interested to see what this committee will conclude after it has made a study of this whole matter of fiscal policy, interest rates, and the rest of it.

Mr. ANDERSON. I would say nothing is of more interest to me at the moment, Senator.

Senator LONG. You made a fine record in Government, and I am sure you will continue to do so in this high post.

Mr. ANDERSON. Thank you, Senator Long.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Mr. Anderson, I would like to add my voice in appreciation for the record you made in the earlier offices you have held, and to assure you of my faith that you are going to carry this responsibility as well as you carried the others.

There is just one question I would like to ask. Earlier in your statement today, you reported to the committee that you had made no

commitments with respect to policy or program before you were offered or accepted this position.

Do you feel, as a result of these question today, you are now under commitment to carry out certain policies or stand on a certain point of view on which you have been questioned? Or do you still feel that you are free to carry the responsibility that comes to you in accordance with the information and experience you can get?

Mr. ANDERSON. Senator, I would feel that I am perfectly free, not only free but obligated, to do whatever is, in my considered judgement, after I assume this office, the very best thing for the people of the United States under whatever circumstances may arise.

Senator BENNETT. That is all, Mr. Chairman.

The CHAIRMAN. Senator Douglas?

Senator DOUGLAS. Thank you very much.

Mr. Anderson, I am not going to ask you any questions about your personal record, which seems to be a very good one, very distinguished one. I am going to vote for your confirmation.

There are 2 or 3 concerns I have, which I should like to express to you.

The first is the question of the large amounts of money which the Treasury has on deposit interest free with the private banks of the country. I have been interested in this subject; I got interested in this subject some years ago, and have been gathering figures upon it from time to time.

I do not know what the immediate situation is, but some years we have maintained between \$3 billion and \$5 billion, roughly, on demand deposits with the private banks of the country, upon which no interest was paid. Our time deposits were relatively small in amount.

I analyzed the situation so far as the New York banks were concerned, and made a weekly record of the amounts deposited in each of the banks from 1953 on, and found that the lowest amount deposited in the banks, which was a summation of the lowest amounts in any one bank, came to a very large figure, and there would certainly seem, therefore, to be a large amount of money which the Government has on deposit and against which it never draws checks. These are interest-free deposits.

As you probably know, this is one of the sources of corruption in local, county, and State governments, and it lends itself to all kinds of abuses.

I hope very much that you will review that situation and will see if some of those deposits could not be shifted from demand to time, with a consequent collection of interest. Or, you should review the degree to which the Federal Reserve banks themselves might be used as depositories of these large sums.

I think this should be said for the record: The banks will say that, in return, they are performing unpaid-for services for the Government. I think that ought to be reviewed very carefully.

Certainly, in the time of the Second World War, and I believe this practice started then, they were performing a variety of unpaid services for the Government in connection with the selling of savings certificates, and so on.

But there is some question as to the degree to which these services are continuing in the same volume now, and I hope that Treasury will review this practice.

Mr. ANDERSON. I shall be glad to review it, Senator Douglas.

Senator DOUGLAS. Thank you very much. I will return to this from time to time.

Mr. ANDERSON. Thank you.

Senator DOUGLAS. The second concern I have is the interest policy of the Federal Government, to which I think other Senators have referred. When the Truman administration was in, I was opposed to their policy of artificially maintaining a low interest rate through getting the Federal Reserve to purchase unlimited quantities of Government bonds at par which maintained the low interest rate.

But, although my position has been somewhat misrepresented, I am not a supporter of the policy of your predecessor, Mr. Humphrey, on interest rates, because I think that, whereas the Truman administration kept interest rates artificially low, the Treasury and the Federal Reserve have kept interest rates artificially high.

And, in particular, I am very skeptical, more than skeptical, of the first long-term bond issue, when the Treasury raised the interest rate from $2\frac{3}{4}$ to $3\frac{1}{4}$ percent.

I think, if you look at the facts attending that flotation, that was an interest rate appreciably above what the market required in order to float the issue, and that it helped to start a chain of operations moving interest rates toward a higher level.

When one comes to the refundings, which are large in number; as well as interest rates in refunding in great volume, it is pretty difficult to trace whether or not the Treasury was leading the market or following the market, and I do not pretend to have any final judgment on that point.

But I do think, if we may return to the Federal Reserve for a moment, that their use of the classic central banking mechanism of trying to control credit through successive raising of the rediscount rate has furnished a psychological stimulus to private lenders all over the country to raise interest rates.

I believe in the Federal Reserve controlling the total amount of available credit, with the dual aim of stabilizing the price level and maintaining substantially full employment, and I think those purposes are not contradictory.

But I do think the Federal Reserve and the Treasury combined have artificially raised interest rates, just as the Truman administration artificially lowered interest rates. And, while the problem is a difficult one, I will just mention to you my own belief for such value as it may have. It may have no value.

But I think the Treasury should try to follow the competitive interest rate, neither raising the interest rate nor lowering the interest rate, but adapting itself to the supply of funds and the opportunities in other lines.

And I hope that, in this discussion which goes on, and which will soon be swirling about your head, these thoughts may be worthy of some consideration.

Mr. ANDERSON. I appreciate your thoughts very much, Senator Douglas, and I do look forward to the benefits of, again I say, what may be derived from the total hearings before this committee.

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

Senator KERR. Mr. Chairman, would you yield for an observation?

The CHAIRMAN. Senator Kerr.

Senator KERR. Mr. Anderson, I am not going to embarrass you by asking you to make a commitment, but I would appreciate your giving very serious consideration to a distinct change in policy, in one regard, of your predecessor. In support of certain arguments he has made and certain positions he has taken, he has seen fit to repeatedly quote a member of this committee in such a way as to indicate that it might have influenced his position in some regard, and with an affirmation that it sustains his position in toto.

I do not know to what extent that has embarrassed a member of the committee. I am not sure that it was used for that purpose or with the thought in mind that it might unduly influence other members of the committee on the same side of the table as the one being quoted.

But I would sincerely hope, Mr. Anderson, that, in sustaining what positions you may take in the future, you would do so on the basis of the argument which you yourself, or your staff, could develop and, if unable to sustain it on that basis, that you would find quotations from others than members of this committee in doing so.

That is just a request, and I do not ask you to bind yourself or to commit yourself. [Laughter.]

SENATOR DOUGLAS. May I say, I note what the Senator from Oklahoma has declared.

Senator GORE. Let me see if I understand you. In other words, you would not mind the Secretary occasionally quoting some member of this committee, but you would not want him to rely exclusively upon the quotation from one member of this committee?

Senator KERR. Nor discriminate against every other member of the committee by never mentioning their names. [Laughter.]

The CHAIRMAN. Mr. Anderson, we thank you.

Senator GORE. I believe the record should note that the future Secretary is smiling. [Laughter.]

The CHAIRMAN. Thank you very much, Mr. Anderson, for your testimony. It has been able and frank.

Mr. ANDERSON. Senator, may I express my appreciation to the members of the committee for their very cordial and warm hearing.

Senator KERR. I suggest, Mr. Chairman, in view of the fact there is no further evidence to be taken from any person, that the committee go into executive session.

The CHAIRMAN. Without objection, we will go into executive session.

(Whereupon, at 11:20 a. m., the hearing was recessed, and the committee proceeded in executive session.)