PAYMENT OF ADJUSTED-SERVICE CERTIFICATES

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

H. R. 1, H. R. 3896, S. 2605

AND OTHER BILLS RELATING TO PAYMENT OF ADJUSTED-SERVICE CERTIFICATES

APRIL 22, 23, and 24, 1935

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PAYMENT OF ADJUSTED-SERVICE CERTIFICATES

MONDAY, APRIL 22, 1935

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

The committee met, pursuant to call, at 10:05 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), King, Barkley, Connally, Gore, Costigan, Bailey, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Couzens, Keyes, La Follette.

The committee had under consideration H. R. 3896, S. 2605, and other bills relating to payment of adjusted-service certificates.

(S. 2605 is as follows:)

[S. 2605, 74th Cong. 1st Sess.]

A BILL Declaring a policy relative to benefits for veterans of the World War, and providing for the optional conversion of adjusted-service certificates

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in view of the generous benefits accorded by the Government to veterans of the World War, in the form of insurance, compensation, disability allowances, hospitalization, vocational rehabilitation, adjusted compensation (as liberalized by this Act), preference of various kinds under legislation of general application, and other benefits and allowances, many of which have not been granted to veterans of prior wars, it is hereby expressly declared to be the policy of Congress that there should not be any general pension laws enacted for veterans of the World War or their dependents; and nothing in this Act shall be construed as indicating a tendency toward a contrary policy, or as implying that favorable consideration will be given at any time to a change in the policy hereby declared.

SEC. 2. Section 507 of the World War Adjusted Compensation Act, as amended, is hereby further amended to read as follows:

"SEC. 507. All amounts in the fund shall be available for payment by the Administrator of Veterans' Affairs of adjusted-service certificates upon their maturity or the prior death of the veteran; for payment under section 502 to banks on account of loans to veterans; for the repayment of loans made by the Administrator of Veterans' Affairs out of the United States Government Life Insurance Fund on security of adjusted-service certificates, in which case the Administrator of Veterans' Affairs shall pay interest to such fund to date of maturity of the loan at the rate such fund is authorized to receive under the provisions of subdivision (m) of section 502, as amended; and for payment by the Secretary of the Treasury to veterans of the amount of the cash payment authorized to be paid by this Act upon the surrender of their adjusted-service certificates."

SEC. 3. Title V of the World War Adjusted Compensation Act, as amended, is further amended by adding at the end thereof a new section, to read as follows:

"SEC. 509. (a) At the option and upon the application of any veteran to whom there has been lawfully issued an adjusted-service certificate under the provisions of this Act, as amended, and upon the complete surrender of such adjusted-service certificate, together with all rights and privileges thereunder (with or without the consent of the beneficiary thereof), the Administrator of Veterans' Affairs shall certify to the Secretary of the Treasury the amount of the adjusted-service credit and interest at 4 per centum per annum compounded annually from November 11, 1918, to January 1, 1945, or to the 1st day of the January or July next succeeding the date of the filing of the application with the Administrator of Veterans' Affairs, whichever is the earliest date, less any indebtedness of the veteran on account of any loan or loans made under the provisions of this Act and interest, if any, accrued to the date settlement is made: *Provided*, That if at the date of the maturity of any certificate such certificate has not been surrendered, and if at the time of application for payment the amount of the adjusted-service credit and interest at 4 per centum per annum compounded annually from November 11, 1918, to the date of payment or to January 1, 1945, whichever is the earlier date, exceeds the maturity value, then such amount (in lieu of the maturity value), less the amount of any indebtedness required to be deducted under this Act shall be paid immediately by check drawn on the Treasurer of the United States.

"(b) No payment shall be made nor bonds issued under this section until the certificate is in the possession of the Administrator of Veterans' Affairs and all obligations for which the certificate was held as security have been paid or otherwise discharged.

"(c) If at the time of application to the Administrator of Veterans' Affairs for settlement under this section the principal and interest on or in respect of any loan upon the certificate have not been paid in full (whether or not the loan has matured), then the Administrator of Veterans' Affairs shall (1) pay or otherwise discharge such unpaid principal and so much of the unpaid interest (accrued or to accrue) as is necessary to make the certificate available for payment under this section, and (2) deduct from the amount of any settlement the amount of such principal with all interest to date of settlement under the provisions of this Act: *Provided*, That as to any loan on an adjusted-service certificate, properly made, which is unpaid and held by a bank at the time of filing an application under this section, the bank holding the note and certificate shall, upon notice from the Administrator of Veterans' Affairs, present them to the Administrator of Veterans' Affairs for payment to the bank in full satisfaction of its claim for the amount of unpaid principal and unpaid interest; except that if the bank, after such notice, fails to protect the certificate and note to the Administrator of Veterans' Affairs within fifteen days after the mailing of the notice, such interest shall be paid only up to the fifteenth day after the mailing of such notice.

"(d) Upon the filing of an application for benefits under this section the certificate and all rights and privileges thereunder shall be canceled.

"(e) A veteran may receive the benefits of this section by application therefor filed with the Administrator of Veterans' Affairs during the lifetime of the veteran. Such application may be made and filed at any time (1) personally by the veteran or (2) in case physical or mental incapacity prevents the filing of a personal application, then by such representative of the veteran and in such manner as may be by regulations prescribed by the Administrator of Veterans' Affairs. Application made by a person other than a representative authorized by such regulations shall be held void.

"(f) If the veteran dies after the application has been filed, the settlement authorized under the provisions of section 509 of this Act shall be made to the estate of the veteran.

"(g) The Secretary of the Treasury is authorized and directed, upon receipt from the Administrator of Veterans' Affairs of a statement in a form to be prescribed by the Secretary of the Treasury, to issue, in settlement of the amount certified to be due, negotiable bonds, with coupons attached, bearing interest at the rate of 3 percentum per annum payable semiannually, up to the highest multiple of $50 represented in the amount certified. Such bonds shall be dated from the 1st day of the January or July (whichever is the earlier date) next succeeding the date of the filing of the application with the Administrator of Veterans' Affairs, and shall be redeemable in lawful money of the United States at a date to be fixed by the Secretary of the Treasury. The difference between the net amount certified to be due and the amount represented by the bonds issued shall be paid by the Secretary of the Treasury by check drawn on the Treasurer of the United States. For a period of six months from the date of issuance, no bond issued under the authority of this Act shall be negotiable or assignable, or used as collateral security for a loan, by the person to whom the bond is issued, for any consideration less than the amount shown on the face of the bond as the redemption value; and any person or persons entering into any agreement either on behalf of themselves or others to procure by purchase, exchange, or otherwise any bond in violation of this provision shall be guilty of a fraud and shall be punished by a fine of not more than $10,000 or by imprisonment for not more than two years, or both.

"(h) The Secretary of the Treasury is authorized and directed to redeem from the United States Government Life Insurance Fund all adjusted-service certificates held by that fund on account of loans made thereon and to pay to the United States Government Life Insurance Fund the amount of the outstanding liens against such certificates, including all interest due or accrued, together with such amounts as may be due under subdivision (m) of section 502, as amended. The Secretary of the Treasury is authorized and directed to make such payment by issuing to the United States Government Life Insurance Fund bonds of the United States which shall bear interest at the rate of 4½ per centum per annum, and no such bonds shall mature or be callable until the expiration of a period of at least ten years from date of issue."

The CHAIRMAN. The committee will be in order.

Congressman Patman, you may proceed.

STATEMENT OF HON. WRIGHT PATMAN, REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. I hope that everyone will be as brief as they can in this matter, consistent, of course, with fully explaining their position.

Mr. PATMAN. Mr. Chairman and members of the committee, personally I appreciate the consideration that this committee is giving this legislation.

We feel that when the proposal is seriously and carefully considered, as we know it will be by the committee, that something will be done that will be satisfactory to both the veterans and the country, at least we have that belief. If after a full and free discussion of all of the merits of the proposal, we fail to make a case we are not entitled to win. Unless we can show that these certificates although payable in 1945 are really as a matter of justice and right, past due, we are not entitled to ask for the full payment of them at this time. Unless we can further show that the payment of these certificates will not only not be detrimental to the country, but will be helpful to the country in this time of economic distress, we are still not entitled to win.

The bill that I appear for is known as "House bill no. 1", the Patman bill, and "Senate bill no. 2", the Thomas bill. I introduced the bill in the House, and Senator Thomas introduced it in the Senate. It provides for the full and immediate cash payment of the remainder due to 3½ million veterans under the adjusted-service certificates.

Before this committee it is known as H. R. 3896. In the House of Representatives all after the enacting clause of H. R. 3896 was stricken out and H. R. 1 inserted. It is as follows:

[H. R. 3896, 74th Cong., 1st sess.]

AN ACT To provide for the immediate payment to veterans of the face value of their adjusted-service certificates, for controlled expansion of the currency, and to extend the time for filing applications for benefits under the World War Adjusted Compensation Act, and for other purposes

Whereas the immediate cash payment of the adjusted-service certificates will increase tremendously the purchasing power of millions of the consuming public, distributed uniformly throughout the Nation, and will provide relief for the holders thereof who are in dire need and distress because of the present unfortunate economic conditions; and will lighten immeasurably the burden which cities, counties, and States are now required to carry for relief; and

Whereas the payment of said certificates will not create any additional debt, but will discharge and retire an acknowledged contract obligation of the Government; and

Whereas since the Government of the United States is now definitely committed to the policy of spending additional sums of money for the purpose of hastening recovery from the present economic crisis, the immediate cash payment at face value of the adjusted-service certificates, with cancelation of interest accrued and refund of interest paid, is a most effective means to that end therefore:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

That title V of the World War Adjusted Compensation Act, as amended, is amended by adding at the end thereof three new sections, to read as follows:

PAYMENT OF CERTIFICATES BEFORE MATURITY

"Sec. 509. (a) The Administrator of Veterans' Affairs is authorized and direcrected to pay to any veteran to whom an adjusted-service certificate has been issued, upon application by him and surrender of the certificate and all rights thereunder (with or without the consent of the beneficiary thereof) the amount of the face value of the certificate as computed in accordance with section 501.

"(b) No payment shall be made under this section until the certificate is in the possession of the Veterans' Administration, nor until all obligations for which the certificate was held as security have been paid or otherwise discharged.

"(c) If at the time of application to the administrator of Veterans' Affairs for payment under this section the principal and interest on or in respect of any loan upon the certificate have not been paid in full by the veterans (whether or not the loan has matured), then, on request of the veteran, the Administrator shall (1) pay or otherwise discharge such unpaid principal and so much of such unpaid interest (accrued or to accrue) as is necessary to make the certificate available for payment under this section, and (2) deduct from the amount of the face value of the certificate the amount of such principal and so much of such interest, if any, as accrued prior to October 1, 1931.

"(d) Upon payment under this section the certificate and all rights thereunder shall be canceled.

"(e) A veteran may receive the benefits of this section by application therefor, filed with the Administrator of Veterans' Affairs. Such application may be made and filed at any time before the maturity of the certificate (1) personally by the veteran, or (2) in case physical or mental incapacity prevents the making or filing of a personal application, then by such representative of the veteran and in such manner as may be by regulations prescribed. An application made by a person other than a representative authorized by such regulations, or not filed on or before the maturity of the certificate, shall be held void.

"(f) If the veteran dies after the application is made and before it is filed, it may be filed by any person. If the veteran dies after the application is made, it shall be valid if the Administrator of Veterans' Affairs finds that it bears the bona fide signature of the applicant, discloses an intention to claim the benefit of this section on behalf of the veteran, and is filed before the maturity of the certificate, whether or not the veteran is alive at the time it is filed. If the death occurs after the application is made or filed but before the receipt of the payment under this Act, payment shall be made to the beneficiary designated.

"(g) Where the records of the Veterans' Administration show that an application, disclosing an intention to claim the benefits of this section, has been filed before the maturity of the certificate, and the application cannot be found, such application shall be presumed, in the absence of affirmative evidence to the contrary, to have been valid when originally filed.

"Sec. 510. (a) If, at the time this section takes effect, a veteran entitled to receive an adjusted-service certificate has not made application therefor, he shall be entitled, upon application made under section 302, to receive at his option either the certificate under section 501 or payment of the amount of the face value thereof under section 509.

"(b) Subdivisions (b) and (c) of section 302, section 311, subdivision (b) of section 312, section 602, and subdivision (b) of section 604 of the World War Adjusted Compensation Act, as amended (U. S. C., Supp. VII, Title 38, secs. 612, 621, 622, 662, and 664), are hereby amended, to take effect as of December 31, 1934, by striking out 'January 2, 1935' wherever it appears in such subdivisions and sections and inserting in lieu thereof 'January 2, 1940'.

"Sec. 511. The Administrator of Veterans' Affairs in the exercise of his powers to make regulations for payment under section 509, shall to the fullest extent practicable provide a method by which veterans may present their applications and receive payment in close proximity to the places of their residence."

Sec. 2 (a) Payment of the face value of adjusted-service certificates under section 509 or section 510 of the World War Adjusted Compensation Act, as amended, shall be made in United States notes not bearing interest. The Secretary of the Treasury is hereby authorized and directed to issue such notes in such amount as may be required to make such payment, and of the same wording, form, size, and denominations as United States notes issued under existing law, except that the wording thereon shall conform to the provisions of this Act. The Administrator of Veterans' Affairs and the Secretary of the Treasury are hereby authorized and directed jointly to prescribe rules and regulations for the delivery of such notes in payment under section 509 or section 510 of the World War Adjusted Compensation Act, as amended, and there is hereby appropriated out of the Treasury such amount of such notes as may be necessary to make such payment.

(b) United States notes issued pursuant to the provisions of this Act shall be lawful money of the United States and shall be fixed by law. Such notes shall be legal tender in payment of all debts and dues, public and private, and shall be receivable for customs, taxes, and all public dues, and when so received shall be reissued. Such notes when held by any national-banking association or Federal Reserve bank, may be counted as a part of its lawful reserve. The provisions of Sections 1 and 2 of the Act of March 14, 1900, as amended (U. S. C., title 31, secs. 314 and 408), and section 26 of the Federal Reserve Act, as amended (U. S. C. title 31, sec. 409), are hereby made applicable to such notes in the same manner and to the same extent as such provisions shall apply at the time of the enactment of this Act or in the future to United States notes.

SEC. 3. (a) Whenever the index number of the wholesale all-commodity prices rise above the index number of such prices for the years, 1921 to 1929, as computed by the Bureau of Labor Statistics of the Department of Labor, notwithstanding any provisions of law to the contrary, the following methods for contracting the issues of currency in the United States may be in force and effect, in the manner and to the extent prescribed in subsection (b) of this section:

(1) Termination of the issuance and reissuance of Federal Reserve notes secured by direct obligations of the United States.

(2) Termination of the issuance and reissuance of national-bank circulating notes, and the retirement of such notes from circulation as rapidly as practicable.

(3) Termination of the issuance and reissuance of Federal Reserve notes secured only by gold or gold certificates.

(4) Termination of the issuance and reissuance of Federal Reserve notes secured by notes, drafts, bills of exchange, acceptances, or bankers' acceptances which are not issued in direct benefit of commerce, industry, or agriculture.

(b) Any such method of contracting currency issues may be applicable when the Secretary of the Treasury finds that its application is necessary in order to maintain the index number of wholesale all-commodity prices at the approximate level of the index number of such prices for the years 1921 to 1929, or to prevent undue expansion of the currency, and issues an order setting forth such finding. Each such order shall prescribe such rules and regulations as are necessary and appropriate to carry out the provisions of this section with respect to the method of contraction made applicable in the order. The Secretary may make such methods applicable in the order in which they are set forth in subsection (a) of this section, or in any order he chooses. When any such order is issued with respect to Federal Reserve notes, the Federal Reserve Board shall take such action as may be necessary to facilitate the enforcement of the order.

SEC. 4. Section 505 (authorizing annual appropriations end with the year 1946 for the payment of adjusted-service certificates of the World War Adjusted Compensation Act, as amended), except the first sentence thereof, is hereby repealed. Amounts in the adjusted-service certificate fund are hereby made available for the expenses of printing and engraving United States notes issued under this Act, for paying fractional parts of a dollar which cannot be paid in United States notes issued under the provisions of this Act, and for paying the principal and interest on or in respect of loans pursuant to the provisions of subsection (c) of section 509 of the World War Adjusted Compensation Act, as amended.

SEC. 5. This Act may be cited as "the Adjusted Compensation Act, 1935."

Passed the House of Representatives March 22, 1935.

Attest:

SOUTH TRIMBLE, *Clerk*.

If the certificates are not paid now, gentlemen, the interest that is being paid on the first half of the loan that they have obtained will consume practically the remaining half by 1945. Therefore if the

the veterans are to have anything, they will have to get it now or never.

The proposal has been pending in this country for about 6 years, and the main principle that we have been fighting for is to get the certificates dated back as of the time they rendered the service. I am glad to say that that principle has been recognized in Senator Harrison's bill that was introduced a few days ago. It recognizes the principle that veterans should be paid as of the time they rendered the service instead of 6½ or 7 years later.

In the House of Representatives we had what was known as an "official steering committee" for the support of this legislation. I have their names here, and I want the privilege, Mr. Chairman, to extend my remarks in the record by inserting these names and such other excerpts and information as I think is material and relevant to the issue involved.

The CHAIRMAN. You may do that.

Mr. PATMAN. The credit for the passage of this legislation is due to the members of that steering committee. It is not a victory for me, it is a victory for them and our other supporters in the House.

This bill passed the House of Representatives in 1932 by a vote of 211 for it to 176 against. In 1933 it again passed the House by a vote of 295 for, to only 125 against. And the other day, the bill passed the House by the tremendous majority of 318 for to only 90 against, and I will insert in the record too, at this point, the number of representatives in each State, and the number of representatives who opposed its payment on the final roll call. That goes to show how this bill has strengthened as the years have gone by.

When we first started out on the proposition of paying these certificates with bonds, we did not receive much support. The people generally were cold toward it and said, "Well, they are payable in 1945", and when, after years of study and months of study and work, we all got together and we prepared a bill which will permit the payment of the certificates in a way that will not increase the national debt a penny, that will not cause a bond issue or increase taxes, then when we would go before the people and ask for a payment of the certificates they would say, "They are not due until 1945", and we would say ,"Yes, but suppose this large amount of money can be distributed now and not cost the Government anything"? Well, they are for it.

We sold them on the theory that the money could be safely issued, that it was the same kind of money that is now outstanding, that no new principle or policy of issuing money would be invoked by the Government, but we are merely continuing the same principle and the same policy of issuing money that has been in existence in this country for at least 70 years.

ENORMOUS GOLD RESERVE

We proposed a bill to pay them in United States notes. The same kind of money that is now outstanding, $346,000,000 worth of notes now outstanding. This bill is so framed that if these notes are issued, all of the gold in the Treasury of the United States, if necessary, will be behind these notes. Today, for every 10-dollar bill that is outstanding, the Treasury has $15 in gold and $2 in silver to redeem that 10-dollar bill. No nation on earth ever had the enormous gold and silver that we have today. We have more than 8½ billion of dollars in gold and more than a billion dollars in silver. We can take all of the outstanding currency of 5½ billion dollars of money and retire it dollar for dollar with gold. We can take the 2 billion dollars that we propose to issue under this bill and retire it with gold, and we will still have remaining in idle and unused gold and silver, more than 2 billion dollars.

So that anyone who says that money like that is not safe and sound money, I cannot understand his reasoning. Because they have got more than 100 percent metallic reserve to back every dollar that has been issued and will be issued under the terms of this bill.

Furthermore, we know, gentlemen of the committee, that normally this country will never need less than 5 billion dollars of actual money outstanding; actual money in circulation in the pockets and tills of the people. We know they will always need that much. Why not have at least that much money issued directly by the United States Government upon which no one will be paying interest at any time? Why should we let private banks or banking corporations owned by the other banking corporations, issue that money upon which somebody is paying interest all the time?

We should certainly issue up to that amount safely and sanely without any danger or without jeopardizing a sound monetary system. That is what we are asking you to do here.

H. R. 1 ENDORSED BY NONVETERANS AS WELL AS VETERANS

This bill, Mr. Chairman, is not only supported by the veterans, it is supported by the people. People in organizations representing more than 50,000,000 people in this country have endorsed this bill. More than 50,000,000 people, members of organizations, have endorsed this bill, nonveterans. It is a bill that has nonveteran support as well as veteran support. I do not know that you could justify passing a bill just because the veterans wanted it for their own interests, unless there was a public interest attached to it, and this bill, there is a public interest.

In this fight that has been going on for 6 years, the rank and file of the American Legion have been and are for this proposal. The American Legion has never come out for it officially except in Portland in 1932 with a resolution asking for payment. In 1934, at Miami, they passed a resolution asking full payment, but this is the first time the Legion officials have gotten into the fight and the Legion officials of course are recommending another bill, but the main objective is payment of adjusted-service certificates.

The Veterans of Foreign Wars is also a militant organization. It has been consistent in this fight; it started out years ago, and for 6 years has been working right along with us on the proposal to pay the certificates as we propose to pay them. And the unorganized veterans and the people generally are supporting the legislation.

I know the American Legion is a good organization; it is one of the greatest organizations in America. I have the honor of being a humble member of the organization. I attend the conventions and have for a number of years, the State and national conventions, and I know that much will be said about what the American Legion has done, and the fact that it is the largest organization in numbers, if the leaders come here and sponsor a certain bill, naturally you will give whatever they say considerable weight. At the Miami convention there was a resolution passed. I was on the subcommittee that wrote the resolution, and in the resolution it said:

Whereas the payment of the certificates will not create any additional debt.

That was the object of that resolution. Of course my object—many others probably never did consider how it would be paid. It was not discussed in the subcommittee. Neither was it discussed in the whole committee, but when the resolution was carried to the main floor of the convention, I made a speech on it, I was the first one to speak, and I said then:

Don't be alarmed or disturbed about the expansion of the currency or the inflationary part that might be involved in this bill. These certificates can be paid without the expansion of the currency, or they may be paid with expansion of the currency.

Then I go ahead in a speech before the American Legion Convention, as the first speaker, and explain exactly the proposition that is embodied in H. R. 1. That is, in the event that there is danger of undue expansion of the currency, that Federal Reserve notes may be retired. I mentioned it there.

I do not say that any one delegate voted for it because it was my bill. It makes no difference to me who has the authorship. I was not speaking about my particular measure. But I was thinking about the principle that we have been fighting for for 6 years in this country, and it was embodied in that resolution and that speech that I made before the American Legion Convention when it was adopted by a tremendous vote.

I know that the charge is made that this bill is inflationary. I might just as well discuss that now. I want you to know what the proposal is. In section 2 (b) of this bill it is provided that United States notes shall be issued in payment of the debt. It says that all laws now relating to United States notes, and names and specifies by number the different acts in the statutes relating to United States notes, shall be applicable to the issuance of these notes. These notes shall remain in permanent circulation. We do not propose to have them taken out of circulation, but we do propose to give the Secretary of the Treasury the power to prevent undue expansion of the currency. So we have two safeguards in this bill.

Senator KING. What is undue expansion of the currency in your view?

Mr. PATMAN. We have one standard here, I will state to the Senator. My idea is that in the event the commodity price level should go above the 1921 to 1929 level, the Secretary of the Treasury would have the right to retire Federal Reserve notes, or in the event that the Secretary of the Treasury believes—leaving it up to him. He is the man charged with protecting the monetary system of our Government. So we are leaving it up to him to say when, in the event there is undue expansion of the currency according to his judgment and belief, he can cause to be withdrawn, Federal Reserve notes to prevent it.

In other words, under the terms of this law, as the Veterans' Administration is paying out United States notes, the Treasury could be withdrawing Federal Reserve notes, and by the time the veterans are paid, one extra dollar would not necessarily be in circulation. The amount of the circulating medium would be constant, exactly as it was when it started, but the people would have the circulating medium upon which no one is paying interest, it would be distributed to every nook and corner of the Nation, and the money upon which the people are paying interest, would be withdrawn to the extent of preventing undue expansion of the currency.

Senator BARKLEY. You said a moment ago that 5 billion dollars would be always necessary in circulation, did you not? We already now have about 5½ billion, and your proposal would add 2½ billion more, practically. That would make nearly 8 billion dollars in circulation at this time, is that correct?

Mr. PATMAN. I stated as a minimum that we will always need more than 5 billion dollars.

Senator BARKLEY. We have more than 5 billions in circulation now.

Mr. PATMAN. Yes. This money will go out, and if it is too much, other money will be withdrawn, Federal Reserve notes. And we will not necessarily have one extra dollar in circulation after the veterans are paid.

Senator BARKLEY. Who will determine whether the Federal note, the Federal Reserve notes will be withdrawn?

Mr. PATMAN. The Secretary of the Treasury.

Senator BARKLEY. What will be the advantage of swapping money?

Mr. PATMAN. No one is paying interest upon this money. It will be a free circulating medium upon which no one is paying interest while it is outstanding. On Federal Reserve notes, someone is paying interest on Federal Reserve notes every day they are outstanding.

Senator BARKLEY. The money itself does not draw interest. It is an indirect payment because it is circulated among the banks and they loan it out and get interest on it.

Mr. PATMAN. I am talking about the initial issuance, and I will state to the Senator that some one is paying interest on it every day that it is outstanding.

Senator GORE. Is not that one of the best guarantees that it will be retired from circulation when it is not needed? Those who are paying interest will return it.

Mr. PATMAN. In actual practice, whether you had this clause in or not, it would be retired, because it would stack up in the Federal Reserve banks or local banks and sent to the Federal Reserve, and whether you have that clause in there or not, that money where it is an excess or surplus will ordinarily be retired, in banking practice.

Senator BARKLEY. The largest amount of money we have ever had in circulation was something like 6½ billion.

Senator GORE. On March 15, 1933, we had more than that.

Senator BARKLEY. That was only for a short time?

Senator GORE. Yes.

Senator BARKLEY. It has rarely gone over 6 billion except for a very short and temporary period. What would be the effect on prices of commodities generally throughout the country to increase the amount of money now in circulation by 2½ billion?

Mr. PATMAN. Of course, as I have stated, I am not going to agree that the amount of money will be increased by that much or that it will be increased a dollar by the terms of this bill, but if it is increased, it will stimulate trading, naturally.

Senator BARKLEY. It would be an increase if just the same amount is not withdrawn, would it not?

Mr. PATMAN. If the money is not withdrawn. But the Secretary of the Treasury, if there is danger of expansion or inflation, will cause to be withdrawn, Federal Reserve notes. If not, the notes will automatically retire themselves through the banking system.

Senator BARKLEY. If the Federal notes are withdrawn from circulation, that means that the banks that have obtained these Federal Reserve notes from Federal Reserve banks or Federal Reserve boards would have to pay their obligations, would they not?

Mr. PATMAN. Well, I do not see where that enters into it, Senator; I do not think the board has anything to do with it.

Senator BARKLEY. There are two different kinds of Federal Reserve money; one is Federal Reserve notes, and one is Federal Reserve bank notes. The Federal Reserve bank notes are obtained by the member banks in different districts of the Federal Reserve System for purposes of credit and use among themselves. The Federal Reserve notes are a little different type, issued on the authority of the Federal Reserve Board. What will happen to that money that is out now if you withdraw it all from circulation?

Mr. PATMAN. Credit would be substituted in place of it, probably. Federal Reserve bank notes—I doubt that there are a million dollars of them in actual circulation today, because Federal Reserve banks must pay one-half of 1 percent annual tax on Federal Reserve bank notes, and why should they do that? They are not going to do it when they can obtain Federal Reserve notes without paying any tax at all. Just for the cost of printing the money. Therefore, the Federal Reserve bank notes are being retired every day, and I doubt if a million dollars of them are in circulation.

Senator BARKLEY. Do you know how much is in circulation, both of Federal Reserve notes and Federal Reserve bank notes?

Mr. PATMAN. It is about 3½ billion dollars. The practical result of this bill would be, if we were to issue 2 billion dollars to the veterans, and then it was necessary to retire 2 billion dollars, these 2 billions would offset each other.

Senator BARKLEY. What would be the process of this retirement? The member banks have obtained it for their own purposes and lend it out to the people.

Mr. PATMAN. It is set forth in the bill. I will state it, Senator. You know under the law now, Federal Reserve banks have a right to deposit Government securities—that is, gold certificates or gold or Government obligations payable in the future—and it is provided and set forth and enumerated in this bill that in the event of undue expansion of the currency, the Secretary of the Treasury may terminate the issuance and reissuance of Federal Reserve notes secured by direct obligations of the United States Government; and secondly, the retirements of national-bank notes. Of course, Secretary Morgenthau has practically killed that particular section, but he makes the first section stronger for the reason that when you retire the necessary bank notes, you automatically increase the number of Federal Reserve notes.

Senator BARKLEY. How much national-bank currency is in circulation?

Mr. PATMAN. He states about $675,000,000. I thought the amount was about 900 million, but the reports that I have indicate that it is between eight and nine hundred million dollars of national-bank currency.

Senator GORE. About 880 million.

Mr. PATMAN. That is the way I understand it. But Mr. Morgenthau indicated it is about 675 million.

We are asking for the same principle of issuing money that all of us voted for for the banks—every one of us—as I, as a House Member, voted for it. As a Senator, you voted for it; that is, to let Federal Reserve banks and national banks put up Government obligations that are payable January 1, 1945, or in the future, and receive new money in return for that. Of course while the banks have been exercising that privilege— —

Senator BARKLEY (interposing). That is a repetition of the old principle of issuing it that came in after the Civil War. It is the same principle.

Mr. PATMAN. Of course, at first it was 2 percent, now it is 3⅜ percent. The Federal Reserve banks are unlimited as to capital. They can put up a 4-percent bond, and they can get money in return for that bond and not pay any tax and not pay anything for the use of Government credit, but merely pay the 27 cents a thousand dollars for the cost of printing. In other words, the principle involved is that the Federal Reserve banks are allowed to deposit Government obligations payable in the future and get new money in return for that.

Senator BARKLEY. They are not going to do that unless the commercial demands of their particular section are such that they can use that money. That is one of the theories of the Federal Reserve System, that it becomes responsive to the commercial and industrial needs of each Reserve district and go down the line to the member banks. Unless there was a demand for more money, they would not find it profitable to put up the Government bonds and get money in return. They have to loan it out to the community in order to make interest which they would have to pay themselves.

Mr. PATMAN. I can see that that was the principle behind the bill, but it has been changed and now it is not dependent upon the business done in the community.

Senator BARKLEY. I know; but the bank is not going to get it unless it can loan it out. It has to be profitable to the bank.

Mr. PATMAN. I doubt that the Federal Reserve banks have $50,000,000 of these 3½ billion on a real eligible paper. They have obtained it, practically all, on Government obligations and Government securities. Very little rediscounting is done by Federal Reserve banks now, so that old theory that was used to enact the Federal Reserve law as a law, has been changed to where it is not available now.

Senator GORE. That was supposed to be automatic in its operation.

Mr. PATMAN. Yes; it was.

Senator GORE. Return it when it was not needed?

Mr. PATMAN. Yes, sir.

Senator GORE. You suggest if the notes proposed to be issued under this bill, if they were not needed in trade or commerce, they would be deposited in the banks and returned to the Federal Reserve banks and increase their excess reserves?

Mr. PATMAN. Yes, sir.

Senator GORE. They have approximately 2½ billion now of excess reserves.

Mr. PATMAN. Yes, sir; but of course, as far as that is concerned, you can take the $675,000,000 that Mr. Morgenthau says he is going to turn over to the Federal Reserve, and the Federal Reserve can use that, and the banking system can, as a basis of issuing $18,000,000,000 in money, because upon every dollar of gold that is delivered to the Federal Reserve, 2⅔ will be issued in Federal Reserve notes, and upon every $1 note, $10 in credit or deposit currency may be issued.

Senator GORE. They could do that now if there were any demand for the money.

Mr. PATMAN. Yes, sir.

Senator KING. As a matter of fact, we have the basis now under our present financial structure for over $40,000,000,000 of credit which might be expended by the banks to the people.

Mr. PATMAN. That is a minimum. I would suggest it would go more than 100 billion if they wanted to.

Senator KING. I want to be modest. You do not justify a policy under which the Government of the United States becomes a lender to individuals rather than loans being made through the intermediary of banks which are under the control of the Government of the United States so far as capital is concerned, the approval of their loans and discounts are concerned, and subject to the examination which occurs periodically?

Mr. PATMAN. I want the banks to continue to function, but I want them to function.

Senator KING. You want the banks to be supplemented by the Federal Government, and the Federal Government setting up a lending institution in every town——

Mr. PATMAN (interposing). Not a direct lending institution.

Senator BLACK. Let me see if I understood you. As I understand, you propose to issue this money through your bill without paying banks any interest to issue that money?

Mr. PATMAN. That is right.

Senator BLACK. And the banks are now being paid interest to issue the money, and then they lend the money out for more interest?

Mr. PATMAN. Yes, sir.

Senator BLACK. What service do the banks perform to the country for this original interest that we pay them?

Mr. PATMAN. Originally they rendered a great deal of free service, but now they have put service charges on it where they are getting paid for everything.

Senator BLACK. Who prints this money?

Mr. PATMAN. It is printed over here at the Bureau of Engraving.

Senator BLACK. And the Government pays for their printing?

Mr. PATMAN. No; they pay the cost of printing. It is about 27 cents a thousand dollars.

Senator BLACK. And they get 3⅜-percent interest, and then the Government turns the money over to them and they lend it out again?

Mr. PATMAN. Yes; they can issue 10 to 1 on it.

Senator BLACK. What is the difference between that and a Government subsidy paid to any other business enterprise?

Mr. PATMAN. It is the greatest subsidy that was ever given to any private corporation or group of private corporations on earth, and that is especially true as to the Federal Reserve banking system that is owned by the member banks.

Senator BLACK. You do not propose in your bill to demand that any more money be issued, but you simply propose a substitution of the money without paying the banks interest on that particular money?

Mr. PATMAN. The Senator is correct. I am merely proposing to substitute one form of Government obligation for another form of Government obligation, upon which no one will be paying interest while it is outstanding.

Senator BLACK. You propose to let the Government issue money on the obligation it has assumed to the veterans, on which it pays no interest, instead of issuing the money on the obligation it has assumed, to the banks?

Mr. PATMAN. The Senator is correct.

Senator GORE. But this money is paid to the veterans, and when it is and comes into trade, it is deposited in the banks?

Mr. PATMAN. Yes.

Senator GORE. Will you let the banks charge interest on it?

Mr. PATMAN. Oh, yes; but the initial issuance, no one is paying interest on that. I will explain to the Senator the difference there with an illustration.

Senator GORE. When it is paid out to the soldiers in discharge for their certificates——

Mr. PATMAN (interposing). But the soldier is not paying interest on it.

Senator GORE. He is not paying interest because he is not borrowing. He is being paid.

Mr. PATMAN. It is being paid into circulation instead of being loaned into circulation.

Senator GORE. Of course, the soldier gets it in payment of the obligation. It gets into trade and commerce and every time it is loaned it bears interest.

Mr. PATMAN. That is very true.

Senator GORE. So you do not escape the interest.

Mr. PATMAN. The $346,000,000 paid into circulation during the War between the States, that remained outstanding based upon a 5-percent compound interest charge, has saved the people of this country more than $11,000,000,000 during that time.

Senator GORE. The interest on the gold reserve which has been kept in the Treasury since January 1, 1879, the interest on the gold reserve to redeem those greenbacks has exceeded the amount of the greenbacks, and if the Government had paid them off, it would have been rid of them. It has paid out more interest than the $346,000,000, and it still owes the $346,000,000.

Mr. PATMAN. I do not follow the Senator on that.

Senator GORE. The Treasury has kept a reserve in gold since January 1, 1879, with which to redeem these greenbacks on demand. The interest on that gold reserve since January 1, 1879, is more than $346,000,000, the amount of the greenbacks. So the people have paid out in interest more than the $346,000,000 in greenbacks, and it still owes the $346,000,000.

Senator KING. That is true. Mr. Patman's argument, if I follow him correctly, is that there should not be retained any gold. That we issue fiat money.

Mr. PATMAN. I did not say that.

Senator KING. That is my understanding of your proposition.

Mr. PATMAN. Of course I do not dispute the Senator as to his understanding. He is entitled to it, but I just would like to state my understanding——

Senator GORE (interposing). How do you redeem your notes? What provision is there for that?

Mr. PATMAN. They are United States notes and under the law now it is the duty of the Secretary of the Treasury to keep these notes on a parity with all other money. There is $156,000,000 gold reserve in the Treasury to take care of all reserve notes and since the last 70 years not one penny of that has ever been called for. It is the duty under present laws——

Senator GORE (interposing). You do not mean that, Mr. Patman?

Mr. PATMAN. Yes, sir.

Senator GORE. You are mistaken.

Mr. PATMAN. That is my information.

Senator GORE. The Sherman Silver Purchasing Act was passed on July 14, 1890. During the then current fiscal year there was $1,000,000 greenbacks presented for redemption, the next year 9 million, and I think it was in the fiscal year 1896, there were 180 millions, one-half of all the greenbacks, presented for redemption, the gold reserve was depleted, and President Cleveland had to sell $250,000,000 in gold bonds to buy gold to keep 100 million in gold reserves. I speak from memory.

Mr. PATMAN. On March 14, 1900, they passed a new act and placed all money on a parity.

Senator BARKLEY. There would be no object in demanding redemption then because the Treasury was required to pay in gold, so your greenback was just as good as gold.

Mr. PATMAN. That is right, and they are still on a parity. All of this gold belongs to the Government. The title of it is in the Government now. The Gold Act of last year places the title to all gold in the Government of the United States, so all of the gold down there will be subject to the payment of these United States notes if these United States notes are issued, because it will be the duty of the Secretary of the Treasury, if this gold reserve is depleted, to add more gold to it, which he can do.

Senator BARKLEY. You spoke a while ago about the interest. Of course the banks do not obtain the interest directly on the issue of money. They are paying interest, of course, on the bonds of the Government which are put up to secure the money. But suppose that 2½ billion dollars of that were to be withdrawn by the substitution of your currency, what will be the effect upon the bonds upon which that currency is predicated?

Mr. PATMAN. That will be returned to the banks, and they will have to return that much currency.

Senator BARKLEY. The 2½ billion dollars which is now held by the Government in bonds belonging to the banks, for which currency has been issued, would have to be returned back to the banks?

Mr. PATMAN. Yes. The Federal Reserve banks.

Senator BARKLEY. Of course, currency would have to be paid for that, so that would mean——

Mr. PATMAN (interposing). I do not follow the Senator in that.

Senator BARKLEY. If the bank has turned in bonds and obtained currency and the bonds are turned back to the banks, the banks have to turn the currency in.

Mr. PATMAN. That is exactly right.

Senator BARKLEY. So that it cancels itself out like a problem on the blackboard?

Mr. PATMAN. That is right.

Senator BARKLEY. The Government has either got to pay those bonds in some way if the bank has bought them and put them up for the purpose of getting currency, it might have to refund them or pay them or in some way make the bank whole on it. What effect would that have on credit?

Mr. PATMAN. I do not believe it would have any. The 12 Federal Reserve banks have obtained 3½ billion dollars this way.

Senator BARKLEY. That has been in part at least in the process of upholding the Government's credit, and furnishing a market for its obligations in this emergency.

Mr. PATMAN. I do not see where that would affect the Government's credit at all, Senator.

Senator BARKLEY. The banks hold a very large part of these bonds.

Mr. PATMAN. The individual banks would not be affected by this; only the Federal Reserve.

Senator BARKLEY. Of course that indirectly affects the member banks too.

Mr. PATMAN. And like it is, certainly it would be right to do that, because the Federal Reserve banks have purchased 3½ billion dollars' worth of Government obligations with the Government's credit, and the Government continues to pay interest on those obligations that were purchased with the Government's credit, and in fact, most of the operating expenses of the Federal Reserve banks are paid by the Government for the interest on the obligations that the Federal Reserve banks have purchased with the Government's credit.

Senator BARKLEY. Yes; because they are not lending the money to anybody but the Government, and they have to get interest from somebody in order to carry on their expenses.

Mr. PATMAN. Of course they should loan money.

Senator BARKLEY. I agree, but I do not know how you are going to make them do it.

Senator BLACK. Let me ask you a question in that connection about double interest. Let us assume now that there is 2½ billion dollars that you propose to issue. Let us take $100 of that. The bank has a $100 and it buys a $100 Government bond with $100 in money. It takes that Government bond and puts it up with the Government, does it not, and the Government issues $100 in currency to the bank?

Mr. PATMAN. Yes, sir.

Senator BLACK. The bank continues to collect its 3⅜ percent on the Government bond. It then lends the $100 out to somebody else for 6 percent or 8 percent or whatever it can get. That is correct, is it not?

Mr. PATMAN. If it is a national bank, they have deposited 5 percent of it as a redemption fund. If it is a Federal Reserve bank, you are correct.

Senator BLACK. So that there you have them drawing the interest on the Government bond which is up, and that bond is securing the $100 for their loan in addition. As I understand, what you propose—let us take a $100 bonus certificate. You take that $100 bonus certificate which draws no interest and put it up with the Government?

Mr. PATMAN. Yes.

Senator BLACK. That is an obligation of the Government?

Mr. PATMAN. Yes.

Senator BLACK. And you propose to issue $100 on that obligation instead of an interest-bearing obligation which enables the bank to collect interest and have the money too. You propose to substitute, so that the Government interest only goes out once?

Mr. PATMAN. The gentleman is correct.

Senator GORE. Now, let me ask you this. It is your theory and assumption that this money which is put into circulation will increase prices?

Mr. PATMAN. It will stimulate trade and necessarily will increase it because of the distribution of purchasing power.

Senator GORE. The 2½ billion of these certificates outstanding—suppose the Government issued interest-bearing bonds. There would be an interest charge of $100,000,000 a year?

Mr. PATMAN. Yes, sir.

Senator GORE. Suppose the issuance of your money would increase prices only 5 percent, and suppose that reflected itself in the expenses of the Government in purchases and payment for services; 5 percent on our running expenses, the regular running expenses of four billion a year. Five percent is $200,000,000 increase in Government expenses. That is twice as much as you save. It is cheaper to issue the bonds and pay interest on them that it is to inflate the prices too much, thus increasing the Government expenses far beyond the interest charge.

Mr. PATMAN. The Senator is overlooking the fact, I am afraid, that there will be caused an increased national income. Increased income will permit the Government to collect increased taxes, and the Government will collect probably more that way several times than will be paid out in the way the Senator suggested.

Senator GORE. In the last week in October in 1929, at the peak of the boom, we had $4,900,000,000 in circulation. On the 13th of March 1933 we had $7,500,000,000. We had in March 1933, 50 percent more money in circulation than we had in October 1929. Business was up 50 percent and prices were off 50 percent. If this theory would work, it ought to have worked in March 1933 and prices ought to have gone up instead of down.

Mr. PATMAN. I do not hold to that theory. I hold to the theory that demand deposits are just as material as money in circulation. And from 1926 to 1929 we had an average of $200 per capita demand deposits and money in circulation. It is reduced now to about $150 per capita. I do not think it is right to say that just money alone will affect prices so much or will cause the price level to go up or down. It depends just as much on demand deposits in the banks.

Senator BARKLEY. Does it not depend upon the velocity with which the money circulates as well as the actual amount?

Mr. PATMAN. It certainly does depend upon the velocity, and the velocity has decreased considerably.

Senator GORE. The proponents of this theory contend that there are six factors involved: First, the volume of money in circulation; second, the velocity with which it circulates; third, the volume of bank deposits; fourth, the velocity with which the deposits circulate; fifth, the volume of trade; and sixth, the number of transactions. They insist that all six of those factors reflect themselves in prices. In order to regulate prices, you have got to govern all six of those factors. You cannot just regulate the volume of money in circulation and thus regulate that and have any effect. As a matter of fact, the Government would have to control all six of those factors, and as a matter of fact it cannot possibly control any one of them, and yet it would have to control all six in order to regulate prices. Is that not true?

Mr. PATMAN. Does not the Senator believe that if demand deposits are going down as they have the past few years—they went from $21,000,000,000 in 1929 to $14,000,000,000 last year—that is $7,000,000,000 decrease—there is one way you can make up for that, and that is to take actual money in place of the demand deposits to the extent that banking business will come back to banking business, and increased deposits will result?

Senator GORE. From October 1929 to March 1933 your circulation decreased 50 percent.

Mr. PATMAN. That was for the purpose of hoarding. People were afraid, and they were getting their money out to hide it, to hoard it.

Senator GORE. That is why I make the point. The easiest one of those factors to regulate will be the volume of money in circulation, and the Government cannot even regulate that. I do not think business is dull because money and credit are scarce. I rather think money and credit is scarce because business is dull. There is $20,000,000,000 now available in credit in the Federal Reserve banks on the basis of the excess reserve we have now. There is no scarcity of potential credit or potential money.

Mr. PATMAN. But it would have to be loaned into circulation upon adequate security.

Senator GORE. Yes; and it would be loaned if there was an effective business demand for it. I talked to a banker not long ago and he said that he had $11,000,000 in his bank and he would like to loan 5 millions of it that day if anybody could give him assurance that they could earn enough to repay it, principal and interest.

Mr. PATMAN. Very likely they would want Government security.

The CHAIRMAN. You have not finished your statement, have you?

Senator BARKLEY. I have to go to another committee, and I cannot stay through your statement. I would therefore like to ask you a question before I go. Does your bill provide—when these certificates were issued they were based upon a dollar a day and $1.25 a day plus compound interest and 25 percent for the delay, and in the certificate was written the amount that would be due in 1945. Does your bill provide for the present payment of that amount, or do you make any discount for the present payment rather than in 1945?

Mr. PATMAN. My bill is based upon the theory that the payment should be made as of the time they rendered the service, at $1 and $1.25. We are not asking that that be changed.

Senator KING. With interest?

Mr. PATMAN. We are asking that it be paid as of a date which represents the half-way period between the beginning and the ending of the average man's service, which was June 5, 1918.

Senator CLARK. If a fellow entered the service in 1917, he would be paid from 1918; and if he entered in 1918, he would still be paid as of that date, just as a matter of convenience?

Mr. PATMAN. The Senator is correct. We have to have some date, and we arrived at some date as half-way between the average man's service. It is proposed also that the interest rate should be changed to 6 percent, for this reason—that all of the people who had contracts growing out of the World War were paid 6 percent. You take the $3,000,000,000 refunded after the World War by reason of alleged overpayments of income taxes, they received 6 percent interest from the time they claimed they had overpaid.

Senator KING. Those that did not pay as much as they ought to pay had to pay 6 percent on any deferred payments which were found to be due.

Mr. PATMAN. We ask that the same principle be invoked here. We feel if it was fair and right for the veterans to pay 6, 7, and 8 percent that would permit the remaining half to be consumed by the payment of compound interest, that it is not unfair to ask the Government to pay 6 percent.

Senator GORE. Suppose you and I have a $1,000 certificate each, and you have yours locked up. I borrowed on mine and I owe $150 interest. I get $150 advantage of you; do I not?

Mr. PATMAN. I do not know that you would call it "an advantage."

Senator GORE. Wouldn't you feel like you ought to have something as the equivalent of the $150 I got from this Government?

Mr. PATMAN. I do not think one veteran would ever mention that.

Senator GORE. I do not know. I would look for them to come here and demand that the soldiers that had not borrowed on theirs, that they be equalized with those who had borrowed.

Mr. PATMAN. No; the 500,000 who are not in desperate straits sympathize, I think, with those who are, and there are 3,000,000 of them who have borrowed the limit allowed by law, and if something is not done, that remaining half will be consumed by 1945 and they will have practically nothing coming to them by that time.

Senator KING. Are they demanding that interest shall be repaid to them if they have charged?

Mr. PATMAN. As I understand it, Senator, they are making no demands. Of course, I have no right to speak for the veterans, but for myself I am making no demands, and any veteran I am speaking for, I would say he had no right to make a demand, but any request—I think they are requesting that consideration be given to them.

Senator GORE. To remit the interest that is due and unpaid and to refund the interest that has been paid. That was the request in their platform.

Mr. PATMAN. In the American Legion?

Senator GORE. Yes.

Mr. PATMAN. But the American Legion did not embody that in a bill. I know that they say that you have a bill that will embody their request in the American Legion resolution, but that is not true. That part of the refund of interest is not embodied in any bill.

Senator BARKLEY. Very little interest has actually paid? Is that not so?

Mr. PATMAN. To the banks, representing millions of transactions, some have been paid.

Senator BARKLEY. I mean interest to the Government?

Mr. PATMAN. Very little has been paid.

Senator BARKLEY. There are some of us who at the time we passed the bill authorizing the 50-percent loan felt that instead of making the loan to the ex-service men and charging interest, that it ought to be an outright payment and credit on the certificate for payment of the 50 percent and forget it and let the other 50 percent be paid when it became due, rather than have it consumed by interest, and I think that way myself.

Mr. PATMAN. That would have been much better than the plan that was adopted.

Senator BARKLEY. The Government had nearly a billion dollars in surplus in the Treasury and could have done it without any hardship.

VETERANS DEPRIVED OF 7 YEARS' INTEREST

Mr. PATMAN. In 1924, you know, the Government, if it had known then the condition that it was really in, it could have paid it off easily in cash at that time, but since it did not, I want to mention this fact, Senator, before you leave: Much has been said about this 25 percent for deferred payment. I happened to be before this committee in 1931 and Mr. Mills and Mr. Mellon were here, and the chairman of the committee was interrogating them, and the Senator from Texas interrogated General Hines, and Secretary Mellon and Under Secretary Mills, and I want to read just that part of their testimony:

> Senator COUZENS. Then you have not discovered anything in the record which indicates this 25 percent that was added; was added for the purpose of making good the deferring of the payment for 6½ years?
>
> General HINES. No; not up to this time.
>
> Mr. MILLS. It is just called to my attention that of the cash payment made on January 1, 1925, no interest was allowed from 1918 to 1925, and therefore the 25 percent could not be looked upon as being paid in lieu of interest.

That is, 25 percent that was added in the adjusted-service credit for deferred payment, 1925 to 1945.

> Mr. MILLS. My very distinct recollection, Senator, is that the 25 percent was compensation for deferred payment.
>
> Senator CONNALLY. You were in the House at that time, were you not, Mr. Secretary?
>
> Mr. MILLS. Yes; and I am basing my recollection upon my experience there.
>
> Senator CONNALLY. If you are going to base compensation on the idea of interest, why should you ignore the 7 years that had expired between the war and the date you were settling with them?
>
> Mr. MILLS. We did. That is the answer.
>
> Senator CONNALLY. But why should you ignore?
>
> Mr. MILLS. I do not know, but we did ignore it.

Of course, that is convincing evidence that there was no interest allowed at all from the time of rendering the service to 1925.

Senator CONNALLY. I am not going to be bound by Secretary Mills and Secretary Mellon, because I was in the House at that time. And while the bill said we were allowing the 25 percent for deferred payment, it was on the theory, with most of the Members of the House, that it was in lieu of the interest for 7 years. That is, all of that interest is, is for deferred payment. We voted for it, I will say, in the House, just exactly like the Legion and the veterans' organization asked us to vote in 1925, as I remember it.

Mr. PATMAN. I am not disputing that. I am not informed on it other than what the record shows. I know the American Legion did endorse the bill.

Senator CONNALLY. Other veterans' organizations did too.

Mr. PATMAN. I do not know what other organizations did, if any. I do not say they did or did not.

Senator GORE. You said a moment ago that your bill proceeds upon the theory that the interest ought to be increased from the amount stipulated in the certificate to 6 percent?

Mr. PATMAN. Yes, sir.

Senator GORE. You want to issue noninterest-bearing Treasury notes in order to avoid interest, and yet you want to add 2 percent to these certificates over and above what was stipulated in them.

Mr. PATMAN. I think it is reasonable. I think it can be sustained. I think it is justified.

Senator KING. Why not make it 8 percent? A lot of people had to pay 8-percent interest.

Mr. PATMAN. We feel like, if the veterans paid 6 or 7 or 8 percent, the Government should not object to paying 6 percent.

Senator GORE. You said a moment ago that this bill did not embody all of the Legion's demands?

Mr. PATMAN. This bill does, except the refund of the interest paid, but no bill includes that provision, because personally I do not favor that. I am not speaking for any organization.

Senator GORE. But you do want to remit what is due and unpaid.

Mr. PATMAN. If you do that, you will get involved with more or less little transactions, and the fellow that needs the money will be delayed by 2 years in getting it if you attempt to refund interest that you have paid.

Senator CONNALLY. Your bill as I understand it, refunds all of the interest to the Government, but does not undertake to refund the interest which the veterans had paid to the bank?

Mr. PATMAN. That is right. Some veterans have paid a little to the Government. It does not amount to a great deal.

Senator CONNALLY. To refund all that is due?

Mr. PATMAN. Yes.

Senator BAILEY. I understand that your bill does not cost the Government anything?

Mr. PATMAN. That is right.

Senator BAILEY. Let us make it a great deal more.

Mr. PATMAN. Within reasonable bounds and limitations——

Senator BAILEY (interrupting). I do not think we ought to limit it since it does not cost us anything.

Mr. PATMAN. I do not feel that that should be any argument against us.

Senator BAILEY. I am not arguing against it. I am arguing for it.

Mr. PATMAN. I hope the Senator votes like he is arguing.

Senator GORE. These Treasury notes are to be promises to pay, are they not?

Mr. PATMAN. Yes, sir.

Senator GORE. But are not to be paid, is that the idea?

Mr. PATMAN. You can make them redeemable if you want to.

Senator CONNALLY. They will be redeemable just like any other Treasury notes, of course.

Mr. PATMAN. Sure. But my hope is that they will remain outstanding as part of our permanent circulating medium.

The CHAIRMAN. Proceed.

NOT AN INFLATIONARY BILL

Mr. PATMAN. If we revise the contract so as to date the certificates back and make this revision as to interest, each veteran was entitled to an amount equal to the full face value of his certificate on October 1, 1931. Our bill that came here from the House provides that no interest shall be paid up to that time. This will give the average veteran about $500, because he has borrowed about $500. Sections 2 and 3 of the bill provide for the metallic base to be behind the money, which I have explained, and there will be no inflation in the bill. It is not an inflationary bill. That term was coined for the purpose of condemning us. It is not inflation. It will not necessarily cause the increase of our circulating medium one dollar. It will not cause an increase in the national debt. It merely converts one form of Government obligation into another form of Government obligation, and will not cause the issuance of more bonds or increase in taxes.

Senator GORE. Is the Legion for this bill of yours?

Mr. PATMAN. I think if the rank and file of the Legion were to vote on it, I believe that 90 percent of them would be for it. The elected and appointed leaders of the Legion are not for it. They are for a bill known as H. R. 3896 which was introduced in the House, which would not provide a method of payment and would cause necessarily a bond issue for its payment.

Senator BAILEY. Do you think we should have a vote on that?

Mr. PATMAN. I do not object to it, no, sir. I believe in every fellow having an opportunity. I do not object to it at all, and if we cannot convince you that we are right, we are not entitled to win.

Senator GORE. The Legion's National Convention in 1933 declared against inflation, and for the sound American dollar. I quote that phrase. Is their opposition to your bill predicated on that? I am at a loss to know what it is predicated upon.

Your bill and the Vinson bill increase the public debt to exactly the same amount, as I understand it. As I understand it, your promises to pay do not bear interest, and the Vinson promises to pay do bear interest, but both are promises to pay and both add to the debt.

Mr. PATMAN. I disagree with the Senator, for this reason. It is already a debt. The veterans hold certificates of indebtedness.

Senator Gore. I get your point.

Mr. PATMAN. We are just merely converting it into another form of debt.

Senator GORE. Then it is not true that neither one would increase the public debt?

Mr. PATMAN. The Vinson bill would certainly increase to the extent that that debt is paid now that really legally is not payable until 1945, and if you pay it now with bonds, you certainly do increase the national debt.

Senator GORE. You would retire the certificates?

Mr. PATMAN. Yes; but they are not payable until 1945.

Senator GORE. The certificates are bearing interest.

Mr. PATMAN. I do not agree with the Senator. The certificate as I understand it, the interest was calculated in the certificate.

Senator BAILEY. You do not think that certificates that now are outstanding are a matured debt?

Mr. PATMAN. Legally they are not.

Senator BAILEY. Let us get rid of words. Are they matured or not matured?

Mr. PATMAN. Legally they are not a matured debt. As a matter of right and equity, we believe that although payable in 1945, they are really past due, by making the adjustment that I have just suggested, which I believe is reasonable.

Senator BAILEY. When did they become past due?

Mr. PATMAN. In October 1931, if they are dated back as of the time services were rendered and an adjustment is made of interest.

Senator BAILEY. How do you figure that date of October 1931?

Mr. PATMAN. I just went into that a while ago. We are staying by this $1 a day and this $1.25. We are not asking that it be changed at all. And we are not asking that it be paid as of the bginning of the services or the end of the services, but at the half-way period, June 5, 1918.

Senator BAILEY. That is arbitrary?

Mr. PATMAN. It is. That is just a request that you consider as of that date. And again, asking that the interest rate be changed to 6 percent from 4 percent.

Senator BAILEY. Why not date it back at a dollar a day and a dollar and a quarter to Armistice Day?

Mr. PATMAN. If you owe anyone a certain amount the first of each month over a period of a year and you wanted to pay him interest on it, you would arrive at a half-way period and pay him the full interest from that time.

Senator BAILEY. If we owed them the money—assuming that we owed the money, and I would not say we did not—we owed the money as of the time that they were being paid during their service. They rendered no service after they got out of the war for which they would receive compensation. The payment would relate back to the period for which they were rendering services.

Mr. PATMAN. Yes, sir. Of course if you were to date the certificates back, the whole certificate, back to November 11, 1918, they would be due November 11, 1938. I will come to that in the discussion of the Harrison bill.

This Harrison bill, as I stated in the beginning, concedes and recognizes a principle that we have been trying to sell the country on, that the services should be paid for as of the time they were rendered. It is true that Senator Harrison has used the date, Armistice Day, November 11, 1918, but it is a recognition of the principle that we have been fighting for for these many years. The adjusted-service-certificate law gives the veteran this dollar a day as of 1925, but as a matter of fact you pay the veteran a dollar as of 1925, and that is equal to paying him 60 or 70 cents as of 1917 or 1918. So we are asking that it be dated back to the time they rendered the service.

Senator BAILEY. I do not quite get that.

Mr. PATMAN. If you pay him a dollar as of January 1, 1925, that is equal to paying him 60 or 70 cents as of 1918, the date he rendered the service. If you consider that money is worth anything, that the use of money is worth anything——

Senator BAILEY (interposing). You have run into the doctrine of rubber dollars.

Mr. PATMAN. I am talking about the same kind of dollars that are now outstanding, and if the Senator can tell me any difference between them, I would like to know it.

Senator BAILEY. I do not know that there is any difference, but there are a great many plans on foot which would make them still more elastic, and I am a little bit suspicious how far that might go.

Mr. PATMAN. Senator Harrison's proposal is insufficient, the way I view it, for these reasons, that the date of payment should be the half way period between the beginning and the end of the average man's service, and further that the whole certificate should be dated back, that is, according to the theory that is disclosed in this bill. I cannot see any justification for dividing the bill, the Adjusted Compensation Act of 1925 and dating a part of it back and ignoring the veterans' 25 percent, since we know that the 25 percent was for waiting 20 years from 1925 to 1945, and Congress has acknowledged that 25-percent increase was received for waiting 20 years. Why not give them the benefit of that increase for 17 years that they have waited for those who want cash settlement now?

The CHAIRMAN. Have you made any calculation as to which is the greater amount, the 4-percent compounded interest from November 11, 1918 to 1925, or the 25 percent that was given additionally?

Mr. PATMAN. There would not be a great deal of difference in it, Senator. They would be about the same, I suspect.

The CHAIRMAN. The figures that are given to me are that the 4-percent compound interest are much greater than the 25 percent.

Mr. PATMAN. But the Senator is going upon the theory, I am afraid, that they were paid interest during that time, that this 25 percent was for the interest during that time, which of course I do not believe is correct. I can tell you another reason why I know it is not correct. The veterans who served less than 110 days did not receive an adjusted-service certificate. He had received his $60 and he received the balance in cash. He did not receive any interest from the time he rendered service until that cash was paid. You take the veteran who died in service. When his beneficiaries were paid in 1925, they were not paid interest from 1917 and 1918 to 1925, therefore as Secretary Mills said, they completely ignored the interest on the adjusted-service certificates for that period of time.

Senator GORE. Just what is your theory about the 25 percent. What does that represent?

Mr. PATMAN. For deferred payment. In other words, Congress said to the veterans, "We are not able to pay you now, the country is not, and we prefer that you hold these certificates anyway until 1945, and we are going to make it to your interest to hold them by increasing the amount 25 percent. We will give you that as compensation for deferred payment."

Senator GORE. That was for waiting until 1945?

Mr. PATMAN. That is for 20 years, from 1925 to 1945.

Senator BAILEY. If that is your theory, and since we are now getting ready to pay them in cash, then that inducement itself is no consideration for the period that elapsed. We will have to make an adjustment there, on your own theory.

Mr. PATMAN. The earned part of it should certainly be allowed. On my theory, they would be entitled to the earned part of it, at least.

Senator BAILEY. Is that in your bill?

Mr. PATMAN. It is based upon that theory.

Senator BAILEY. Or do you call for the whole 25 percent?

Mr. PATMAN. The bill is based upon the theory originally that no part of the 25 percent would be allowed, but the $60 that was deducted would be put back, and added to the adjusted service credit, but that would amount to considerably less than the earned part of the 25 percent.

Senator BAILEY. But you do include the 25 percent now notwithstanding that the date of payment is moved forward?

Mr. PATMAN. For the purpose of making an argument to show that it is really past due although payable in 1945, we are considering it.

Senator BAILEY. It is for the purposes of an argument, but it is realizable in cash.

Mr. PATMAN. I did not get the Senator.

Senator BAILEY. I say, it is put in, you say, for the purposes of an argument, but it turns out to be cash.

Mr. PATMAN. It is really not in the bill. But I am just giving you that as an illustration to try to convince the Senator that although the certificates are payable in 1945, that they are really past due. That is, if the revision is made in order to date the certificates back to the time the services were rendered and an adjustment of interest is made.

The Harrison bill, of course, is 4 percent on the adjusted credit, and it does not call for any deduction of interest on loans at all. Many of these veterans paid of course 6 or 7 or 8 percent interest. The law was that they would pay 2 percent above the rediscount rate for 90 days' commercial paper. The rediscount rate went up as high as 9¼ percent, which would cause them to pay 11¼. I do not know of any that ever paid over 8 percent, and I am sure that was the limit. I know they paid 8 percent and 6 percent and 7 percent. Therefore, we feel if the veterans were charged 6 and 7 and 8 percent for their money, which causes the remaining half of their certificates to be consumed with this interest, that it is not unreasonable to ask the Government to pay them 6 percent.

Senator BAILEY. That is, assuming that all of them were borrowing money?

Mr. PATMAN. Six out of seven have.

Senator GORE. You say there was a rediscount rate of 9 percent?

Mr. PATMAN. It went to 9¼ percent.

Senator GORE. It went to that?

Mr. PATMAN. Yes, sir.

Senator GORE. Have you date for that?

Mr. PATMAN. I have it here; I can give you the exact date. The Statistical Abstract of the United States for 1934 shows that in October and December 1929 and also July and September, it went to 9¼, and April and June 1929 it was 9½.

Senator GORE. That is in the Federal Reserve banks?

Mr. PATMAN. Yes, sir.

Senator GORE. How long did that rate last?

Mr. PATMAN. It did not continue long.

Senator GORE. But you predicate your deduction upon the theory——

Mr. PATMAN (interposing). No. I am stating that we are not considering that. We are only considering the rate of 6, 7, and 8 percent. You see, the rate charged to the soldier was 2 percent above the rediscount rate for 90-day commercial paper.

Senator GORE. In 1927, the rate got down to 3½ percent.

Mr. PATMAN. Yes, sir.

The CHAIRMAN. Is there anything further, Mr. Patman?

Mr. PATMAN. One other point, Senator, and I will finish.

Senator GORE. In that connection, you add in the 25 percent and also you add 2 percent to the rate of interest, in your bill.

Mr. PATMAN. The 25 percent, I said, was justification that the certificates were payable in 1931. If you consider them as of the time they rendered the service.

Senator GORE. Are you going to remit the interest that they agreed to pay and add 2 percent to the interest that the Government pays?

Mr. PATMAN. I am only going to remit the interest since the date that we are able to show the certificates were really due. That is an amount equal to the face value of each certificate that was really due. I do not propose to remit any interest before that time, because I do not see any justification for it.

Senator CONNALLY. I just wanted to ask you. As I understand it, in your computation, showing it would be due in 1931, you retain the 25 percent which was added arbitrarily in 1925, and then you recompute the interest at 6 percent. Is that correct?

Mr. PATMAN. We can do it in either of the two ways and show it is due. Each soldier had $60 deducted from his certificate, based upon the theory that they were paid $60 when they left the service.

Senator BAILEY. Was that a theory or a fact?

Mr. PATMAN. Of course, I am telling you the theory——

Senator BAILEY (interposing). I want to know. You said that it was based upon the theory that they were paid $60.

Mr. PATMAN. Each veteran was paid $60.

Mr. BAILEY. The question is, Were they paid $60 or were they not?

Mr. PATMAN. I thank the gentleman for his contribution, because it is a fact. I was stating a theory which involved this fact. They actually were paid $60. That applied to the ones who served 1 day or the major general who received $8,000 a year. It did not make any difference.

Senator CONNALLY. Nobody above a captain got it.

Mr. PATMAN. No. Therefore the ones of long service should not be charged that $60. Why penalize them when you give it to the fellow who served 1 or 3 or 5 days, or make those fellows pay it back who have long service? If that $60 is not deducted, the $60 should not be deducted, and if it is not deducted and you put it on the $400 adjusted credit for the average certificate, $460, and make this revision as to interest, the whole amount was due in October 1931, or if you will ignore the $60 and say, "We are going to leave that out entirely, but we will give the veteran the earned part of the 25-percent increase that Congress said they were entitled to receive for waiting 20 years", and then make an adjustment as to interest, and they were entitled to the full face value of their certificates October 1931. On either theory, there is reason and logic to support full payment.

Senator GORE. I may not understand. All of the soldiers got $60 in cash?

Mr. PATMAN. That was to pay for a suit of clothes.

Senator BAILEY. That was to start them out when they got out of the ranks?

Mr. PATMAN. Yes.

Senator GORE. You figure that that ought not to be deducted?

Mr. PATMAN. No, sir; it should not.

Senator GORE. They ought to draw interest on the money that they got?

Mr. PATMAN. In actual practice, this is what has happened: When one of them went into the service, he gave his complete civilian outfit of clothing, and everything, to the Red Cross to send to Europe to relieve distress over there. They abolutely left their civilian clothing behind them. When they came out of the service, the argument was made in Congress that they had given their civilian outfits to the Red Cross, and let us give them enough money to buy civilian clothes.

Senator GORE. I am not making any point about that. It is all right. But your point is it should not be deducted from this certificate?

Mr. PATMAN. They deducted that from the $1 and $1.25 a day; and if they are entitled to interest, they would be entitled to interest on that.

Senator GORE. On the cash in hand?

Mr. PATMAN. I do not follow the Senator on that.

Senator GORE. I say, I may not understand it, but as I understand it——

Mr. PATMAN (interposing). The only bonus that was ever given was that $60.

Senator GORE. You want to figure now your calculations——

Mr. PATMAN (interposing). That it should not be charged up against them on their service.

Senator GORE. But you do not allow them interest on the $60?

Mr. PATMAN. No. They have had the $60 all the time.

Senator GORE. I thought you were saying it should not be deducted; and if it were not deducted, I assume it would bear interest.

Mr. PATMAN. If you allow them that $60 and do not take it, certainly that would allow interest.

Senator GORE. On the $60?

Mr. PATMAN. Certainly, if it was not deducted. As evidence of the fact that it was intended for the civilian outfit of clothing, the first act that was passed in February 1919——

Senator GORE (interposing). I do not care about that point. I want to ask you one other question. Has there been any experience in any country with this fixing or freezing of a price level—any such experience as would justify us in adopting such a policy here?

Mr. PATMAN. I do not see that that is really relevant to this.

Senator GORE. But it is in the bill.

Mr. PATMAN. I do not think it is in the bill except as a matter of precaution against an undue expansion. That is placed there as a safeguard—a safety valve in the bill.

Senator GORE. I thought one of your main objectives was to restore the price level of 1926 and maintain it?

Mr. PATMAN. Oh, no; it is one of the safeguards. It is not an objective. Of course, if the Senator insists, I will be glad, to the very best of my knowledge and ability, to discuss it, but I do not think it is related.

Senator GORE. You can answer that one question, whether any country has tried that experiment and made a success of it?

Mr. PATMAN. I think Switzerland came nearer to doing it than any other country. I am not an expert on it nor an authority.

Senator GORE. I take a magazine published in Sweden, and the last time I checked up on it, the price of imports had gone up 13 percent, and the price of domestic goods had gone down 9 percent, but they had maintained the price level at the index figures, but that was what took place behind the scenery.

Mr. PATMAN. That was an all-wholesale commodity price level, evidently.

Senator GORE. Yes; and they were considering the advisability of discontinuing the experiment.

Senator CONNALLY. Is it not your purpose not to affect the price level, but you inserted that clause in order to meet the argument of inflation?

Mr. PATMAN. Absolutely.

The CHAIRMAN. Does that cover your case?

Senator BAILEY. I would like to ask one question. My information, derived largely from the newspapers, is that the President would veto your bill and that he would veto the Vinson bill and would not veto the Harrison bill. Assuming that that is a fact, why should we undertake to be passing the bills which would bring the soldiers nothing? Why should we not proceed to this bill which the President would approve?

Mr. PATMAN. To be perfectly frank with you, the soldiers won't get much under the Harrison bill. The average veteran holding a $1,000 certificate, having borrowed every time he was given the opportunity, owes $500 principal and approximately $100 interest, which is about $600. Under the Harrison bill he would get about $754 to $775. He would get about $154 to $175 in cash. I will concede that there will be a little premium for the fellow that was able to hold the certificate. But it would look awfully bad for a fellow that had to borrow.

Senator BAILEY. He would get the full face value in 1938 under the Harrison bill.

Mr. PATMAN. It was not designed for that purpose.

Senator BAILEY. I am asking you what the facts are, not what it was designed for.

Mr. PATMAN. It will be a great premium for the man who does not owe and a resulting penalty to veterans who do.

Senator BAILEY. Is it a fact that he would get the full face value in 1938?

Mr. PATMAN. No, sir; it would be 1942, under the Harrison bill.

The CHAIRMAN. Under the average, it would be 1942. Some of them might get it immediately. It depends upon the time they took out the certificate, and their age, and so forth.

Mr. PATMAN. You are considering that premium with the insurance?

The CHAIRMAN. Yes.

Mr. PATMAN. That certainly would not include very many, Senator, and it would be the exception and not the rule.

The CHAIRMAN. The average of all of them would become due in 1942?

Mr. PATMAN. Yes, sir.

Senator GORE. Senator Bailey suggests that the President would probably veto your bill if it came to him. The Legion organization, at least, is against your bill. Would you think, in the light of these two facts, that we ought to pursue——

Mr. PATMAN (interposing). I will answer you this way. The Legion organization was against our bill, and so was those opposed to any bill, but——

Senator GORE (interposing). And you won on one test by only three votes.

Mr. PATMAN. We had some other votes; we had enough votes. We did not need any more than three votes to win that time.

The CHAIRMAN. Thank you very much, Congressman.

Mr. PATMAN. I just want to state, Senator Bailey, that of course I do not favor the Harrison bill. I appreciate the long step in the direction we are going, that it has made, and we just hope that logic and reason that we feel that we are able to present will persude Senator Harrison and the members of this committee to pass the bill that the House passed.

Senator BAILEY. What is the use of passing it if the President will veto it?

Mr. PATMAN. You might persuade him that it is a good thing for the country to approve it.

(Congressman Patman submitted the following in extension of his statement:)

THE PATMAN BILL STOOD FIVE TESTS IN 2 DAYS

The Patman bill is the only bill that was ever required to stand five tests in the House of Representatives in 2 days. The Vinson supporters were allowed two of these tests.

The steering committee for the passage of H. R. 1, which was opposed by a majority of the Ways and Means Committee, the proponents of all other plans, the opponents of any legislation on the subject, and the Republican minority, yet were victorious in a fair fight before the House of Representatives, were as follows:

Wright Patnam, chairman; Abe Murdock, secretary; Adolph J. Sabath, Illinois; James G. Scrugham, Nevada; Arthur H. Greenwood, Indiana; William M. Colmer, Mississippi; Jennings Randolph, West Virginia; Clarence Cannon, Missouri; Wm. P. Connery, Jr., Massachusetts; William M. Berlin, Pennsylvania; Frank Hancock, North Carolina; Jed Johnson, Oklahoma; James P. Richards, South Carolina; Gerald J. Boileau, Wisconsin; Andrew J. May, Kentucky; Fred

H. Hildebrandt, South Dakota; Martin P. Smith, Washington; Martin Dies, Texas; John E. Miller, Arkansas; George A. Dondero, Michigan; Paul J. Kvale, Minnesota; Roy E. Ayers, Montana.

I am personally greatly indebted to the members of this steering committee for their very able, loyal, and effective support of this cause.

There are many other Members of this House who are also entitled to receive the greatest recognition possible for their contribution to this successful battle.

VOTES BY STATES

The figures indicated in the parentheses preceding the name of the State indicate the number of Members of the House of Representatives from that State. The figure in parentheses after the name of the State indicate the number of Members of the House from that State who voted against final passage of the bill to pay the adjusted-service certificates. There were 90 in all who voted this way:

(9) Alabama (3), (1) Arizona (0), (7) Arkansas (1), (20) Caliiforna (3), (4) Colorado (1), (5) Connecticut (5), (1) Delaware (0), (4) Florida (2), (10) Georgia (2), (2) Idaho (0), (25) Illinois (3), (12) Indiana (2), (9) Iowa (2), (7) Kansas (0), (9) Kentucky (1), (8) Louisiana (0), (3) Maine (0), (6) Maryland (1), (15) Massachusetts (7), (17) Michigan (1), (9) Minnesota (1), (7) Mississippi (1), (13) Missouri (2), (2) Montana (0), (5) Nebraska (1), (1) Nevada (0), (2) New Hampshire (1), (14) New Jersey (6), (1) New Mexico (1), (43) New York (17), (11) North Carolina (2), (2) North Dakota (0), (22) Ohio (7), (8) Oklahoma (0), (3) Oregon (0), (34) Pennsylvania (2), (2) Rhode Island (1), (6) South Carolina (1), (2) South Dakota (0), (9) Tennessee (2), (21) Texas (2), (2) Utah (0), (1) Vermont (1), (9) Virginia (7), (6) Washington (0), (6) West Virginia (0), (10) Wisconsin (1), and (1) Wyoming (1).

MORE THAN 100 PERCENT IN GOLD WILL BE BEHIND EVERY DOLLAR

Section 2B of the bill now before this committee, and which I am advocating, provides as follows:

"(b) United States notes issued pursuant to the provisions of this act shall be lawful money of the United States and shall be fixed by law. Such notes shall be legal tender in payment of all debts and dues, public and private, and shall be receivable for customs, taxes, and all public dues, and when so received shall be reissued. Such notes, when held by any national-banking association or Federal Reserve bank, may be counted as a part of its lawful reserve. The provisions of sections 1 and 2 of the act of March 14, 1900, as amended (U. S. C., title 31, secs. 314 and 408), and section 26 of the Federal Reserve Act, as amended (U. S. C., title 31, sec. 409), are hereby made applicable to such notes in the manner same and to the same extent as such provisions shall apply at the time of the enactment of this act or in the future to United States notes."

United States Code, title 314, which is referred to herein, is as follows:

"314. STANDARD UNIT OF VALUE.—The dollar consisting of 25$\frac{8}{10}$ grains of gold nine-tenths fine shall be the standard unit of value, and all forms of money issued or coined 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."

Section 408 of title 31, United States Code, has reference to gold reserve redemption of United States notes and Treasury notes and reissue of redeemed notes.

It provides for reserve fund of $150,000,000 in gold coin and bullion to redeem United States notes. As often as the notes are redeemed, the Secretary of the Treasury is required to use the notes so redeemed to restore and maintain such reserve fund; first, by exchanging the notes so redeemed for any gold coin in the general fund of the Treasury; second, by accepting deposits of gold at the Treasury in exchange for United States notes so redeemed, and so forth.

Section 409 of title 31, United States Code, gives the Secretary of the Treasury the power for the purpose of maintaining the parity of all forms of money issued or coined by the United States and to strengthen the gold reserve, to borrow gold on the security of United States bonds.

According to Public Law No. 87, January 30, 1934, all right, title, and interest in and to all gold passed to and was vested in the United States.

According to section 6 of that act, it is provided: "That the reserve for United States notes shall be maintained in gold bullion equal to the dollar amounts required by law."

Therefore, under existing law, if United States notes are issued as proposed in my bill, the Treasury will set aside sufficient gold bullion for a reserve, as it is needed and all the $8,672,104,452.59 now held and owned by the United States Government will be behind these notes.

PATMAN BILL FAVORED BY HOUSE

The Ways and Means Committee of the House is composed of 25 members. January 14, 1935, 19 of these members favored the Patman bill, and 6 were opposed to any bill. On that day the Vinson bill was introduced in the House, which took away eight of the Patman bill supporters. The bill was never introduced in the Senate, where its strength was claimed to be the greatest. The committee then stood 11 for the Patman bill, 8 for the Vinson bill, and 6 against any bill. The Vinson supporters and those opposed to any bill cooperated and received a favorable report on the Vinson bill from the committee 14 to 11. In other words, the opponents of any legislation dictated the favorable report on the Vinson bill by reason of the wedge being driven through the forces of the proponents.

The supporters of the Vinson bill in the committee were: Eight Democarts and six Republicans (including six against any bill); against, 10 Democrats and 1 Republican.

The supporters of the Vinson bill in the House: 120, who favored a full-payment bill, and 84 who were opposed to a full-payment bill, making a total of 204.

Among this number were 83 percent of the 102 Republicans, 93⅓ percent of all Members of the House opposed to any bill, and 98 percent of the supporters of the Tydings bill that will give the holder of a $1,000 certificate, who has borrowed every chance, the sum of $154 in full payment.

VINSON BILL SUPPORTED BY ORGANIZED MINORITIES

In the House there are 435 Members. The Vinson bill never did at any time receive more than 120 votes from Members that favored any bill providing for the payment of these certificates. The Vinson bill did receive almost solid support from the Republican Members of the House, as it did in the committee. It received almost the solid support of those who were opposed to any bill. It received almost the solid support of those who wanted to give the veterans a small settlement in full payment. In other words, the Patman bill was opposed by those who opposed any legislation, by those who opposed any other form of payment, and the Republican minority. Organized minorities, cooperating, drove a wedge through our forces.

REPUBLICANS IN HOUSE SUPPORTING PATMAN BILL

Every Republican in the House, except the following, voted for the Vinson motion to recommit, March 22, 1935:

Burdick, North Dakota; Carlson, Kansas; Dirksen, Illinois; Murray, Pennsylvania; Dondero, Michigan; Gilchrist, Iowa; Guyer, Kansas; Hope, Kansas; Knutson, Minnesota; Lambertson, Kentucky; Wolverton, New Jersey; Lemke, North Dakota; Marcantonio, New York; Pittenger, Minnesota; Seger, New Jersey; Stevan, Nebraska; and Thurston, Iowa.

The 7 Members of the Progressive Party and the 3 Farmer-Labor Members voted for the Patman bill.

HOW ORGANIZED MINORITIES CAN CONTROL

In the Committee on Ways and Means, the Patman bill received 61 percent of the support of the members of that committee who favored any bill. Yet the bill receiving 39 percent of such support, the Vinson bill, got a favorable report. The Patman bill received 63⅓ percent of all the votes in the House of the Members who favored any bill. It prevailed over the Vinson bill by only 3 votes by reason of the combination herein amended. Of the 204 voting for the Vinson bill in preference to the Patman bill, 84 of them were against any bill and voted against the bill on final passage. The 207 Patman bill supporters have been in the past and are now enthusiastic advocates of the payment and believe it is the best plan to get results. Not one of the supporters of H. R. 1—the Patman bill—voted for the Tydings substitute, which would give the holder of a $1,000 certificate, who has borrowed every chance, the sum of $154 in full payment.

There were 87 ex-service men, who are Democrats, in the House; 48 of them voted for H. R. 1, the Patman bill; 39 preferred the Vinson bill.

ADJUSTED-SERVICE CERTIFICATES—WHAT A DEMOCRAT SAID IN 1922

Read what the Hon. Henry T. Rainey said March 23, 1922, in the House of Representatives on the bill to pay adjusted compensation to veterans of the World War (Cong. Rec. pp. 4460–4462, Mar. 23, 1922):

"This adjusted compensation—it is not a bonus or gratuity or charity—will be paid because the American people remember that, while these pick of American manhood were in the trenches and hospitals and camps, others physically, mentally, and morally inferior, who could not be trusted to hold the line on the forefront of civilization, were reveling in the greatest orgy of money-grabbing this Nation ever knew.

"This is not a 'soldier-bonus' measure, as it has been persistently called. It is adjusted compensation for our soldiers, sailors, and marines—an inadequate adjustment and long overdue—but the best that our leaders believe the country can do at this time, and there is imperative reason that action should not longer be delayed.

"Why should it be paid at all? Why did their pay need adjustment?

"We conscripted them for military service. Out of 24,000,000 registered under the selective draft law—passed by us in Congress assembled—following our directions 4,000,000 were chosen to do the Nation's fighting. They left home, their professions or jobs, suffered every hardship, facing death repeatedly under physical and mental and moral strain 24 hours in a day. We paid them nominally $30 a month, or $1 a day, but by the time they got through with allotment and insurance deductions and buying Liberty bonds at our exhortation their $30 a month dwindled to $8, less than 25 cents a day.

"We do not conscript labor, which, with 4,000,000 men drawn from their customary places in productive enterprise, no longer felt the keen competition for employment, and reveled in a period of high wages beyond their most eager dreams, where practically every man got as much for one 8-hour day's work as the soldier got in a month for 24-hours-a-day toil, with all the hellish inventions of modern warfare bursting about him and sweeping over him in a fog of gas. Oftentimes they worked side by side in the construction camps, the soldier at $1 and the other at $10 a day.

"We hired boys and girls and men and women by the hundreds of thousands and put them in mahogany-furnished offices, equipped with all the latest devices for comfort and to make work easy and paid them not $30 a month but multiplied many times their pre-war salaries, and on top of that gave them a $240 bonus, which they are still receiving.

"This is the richest Nation in all the world, our aggregate wealth being $286,000,000,000, more than one-third of which accrued during the war, and our debt being approximately only 8 percent of our wealth. When our boys came home we gave them $60. But what did our Allies do, with debts running from 23 to 57 percent of their wealth, and who cannot even pay us the interest on the $15,000,000,000 they owe us? They granted immediately substantial bonuses to their soldiers. Great Britain from $142 to $7,000; Belgium, $492; Canada, $600 to privates and $972 to officers; France, $249; and Italy, $64.

"We paid stay-at-home labor as we went for services. We reimbursed capital, appropriating $3,000,000,000 to settle claims of war contractors, and as much more to the railroads, a bonus guaranty of 6 percent even on inflated stock values. We made an advance of $1,500,000 for seed to the drought-stricken farmers of the Northwest. We gladly gave starving Russia $20,000,000. We gave Europe $100,000,000 after the war—and we gave our own heroes $60—not enough to get them decent civilian clothes.

"Cannot we afford to give these boys adjusted compensation—even though unduly late and entirely inadequate—when instead of hoarding it, as the new millionaires will, put it in circulation to the benefit of the shopkeeper, the butcher, and baker and manufacturer and farmer and banker, and into every line of business and every home in the country."

Congressman Crisp of Georgia on Paying Veterans' Adjusted Compensation

[Cong. Rec. pp. 4369–4371, Mar. 23, 1922]

The 4,000,000 men were forced to leave home, loved ones, and private business, and to serve under the orders of the Government, not for 8 hours a day only, but for 24 hours in each day, at a compensation of a dollar a day, this small amount being reduced even more by required payments for life insurance, Liberty bonds, and often allotments; while the remaining 20,000,000 men registered for military service and all the other citizens of the United States were left at home to suffer no hardships or privations, but to enjoy such an era of high wages for their labor and high prices for their commodities as the world had never before known. The testimony before the committee shows that drafted men worked in the construction of Army camps and cantonments, doing carpentry and other skilled work at a meager $1 a day, while private citizens engaged in the same work, in the same gang, received from $8 to $10 a day. In France, enlisted men worked on roads and dug trenches, while private laborers working with them received many times their compensation.

Congress passed a law providing several million dollars to pay mineral and mining speculators for profits they would have made had the war gone on, and again we heard no protest against taxing the people for this purpose. Millions were appropriated to pay losses sustained by the Shipping Board, the money thus appropriated going, as a general rule, to the big interests; and there was no protest that the tax to raise this money would work injury to the contrary. I might cite numerous other instances, as the payment of $100,000,000 to feed Europe and $20,000,000 for Russia. But when it comes to adjusted compensation for the ex-service men, many interests that largely profited and profiteered during the war are loud and voluble in their protests, claiming that payment of this bonus will work injury, havoc, and ruin to the business interests of the country. I do not believe this.

During the World War the Government paid a bonus of $240 a year, or $20 a month, to each of its civil employees drawing less than $2,500 a year. These employees underwent no hardships, but performed their duties during the cold of winter in steam-heated houses and in summer under the cooling breezes of an electric fan. The amount so paid these employees totaled millions of dollars a year, but there was no complaint throughout the land of the people being taxed to pay this gratuity.

It will be readily seen that the financial strength of the Allies is incomparable with our own; yet, notwithstanding the huge debt of our Allies they have all granted substantal bonuses to their soldiers, as follows: France, $249; Great Britain, from $142 to her privates to about $7,000 to her officers; Italy, $64; Belgium, $492; Canada, our neighbor on the north, has paid her privates a bonus of $600 and her officers $972, and has advanced her soldiers money to buy farms, and after discharge made them an allowance each month until they secured employment; Australia and New Zealand have paid their soldiers a bonus. If these countries, in their financial condition, can extend to their ex-service men a substantial evidence of appreciation of their service, surely the United States, the richest Nation of the World, with a great national wealth and a relatively small debt, can afford to be equally as generous and appreciative to her patriots.

[Report on veterans' adjusted-compensation bill, Rept. No. 133, 67th Cong., 1st sess.]

IT IS NOT A BONUS

United States Senator McCumber filed a report on the adjusted compensation bill from the Committee on Finance of the Senate, in which he said:

"This proposed legislation is generally referred to as the 'Soldiers' bonus bill'. No name could be applied that would be more irrelevant. It is worse than erroneous. It stamps upon a just and unquestioned national moral obligation the designation 'gratuity'. The purpose of this bill in no sense seeks to express a national gratitude by a money gift to our soldiers. It is not so intended by its supporters and the veterans of the World War would not so accept it. It is just what its title reads, a bill to provide adjusted compensation for the veterans of the World War. It is not a bonus bill, and fairness to country and soldier alike requires that we should exclude the word 'bonus' in referring to it.

"In simple, plain English, the purpose of this bill is to give to the soldier who offered his life with his services a compensation that will more nearly approach that of the laborer who remained at home, secure from danger, and whose compensation increased from 200 to 300 percent and, measured by the amount of labor actually performed, far beyond those figures * * *."

SOLDIERS' PAY VERSUS CIVILIAN PAY

April 6, 1917, war was declared by this country against Germany. Congress immediately commenced consideration of a bill that had for its purpose raising an Army. Little consideration was given to the question of pay that men in uniform would receive. It was well known that if any injustice should be done in this regard it could be corrected later. Between four and five million men were caused to don the uniform of their country. Practically all of these men felt it was their duty, desired to be patriotic, and, like all good soldiers, served wherever they were called upon to serve. Nevertheless, it was admitted that practically all of them suffered a serious economic disability by being required to serve at $1 a day, when others, for various reasons exempted from military service, were making, in the words of our own great President, from $8 to $20 a day in the shipyards and munition factories.

DEDUCTIONS GOT THE $30 A MONTH

Do not get the impression that the private soldier actually received $30 a month, as reported. The average allotment of his pay for his dependents, if he had dependents, was about $15 a month. He was required to carry war-risk insurance, which cost him on an average of $6.60 a month, the Government thereby requiring him to make his monthly contribution for the protection of the loved ones of his dead buddies. Four million veterans paid Uncle Sam approximately $400,000,000 in this way, for which they did not receive 1 penny in return.

Uncle Sam paid for the insurance on his ships but not on his men. The soldier was required to pay for altering and mending his clothing and shoes, his barber bills, laundry bills, and bills at canteens for tobacco and incidentals. If he had anything left, he subscribed for a Liberty bond on the installment plan or he was called a "slacker."

Commissioner O'Reilly, who is now an alderman in a western city, at the end of his first month in the service, after waiting 2 hours in line with his company, approached the paymaster's table, saluted, and gave his name. The paymaster, looking at the company pay roll, replied, "Private O'Reilly, you owe this Government 80 cents."

OTHERS RECEIVED ADJUSTED PAY

When the war was over those who dealt with property rights had their pay adjusted by the Congress of the United States. Seven thousand World War "cost-plus" contractors—many of them had engaged in a "war for profits"—had their pay adjusted. Included in this group were the Du Ponts, who recently admitted that they made a profit of a quarter of a billion dollars out of the war after paying all expenses and taxes on what they billed to South American countries as "sporting goods." The railroad owners and war contractors received an adjustment of pay in cash and other benefits amounting to billions of dollars. They asked the Government for a revision of their contracts and were not called unpatriotic for doing it, and they were paid in cash.

Five hundred thousand Federal employees of the Government, who received up to $2,500 a year during the war, received an adjustment of pay amounting to $1,440 each—they asked a revision of their contracts and they were paid in cash $240 a year for 6 years.

Foreign countries asked for a revision of their contract and had their debts adjusted, which resulted in Congress giving to them as an outright gift the huge sum of $10,000,000,000. Many of these countries used our money to pay their own soldiers adjusted pay and bonuses up to the enormous sum of $7,290 each.

CONSCIENCE-STRICKEN CONGRESS

After doing so much for property rights and foreign countries, a conscience-stricken Congress was determined to make some adjustment of pay received by the men who wore the uniform. The cost of the war was $36,000,000,000; the men in uniform received $4,500,000,000. It was agreed that the Members of Congress could not save their faces and allow less than $1 a day as adjusted pay.

SECRET CAUCUS AND CHISELING AMENDMENTS

The Ways and Means Committee of the House consisted of 15 Republicans and 10 Democrats. The Republicans put the Democrats out of the committee room, closed the door, called in representatives from the War Department, and outlined the plan of paying $1 a day to each veteran for home service and $1.25 a day for service overseas. These representatives were instructed to suggest how deductions and reductions could be made to propose every chiseling amendment for which any argument could be offered for its adoption and to get up some sort of a plan that would appear to the veterans that they were actually getting the $1 a day, but which, in fact, would be so manipulated that they would get just as little of it as possible. One of the unfairest chiseling amendments was the deduction of the first $60. Another was to provide a way whereby the banks would consume one-half of each certificate through compound interest after a few loans, obtained in dribs, had been made.

In this secret caucus, where words were spoken that were supposed to never be known, the plan was conceived which was enacted to give the veteran a post-dated check, an I O U, or a "tombstone" certificate, payable in 1945. The basis for it was the $1 a day for domestic service and $1.25 for service overseas, plus interest at 4 percent and plus 25 percent of the basic pay for waiting from 1925 until 1945. The veterans were not asked to take or reject these certificates. They had to take them or leave them alone, just like they were compelled to go in the service, whether they wanted to or not.

CERTIFICATE HOLDERS AND REMAINDER DUE

Three and one-half million veterans hold certificates, averaging $1,000; 3 million of them have borrowed the limit allowed by law, which is 50 percent of each certificate. and after deducting prior loans and interest before October 6, 1931, there is a remainder due of $2,000,000,000. They are paying $163,000 a day in compound interest on these loans to the Government and to the banks, which is rapidly consuming the balance due.

HIGH INTEREST AND TIME DUE

They have paid as high as 6 and 8 percent interest, compounded annually, for their own money. If the Government should now allow the veterans the interest rate the veterans were charged, an amount equal to the face value of each certificate was due long before 1931. If the certificates remain as they are, the average veteran who has a $1,000 certificate will receive the small sum of $68.50 in 1945. Compound interest paid to the banks and to the Government on a few small loans obtained in dribs will have eaten up the remainder.

If Congress grants a revision and reformation of the contract, as requested in H. R. 1, and these certificates are dated back to the time the services were rendered, and there is an adjustment of interest so as to give the veteran the same rate of interest, and no more, that was paid to war contractors, railroad owners, and all others on contracts growing out of the World War, and is given only the earned part of the 25-percent increase that Congress admitted was due for waiting 20 years and not deduct the first $60, each veteran is entitled at this time to a substantial sum more than the face valus of his certificate. If the Government will allow the veteran the earned part of the 25 percent for waiting, along with the $1 and $1.25 a day, together with a rate of interest less than the Government has charged veterans, 6 percent compounded annually, an amount equal to the full face value of each certificate was due October 1, 1931.

PAST DUE ANY WAY IT IS COMPUTED

There is no fair way to compute the amount due a veteran, using the $1 and $1.25 a day as a basis without deternining that each veteran was entitled to an amount equal to the full face value of his certificate on or before October 1, 1931.

If the veterans receive credit for a fair adjustment of interest, and the certificates are dated back to 1918, they have borrowed the equivalent of the accumulated interest, the principal remains intact.

We are not trying to change the amount of $1 a day from home service and $1.25 a day for service overseas, representing the basic pay of $1,400,000,000, that Congress acknowledged. We want it paid as of the time the services were rendered.

VETERANS FIGURED OUT OF 7 YEARS' INTEREST

Mr. Andrew Mellon, with his short pencil in the middle of the night, aided by a secret committee meeting, figured the veterans out of 7 years' interest. This omission appears to have been deliberate, since title 5, section 501, of the act provides that in no case shall a veteran receive interest before January 1, 1925. He also persuaded the committee to deduct the first $60, and then got the bill passed through the House under a gag rule that did not permit an amendment to cross a "t" and dot an "i".

CRIES OF DEFICITS AND TAX REDUCTIONS

The acknowledgment of this debt was delayed several years by cries of deficits and tax reductions, which were not heard when billions were being voted for adjusted pay to others.

The Secretary of the Treasury, when the bill was before Congress, predicted a great deficit at the end of the next fiscal year. He made a billion dollar error in his prediction, but the discovery, months later, was too late, as intended, for the "tombstone" certificate bill had already become a law.

REFUNDS ON INCOME-TAX PAYMENTS

Income-tax payers received approximately $3,000,000,000 in adjustments on their income-tax payments made during and by reason of the war. Secretary Andrew Mellon made huge refunds to citizen

Andrew Mellon and to citizen Andrew Mellon companies. When a payment was made on such a refund 6 percent interest was allowed by him from 1918, or the time of the alleged overpayment. He did not forget his own interest over the same period of time he deprived the veteran of interest on a confessed debt.

Suppose holders of Government bonds should discover they paid money for bonds in 1918 and that they were not drawing interest until 1925. One of such bondholders would make more noise than a thousand veterans are now making over a similar loss.

VETERAN RECEIVED $1; MUST PAY HIS PART OF $21

Veteran A entered the service during the war and received $1 a day. Civilian B went to the shipyards and received $20 a day. The Government borrowed $21 a day to pay the pair. When the war was over these debts must be paid. Veteran A, although he received only one of the $21, must pay his part of the entire $21. With the adjusted pay the veteran receives about 20 percent or less of what civilians received. If a veteran should receive more than a civilian, the excess could properly be termed a bonus, or pay for patriotism, but such is not the case.

A few companies made as much in net profits during the war as we are asking now to be paid on a confessed debt to 3½ million men.

WILL GAG-RULE TACTICS BE ENDORSED?

One question is: Shall this debt be paid like the Government paid all other debts, or will the many wrongs that were perpetrated through "star-chamber" proceedings and "gag-rule" tactics in the enactment of the legislation remain?

WHERE WILL WE GET THE MONEY?

The next question is: How will the payment be made according to H. R. 1? Each certificate is an obligation of the Government.

We propose under H. R. 1 to permit a veteran to deposit his Government obligation and receive "new money" in United States notes in return for the remainder due. We are asking that one form of Government obligation be converted into another form of Government obligation, which will not create a new debt. We are merely asking that the veterans be allowed to do the same thing in the same way that banks are now permitted to do and get the same kind of money.

$8,000,000,000 IN GOLD IN TREASURY

I hold in my hand an official daily statement of the United States Treasury dated April 18, 1935. It is compiled from the latest proved reports from Treasury offices and depositaries. Under the heading of current assets and liabilities there is listed in the form of an asset, $8,672,104,452.59. This gold belongs to the United States Government. We have 5½ billion dollars of actual money in circulation. We can set aside and earmark 5½ billion dollars in gold to redeem all outstanding money 100 percent. We can then set aside and earmark $2,000,000,000 in gold to redeem 100 percent the currency issued to pay the veterans under my bill. We will then have $1,000,000,000 in untouched and idle gold in the United States Treasury. This does not include the enormous silver reserve of $720,000,000.

LARGE AMOUNT OF MONEY MAY BE SAFELY ISSUED

Eight billion dollars in gold is sufficient to authorize the Government to issue $20,000,000,000 in currency on a 40-percent gold-reserve basis. Since we have outstanding only 5½ billions in money and we propose to issue under my bill $2,000,000,000, the Government can still safely issue an additional sum if necessary, amounting to more than $12,000,000,000. On the devaluation of the gold dollar the Government made $2,800,000,000 clear profit.

SUFFICIENT RESERVE SHOULD BE ADMITTED

In view of the indisputable fact, which is shown from the official report of the United States Treasury that we have sufficient gold to back all currency now outstanding and the currency we propose to issue under this bill 100 percent in gold and still have a surplus, I believe, in fairness, my honorable opponent will concede that the money to be issued under the terms of my bill will be in all respects sound under the most strict definition of the gold standard.

MORE GOLD BEHIND IT THAN BANKERS' MONEY

The most enthusiastic advocate of the gold standard and the most reactionary banker cannot question the soundness of this money, which will have 60 percent more gold behind it than any Federal Reserve note or other bankers' money ever had.

EAT THEIR CAKE AND KEEP IT, TOO

We have 12 Federal banks in this Nation. Each of these banks has an official that is authorized by the United States Government to cause to be printed and delivered to it new money, paper currency, produced by the Bureau of Engraving and Printing. In order to get this money the bank deposits with itself a Government obligation, which may be payable January 1, 1945, or any other date, as collateral security for the issurance of the money. While the bank uses the money it continues to get interest on the bonds. It pays on the average of 27 cents a thousand for the cost of printing the money. They use the credit of the Nation free. They eat their cake and keep it, too. Approximately 3½ billion dollars have been issued to Federal Reserve banks on Government obligations.

It is possible for the Government, under our plan, to pay the veterans $2,000,000,000 and not have one dollar extra circulating money, by merely withdrawing 2 billion in Federal Reserve notes, upon which the people are paying interest every day they are outstanding, and substitute therefor the 2 billion in United States notes we propose to issue and upon which no one will be paying interest while they are outstanding. This will take an annual bonus away from the Federal Reserve banks, which they do not need and are not entitled to.

EAT THEIR CAKE AND KEEP MORE CAKE THAN THEY HAVE EATEN

National banks of the country have deposited approximately a billion dollars in United States Government bonds, many of them payable January 1, 1935, and have received approximately a billion dollars in new money in return. Each of these banks can use that money as a reserve and lend $10 in credit on every one of these dollars that it has in its vaults or with the Reserve bank. These national banks continue to get interest on the bonds while they are using the money. They eat their cake and keep more cake than they have eaten. This privilege will be stopped within the next year.

IF RIGHT FOR BANKS, RIGHT FOR VETERANS

No person can possibly give a logical reason why it is not right for a veteran to deposit his Government obligation which is payable January 1, 1945, and receive new money in return for them. If it is right for the banks, it is right for the veterans. If the money issued to the banks is good money—and it is—the money issued to the veterans will be good money.

There is more justification for issuing the money in return for the certificates, since the banks are paid a bonus to put money into circulation, which fee will not have to be paid to the veterans under the plan proposed. The veterans were not paid in 1925 because it was claimed that the country was not able to stand the payment. Conditions have changed since then, as the country now has several times as much gold as is necessary to pay this debt, if a gold backing is desired for the money issued for that purpose.

HOW INFLATION MAY BE PREVENTED

It has been said that there is danger of inflation after this money is paid. According to H. R. 1 the Secretary of the Treasury cannot withdraw any of the money we proposed to issue, as we expect it to remain in permanent circulation, for no one will be paying interest on this money while it is outstanding, but the Secretary of the Treasury can retire sufficient money issued to Federal Reserve and national banks to prevent inflation. Therefore it cannot be said that there will be danger of unbridled inflation under our plan.

HOW VALUE OF ADJUSTED-SERVICE CERTIFICATE ARRIVED AT

Congress decided that each veteran of the World War was entitled to $1 a day extra pay for home service and $1.25 a day for service overseas, with the limitation that no veteran would be entitled to more than $500 for home service or more than $625 for service overseas, which is intended to cover the period of the emergency.

The average adjusted-service certificate is for $1,000. As an illustration, it may be assumed that it was arrived at as follows: The veteran was credited with 210 days' domestic service at $1 a day, $210, and 200 days' foreign service at $1.25 a day, $250, or a total of $460. The Government deducted $60 of this amount because the veteran had received an extra $60 at the time of discharge. This reduced the credit to $400. The Government, instead of paying the veteran the $400 in cash, added to the confession of the debt 25 percent for deferred payment, making the credit $500 and giving the veteran what was equal to an endowment insurance policy for $1,000 dated January 1, 1925, and payable at death or January 1, 1945. It was determined that the $500 would purchase such a policy based upon the American experience table of mortality at 4 percent.

In this settlement it will be noticed that the veteran had deducted from his credit $60 and had added to it $100, or 25 percent, as a bonus for waiting.

Congress evidently intended to give the veterans the extra pay as of the time the services were rendered. One dollar given to them as of 1925 would be equal to giving them about 65 or 70 cents as of 1918.

If the veteran is given the $460 from a date representing halfway between the beginning and ending of his service, or June 5, 1918, the time it should be computed from, with 6-percent compounded annually, the veteran was entitled to $1,000 October 1, 1931, or the full face value of his adjusted-service certificate. A similar computation for each certificate will cause a similar result.

In order to justify this settlement a satisfactory explanation must be given why the $60 should not be deducted, why the veteran should not accept the $100 given as a bonus for waiting, and why the veteran should receive 6-percent interest compounded annually.

WHY THE $60 SHOULD NOT HAVE BEEN DEDUCTED

In February 1919 Congress passed a law giving to each ex-serviceman $60 additional pay upon discharge, considered to be an amount sufficient to purchase a civilian suit of clothes, the soldier having given his civilian clothing to the Red Cross when he entered the service, and it was sent to foreign countries to relieve distress there. The $60 was authorized to be given to all officers, including the major general who received $8,000 a year with additional allowances, as well as the private who had served only 3 days in the military service. When the adjusted-compensation law was passed, the veterans receiving the certificates were required to account for the $60; in other words, to pay it back. The officer who drew $8,000 a year was permitted to keep his $60 and make no return to the Government, although such officer, or any other officer above the grade of captain, did not receive an adjusted-service certificate, Congress feeling that such officers were not entitled to have their pay adjusted. Neither was the private who served 3 days required to pay his $60 back to the Government. So why should the Government play the role of Indian giver to the holders of adjusted-service certificates? The $60 should not have been deducted.

WHY 6-PERCENT INTEREST COMPOUNDED ANNUALLY SHOULD BE ALLOWED

When the Adjusted Compensation Act was passed in 1924, provisions were made for loans to be made to veterans on their certificates after the expiration of 2 years from their date. Only a small amount each year could be borrowed, never a sufficient amount to be of substantial service, and the veterans were required to pay 6, 7, and 8 percent compounded annually for their own money.

QUESTIONS AND ANSWERS WHICH I HAVE PREPARED ON THE PAYMENT OF THE ADJUSTED-SERVICE CERTIFICATES

1. Question. What is an adjusted-service certificate?

Answer. It is a Government obligation payable to an honorably discharged veteran of the World War who served longer than 110 days, payable in 1945, or 20 years from date of issuance, in return for such services rendered.

Such a certificate is often referred to as a "bonus certificate." It is not a "bonus certificate" and should not be referred to as a "bonus." The term "soldiers' bonus" is a misnomer. It was coined by the enemies of the law in order that our cause might be condemned every time is is used. It is a soldier debt and should not be referred to as a "bonus."

2. Question. Why did the veterans who served less than 110 days not receive such a certificate?

Answer. When each veteran was discharged he received $60 cash bonus to purchase civilian clothing, shoes, and so forth. The veteran had given his civilian outfit to the Red Cross when he entered the service. All veterans entitled to receive $50 or less were paid in cash and not given a certificate. In arriving at the amount of an adjusted-service certificate the first 60 days were deducted on account of the $60 payment.

3. Question. How did the Government arrive at the amount of an adjusted-service certificate?

Answer. Each veteran was allowed $1 a day extra for each day he served in the United States, and $1.25 a day extra for each day he served overseas with a limitation of $500 for home service and $625 for service overseas. John Doe, a veteran, was entitled to a credit of $460; $210 for 210 days home service and $250 for 200 days service overseas. The first $60 was deducted, reducing his credit to $400. Since he was being given a certificate due in the future, 20 years from date, the Government increased the amount of his credit by 25 percent for waiting, making the credit $500. He was then given a certificate for an amount equal to the $500 credit with 4 percent interest compounded annually, for the 20 years, which amounted to $1,000. His certificate was dated January 1, 1925, and made payable January 1, 1945, or at death. This illustration represents the average veteran's adjusted-service certificate.

4. Question. Why did Congress agree to give the veterans this extra amount?

Answer. When the Selected Service Act and other various legislative proposals were pending in Congress, relating to induction and enlistment of soldiers, sailors, and marines, the question of pay was very much debated. It was understood then that the pay agreed upon by Congress could be adjusted after the emergency in the event an adjustment was due. Many Members of Congress insisted on a $3 a day minimum pay. The war cost the United States more than $36,000,000,000; all the man power in uniform received less than $4,500,000,000 of this amount, or less than one-eighth of the cost of the war.

5. Question. Did others receive adjusted pay from the Government for their services after the war?

Answer. Seven thousand war contractors received adjusted pay amounting to billions, directly and indirectly, after the war was over; many of them had invalid and illegal contracts which were validated by Congress. They were paid in cash. The railroad owners received a guaranteed return during the war equal to the average return 3 years prior to America's entrance into the war, which was the most prosperous period of railroading in the United States; in addition, they were given $3,000,000 a day extra pay for the next 6 months after being released from Government operation. Their adjustments in pay amounted to between 1 and 2 billion dollars; they were paid in cash. There were about 500,000 Federal civilian employees during the war, all of them receiving $2,500 a year or less had their pay adjusted, and the average received $1,000 extra pay. It was paid in cash. Many soldiers worked on the public roads in America during the war, side by side with civilians who were receiving $8 a day; these soldiers received an adjustment of $7 a day, representing the difference between their soldier pay of $1 a day and the $8 a day drawn by the civilians. They were paid in cash after the war. Foreign countries, our allies during the war, were loaned billions of dollars by our Government after the war was over. They used a part of this money to pay their own veterans' adjusted compensation and bonuses aggregating as high in some instances as $7,290 each.

6. Question. Are the veterans asking for the payment of a debt that is not due until 1945?

Answer. The debt is really past due now, although payable in 1945. The adjusted-service certificate gives the veteran the $1 a day for home service and the $1.25 a day for service overseas as of January 1, 1925, thereby depriving the holder of approximately 7 years' interest. If one is entitled to a certain amount daily or monthly over a period of time, the interest should be computed by allowing full interest from a date representing a time halfway between the beginning and ending of the period, about June 5, 1918.

7. Question. If the veterans are allowed interest from the time the services were rendered instead of from 1925, will they be receiving special favors from the Government?

Answer. No; it has always been the policy of the Government to deal with others in that manner. For instance, when the war was over, applications for tax refunds were filed by individuals and corporations, many of them claiming that they had paid too much income taxes during the war and others claiming that they failed to deduct a sufficient amount for depreciation of their facilities used in war services. These claims were made although they had made and sworn to the income-tax returns themselves. The Secretary of the Treasury refunded to large income-tax payers more than 3,000 million, or $3,000,000,000, from the year 1922 to the year 1929, inclusive—an amount more than sufficient to pay the remainder of the adjusted-service certificates in full. Much of this money was refunded or given back to them on the theory that the taxpayers did not charge off a sufficient amount for depreciation in value of their properties during the war from 1917–19. A large part of it was refunded in plain violation of the law. A large number of the beneficiaries of these large gifts were war profiteers and should have been convicted of treason for dissipating and plundering our resources during the war. When each refund was paid, the Treasury also paid the one receiving it 6 percent interest from the year it was claimed the deduction should have been made. On one refund to the United States Steel Corporation of $15,736,595.72, interest amounting to more than $10,099,765 was paid. Mr. Andrew Mellon while Secretary of the Treasury made large refunds to himself and to his companies, and in each case allowed 6 percent interest from the year he claims the credits should have been given and not from 1925, the date of the adjusted-service certificates, or 7 years later. Those who are so loud in their denunciation of the proposal to pay the veterans this honest debt have been just as silent as the tomb while these war profiteers were wrongfully getting billions of dollars from the Treasury.

One receiving a tax refund in 1925 for an alleged overpayment in 1918 was paid 6-percent interest from 1918 on the amount of the payment. There is no reason why the veterans should not be paid from the time they rendered their services until 1925, the date of the certificates.

8. Question. Why do you say that the certificates are past due?

Answer. If a holder of an adjusted-service certificate is paid the extra pay Congress has acknowledged and confessed was due him, with 6-percent interest, compounded annually, from the time the services were rendered, he was entitled to an amount equal to the face or maturity value of his certificate October 1, 1931.

In other words, if a veteran is given his adjusted-service credit as of the time he rendered the service, without deduction of the $60 and without adding the 25-percent increase, he was entitled to an amount equal to the full face value of his certificate on October 1, 1931. If you allow him the 25-percent increase, or a portion of it for the number of years elapsed since 1925, the full face value of his certificate was due long before October 1, 1931.

9. Question. Is the interest rate suggested too high?

Answer. No. The veterans for many years were required to pay the Government 6-, 7-, and 8-percent interest, compounded annually, for their own money when they borrowed on their certificates. The amount charged on these high interest rates is now a part of the loans, and compounded interest is being paid on the amount annually. If it was fair for the veterans to pay 6-, 7-, and 8-percent interest, compounded annually, for their own money, and then receive it in small dribs, certainly it is not unfair for the Government to pay the veterans this 6-percent rate.

10. Question. You have stated that $60 was deducted from each veteran's adjusted-service claim before arriving at the amount of his certificate; why was this $60 deducted?

Answer. In February 1919 Congress passed a law giving each ex-service man $60 additional pay upon discharge, considered to be an amount sufficient to purchase a civilian suit of clothes, the soldier having given his civilian clothing to the Red Cross when he entered the service, and it was sent to foreign countries to relieve distress there. The $60 was authorized to be given to all officers, including the major general, who received $8,000 a year with additional allowances, as well as the private who had served only 1 day in the military service. When the adjusted-compensation law was passed, the veterans receiving the certificates were required to account for the $60; in other words, to pay it back. The officer who drew $8,000 a year was permitted to keep his $60 and make no return to the

Government, although such officer, or any other officer above the grade of captain, did not receive an adjusted-service certificate, Congress feeling that such officers were not entitled to have their pay adjusted. Neither was the private who served 3 days required to pay his $60 back to the Government. So why should the Government play the role of Indian giver to the holders of adjusted-service certificates? The $60 should not have been deducted. A compromise entered into by uninformed persons with the wise, greedy Secretary of the Treasury caused this chiseling amendment to be accepted.

11. Question. What did the veterans receive for their services during the war?

Answer. An enlisted man, private, received $1 a day, except the overseas service, when he received 10 percent extra, or $1.10 a day. They were permitted and in many cases required to make allotments of a certain amount of their pay monthly to their dependents; the amount varied from $5 to $25 a month and was deducted from the amount due them. They also paid for altering and mending their clothing and shoes, barber bills, laundry bills, and other incidental expenses. In addition, the average veteran had deducted from his pay $6.60 a month for insurance; if he had anything remaining after these deductions were made, he was usually required to subscribe for a Liberty bond on the installment plan or be called a slacker disguised in American uniform.

12. Question. How many of these certificates are there outstanding; what is their average value, and so forth?

Answer. December 1934 there were 3,531,800 adjusted-service certificates in force, of the face or maturity value of $3,485,650,000; 3,037,500 of these certificates have been pledged to the Government and to the banks for loans aggregating $1,465,500,000 not including interest after October 1, 1931. These certificates range in value from $126 to $1,590 each, and their average value is approximately $1,000; to be exact, $959.88.

13. Question. Why were the veterans not paid in cash in 1924 when the debt was confessed by Congress?

Answer. Mr. Andrew Mellon, Secretary of the Treasury, convinced Congress that there was going to be a deficit of more than $600,000,000 at the end of that fiscal year. Congress, therefore, did not feel that the payment could be made. However, after the tombstone certificates had been issued and the fiscal year expired, there was a surplus in the Treasury of more than $300,000,000. It was Mellon's billion dollar error that caused the issuance of the I. O. U.'s payable in 1945.

14. Question. Have the veterans obtained loans on their certificates?

Answer. Yes; the average veteran has obtained a loan amounting to 50 percent of the face value of his adjusted-service certificate under the law of 1931. Most of the veterans, however, had borrowed on their certificates before the 50-percent loan act was passed. In fact, the average veteran holding a thousand dollar certificate obtained a loan of $87.99 in 1927, $26.79 in 1928, $26.33 in 1929, $24.59 in 1930, and $23.50 in 1931, before the passage of the 50-percent loan act. When the 50-percent loan act was passed, he borrowed $271.99 additional, which included the amount he had borrowed with interest to date. The veterans have borrowed the accumulated interest on the amount due them; the principal remains intact if their debts are adjusted in the same way that the Government adjusted the debts of others on contracts growing out of the World War. A veteran who has borrowed the limit on his certificate, if the contract is not revised to do equity, will obtain the following additional sums the dates indicated, and the remainder will be consumed, or eaten up by the payment of interest; January 1, 1942, $30.04; January 1, 1943, $38.25; January 1, 1944, $39.79; and on January 1, 1945, he will be given $68.50, and the debt will be liquidated, nothing before 1942.

15. Question. Would it not be better for the veterans to keep their certificates as a nest egg to be used in 1945 as suggested by Mr. Andrew Mellon?

Answer. If the remainder is not paid now, practically all of the remainder due will be consumed by compound interest required to be paid on prior loans. The veterans will be benefited more by substantial payments than they will be by receiving their money in dribs; it will benefit the country more.

16. Question. If the veterans are not paid now, how much will be received in future by those who have borrowed the limit allowed by law, and will continue to borrow the limit on their certificates?

Answer. The following statement will answer for the average veteran holding a certificate of the average value:

Tabulation to show average adjusted-service credit, average amount of certificate, and amounts of principal and interest on loans, and amounts of cash to veterans as loans and at maturity, assuming loans by a bank in the eleventh (Texas) Federal Reserve district at the maximum interest rate chargeable from 1927 to 1931, inclusive, then a loan on March 31, 1931, for the 50-percent loan value and redemption of the note by the Government in 6 months:

Certificate dated Jan. 1, 1925, made payable Jan. 1, 1945, average adjusted-service credit, $1 per day home service, $1.25 overseas, and after deducting $60	$400
Amount of additional 25 percent added for deferred payment from 1925 to 1945	100
Total amount applied to purchase certificate (no interest allowed from 1918 to 1925)	500
Amount of certificate issued for the above amount at 4 percent, compounded annually from Jan. 1, 1925	1,000

Year	Loan value	Outstanding indebtedness	Interest rate (percent)	Interest due beginning of period	Cash to veteran
1927	$87.99	$87.99	6		$87.99
1928	120.06	93.27	6	$5.28	26.79
1929	153.59	127.26	7 [1]	7.20	26.33
1930	188.67	164.08	7	10.49	24.59
1931	225.38	201.88	7	13.21	23.50
Emergency Loan Act, Mar. 1, 1931	500.00	228.01	4½	2.63	271.99
Redemption by Government:					
Sept. 1, 1931	500.00	511.25	4½	11.25	
1932	500.00		4½		
July 21, 1932		533.68	3½	22.43	
Sept. 1, 1932	500.00	552.36	3½	18.68	
1934	500.00	571.69	3½	19.33	
1935	500.00	591.70	3½	20.01	
1936	500.00	612.41	3½	20.61	
1937	500.00	633.84	3½	21.43	
1938	535.73	656.02	3½	22.18	
1939	589.05	678.98	3½	22.96	
1940	645.06	702.74	3½	23.76	
1941	703.92	737.34	3½	24.60	
Jan. 1, 1942	765.86	735.82	3½	8.48	30.04
1943	831.12	792.67	3½	26.81	38.45
1944	900.00	860.21	3½	29.09	39.79
Jan. 1, 1945	1,000.00	931.50		31.50	68.50
Total				362.03	637.97

[1] Mar. 2, 1929.

17. Question. How much money will be required to pay the remainder due?

Answer. About $2,000,000,000. All except about 500,000 veterans have borrowed the limit allowed by law on their certificates.

18. Question. If this amount of money is needed in circulation, would it not be better for the country to provide that amount for public buildings or highway construction?

Answer. No; because it would not be so well distributed in that way; it would go to certain localities and certain cities and only to people engaged in that kind of work. If it is paid to the veterans, it will go into every nook and corner of America; will raise the per capita circulation of money about $15, can be paid immediately without waiting for blueprints, and will place purchasing power into the hands of consumers who will put it into circulation.

19. Question. You are asking that money be distributed to one class, are you not?

Answer. No; every class, race, and creed; every occupation, avocation, trade, and business will get a share. It is the only plan yet suggested that will cause such a wide distribution of money to such a large number of consumers without payment of a dole.

20. Question. Are you asking for a revision of the contract?

Answer. Yes, in order that another part of the contract, the legislative intent, may be carried out. Congress contemplated that the veterans should be paid the adjusted pay as of the time the services were rendered and not 7 years later without interest. The report of the Committee on Ways and Means of the House reporting the adjusted-compensation legislation in the year 1924 states two objects they had in mind, as follows:

That it should represent an amount approximately equal to the difference between what the soldier received and what he should have received. That it should confer substantial benefits upon the soldiers.

The first object is not carried out by paying the veterans the amount representing that difference 7 years later. The second object is not carried out if the money is paid in dribs and a large part of the principal consumed by the payment of compound interest on loans.

21. Question. Have others ever asked the Government for a revision of contracts?

Answer. Yes; the foreign countries that borrowed billions from us asked for a revision of their contracts. In the revision that was granted them they were given more than $10,000,000,000 by our Government. Hundreds of thousands of income-tax payers have asked the Government to revise their income-tax returns and allow them credits, refunds, and abatements. This has been done and more than three and one-half billion dollars refunded in that manner. The income-tax returns were prepared wholly by the ones wanting the refunds, yet they asked for a revision and got it. The foreign countries asking for a revision of their contracts were parties to the contracts and had a voice in their making. The veteran had no other alternative than to accept the adjusted-service certificate in the form in which it was offered to him. He did not make it out and agree to it like the income-tax payers or the foreign countries.

22. Question. Did not the veterans agree to accept payment in 1945?

Answer. No. They were told what would be given them and were never asked to enter into any agreement at all.

23. Question. While a mechanic enlisted as a soldier, what was received by mechanics who stayed at home?

Answer. As everyone knows, they received America's all-time high wages for mechanics. Laborers were paid as much as $6 and $8 a day; and the soldier, through service, probably lost from $1 to $30 a day as compared with what he could have made had he had served with the armed forces. The adjustment that was made of his compensation was only a partial adjustment. During the war some laborers in shipyards, doing piecework, are reported to have made as high as $70 a day. Of course, such cases were exceptional.

24. Question. Did the United States pay her soldiers more than any other country engaged in the war?

Answer. The United States paid a private $30, while Canada paid her privates $33, New Zealand $36.60, and Australia $43.10 a month. When the corporal in the United States Army was receiving $36 a month, the Australian corporal was receiving $72.90. While the sergeant in the United States Army was receiving $38 a month, the Australian sergeant was receiving $76.10 a month.

25. Question. Is it not a fact that the 25-percent increase that the Government allowed the veteran in addition to his $1 and $1.25 a day was intended to compensate him for the loss of interest from 1917–18 to 1925?

Answer. No; it is not a fact, although a former national commander of the American Legion, Mr. Edward Spafford, made this contention before the delegates at the Portland convention. Mr. Charles M. Kinsolving, national commander of the Veterans' Association, is also contending that the 25-percent increase on the adjusted-service credits was intended to compensate the veteran for the loss of interest from the time he rendered the service until 1925, the date of his certificate. Both Mr. Spafford and Mr. Kinsolving are mistaken. The Congressional Record and the reports of the committees reporting the legislation in Congress clearly disclose that there was no such intent. Congress intended, as disclosed by these records, that the 25 percent would compensate the veterans for waiting from 1925 to 1945 for his money. As positive and convincing evidence that the 25-percent increase was not to compensate the veterans for waiting until 1925 from the time the services were rendered, the ones receiving $50 or less in cash did not receive the 25 percent increase, neither did the beneficiaries of the ones who died prior to the passage of the act receive the 25 percent increase. In other words, a veteran who served 105 days during the war was paid $60 on discharge.

After the Adjusted Compensation Act was passed, and in 1925 he was paid $45 additional. He was not paid the 25 percent increase which he would have been paid if it was intended to cover the period between the time he rendered the services until 1925. The widow of a veteran who died in the service and who was entitled to a claim of $460 received $400 in 1925; $60 was deducted and the $400 was paid without the 25 percent increase. These two illustrations are convincing proof that Mr. Spafford and Mr. Kinsolving are wrong. Further, Mr. Andrew Mellon, when he was Secretary of the Treasury, and Mr. Ogden Mills, when he was Under Secretary, both testified before the Senate committee in opposition to my bill, and both admitted in my presence that the 25 percent extra was for waiting from 1925 to 1945, and was not intended as interest from 1917–18 to 1925.

26. Question. Would it not be better to permit this amount of money to be loaned to big business institutions in order that they may employ labor and get the money in circulation in that way?

Answer. Labor has already produced more than can be sold. Owing to the lack of purchasing power among the masses, we have underconsumption, not overproduction. Business institutions will not employ labor to produce an additional surplus. The next move toward prosperity will have to be made by the consumers. The farmers and wage earners are the principal consumers. The additional money we propose to place in circulation will cause commodity prices to rise, which will enable farmers to purchase what they need, thereby creating an incentive for manufacturing industries to employ labor and produce more. The large manufacturing industries can get all the credit they want from the banking institutions when they have a real demand for goods, and unless there is a demand they will not use the credit, except to bolster up the financial position of the industry or to pay dividends.

27. Question. Will it wreck the country to make the payment now?

Answer. The payment can be made without a bond issue, without increasing taxes, without increasing our national indebtedness, and without unbalancing the Budget.

28. Question. What is your plan?

Answer. It is to have the Government convert the veterans' adjusted-service certificates—which are noncirculating Government obligations—into United States notes—Government circulating obligations.

29. Question. Will not that plan involve the issuance of "fiat" or "printing press" money, and will it not be unbridled inflation?

Answer. No; it will be the same kind of money as all other paper money now in circulation, which together represent about 90 percent of our circulating medium at this time. The bill to pay these certificates has a provision against unbridled inflation and provides for controlled expansion of the currency. According to the terms of the bill, if there should be danger of unbridled inflation, the Government will be privileged to withdraw from Federal Reserve banks and national banks a sufficient amount of the currency issued to them in return for Government bonds to prevent such inflation. Personally, I expected the money issued to the veterans to remain in circulation. No one will be paying interest on it. Someone is paying interest on money issued by banks every day it is outstanding. We have $8,000,000,000 in gold. This is sufficient for the issuance of $20,000,000,000 on the basis of a 40-percent gold reserve. We only have about $5,000,000,000 in circulation now. Therefore we could go back on the gold standard and still be able to issue additional money to the amount of $15,000,000,000. No logical reason can be given why this money should not be issued.

30. Question. Is there a precedent for issuing such money?

Answer. Either of the 12 Federal Reserve banks can obtain money from the Bureau of Engraving and Printing by making deposits of United States Government obligations. They can deposit a million dollars in Government bonds and receive a million dollars in new money. The only cost to such Federal Reserve bank is the cost of printing, which is about 27 cents a thousand dollars. National banks are permitted to the extent of their capital stock to deposit with the Treasurer of the United States direct obligations of the Government and receive in return national bank currency greenbacks. Such banks must deposit 5 percent of the money in a retirement fund. While the banks, both national and Federal Reserve, obtain the use of the money, they also get interest on the bonds deposited.

31. Question. Compare your plan with the plan used by the national banks and Federal Reserve banks to obtain money from the Government on Government obligations.

Answer. The veteran has a Government obligation payable January 1, 1945. We are asking that he be permitted to deposit that obligation and receive new money in return for the remainder due in the same way and manner that national banks and Federal Reserve banks are permitted to deposit Government obligations, payable in 1945, and receive new money in return for them. In each case a Government obligation payable in the future is deposited to authorize the issuance of money. In each case a noncirculating Government obligation, or Government bond is converted into a circulating obligation money. The veteran will not continue to draw interest on the deposited obligation until it is payable. In the case of a veteran, the total indebtedness of the Nation will not be increased. In the case of the banks, the total indebtedness of the Nation is increased. In other words, if the Government issues a thousand dollar bond and sells it to a bank, that is one obligation. If the Government accepts the deposit of that thousand dollar bond and issues a thousand dollars in new currency to the owner, that is an additional Government obligation, as the Government guarantees to pay both the money and the bond. In neither case will there be a specific gold reserve set aside as a fractional coverage to redeem the paper money.

However, we have ample gold for that purpose. The Bureau of Engraving and Printing is running every working day and often overtime in order to print money to replace worn-out bills and new money for the national banks and Federal Reserve banks; it has 4,500 employees and prints a billion new bills a year; it turns out about 4 tons of new paper money a day. There are 500 bills to the pound, whether they are $1 bills or $10,000 bills. The money to be issued to the veterans will be the same kind of money. The money issued to the banks is sound. Therefore, the money issued to the veterans will be sound. It costs the Government tens of millions of dollars a year to pay interest on the Government bonds which the banks deposit to secure the paper money they obtain from the Government. Since the War between the States we have had outstanding in this Nation $346,000,000 in United States notes. This is a free medium of exchange and no one is paying interest on it. The fact that the people have not had to pay interest on that paper money has saved them an outlay through the years of more than $11,000,000,000 on the basis of 5-percent compound interest annually.

32. Question. Why do banks object to the payment of the adjusted-service certificates in full now?

Answer. The reason is obvious. At this time the banks are receiving interest from the veterans on their adjusted-service certificates. In fact, it has loaned a sufficient amount to enable one bank to construct two 30-story office buildings and pay for them with the annual interest installments that the veterans must make on their adjusted-service certificates, which the bank holds, between now and 1945. Many other banks are also profiting through these loans. Further, the banks do not want money put into circulation upon which no interest is being paid while it is outstanding. If the $2,000,000,000 are put into circulation like we propose, no one will be drawing interest on that money while it is outstanding. Whereas if the banks get new money from the Government in exchange for Government obligations and lend it to the people, someone is paying interest on every dollar of that money all the time that it is outstanding.

33. Question. Would paying the certificates in full now with new money help balance the Budget by eliminating the amount set aside annually to retire the certificates in 1945?

Answer. The country really needs this additional money in circulation, and I do not believe that it will ever have to be retired. As the country increases in wealth, population, and national income, the money should increase per capita. The country's wealth, population, and national income have increased the last one or two decades to the extent that more than $2,000,000,000 is needed in circulation, and it will not have to be retired. That being true, Congress can eliminate from its annual budget the $112,000,000 payment each year, which now goes into a sinking fund to retire those certificates by 1945.

34. Question. If the certificates are paid now, can the Government be saved annual expenses in administration of the act?

Answer. Yes; it is now costing the Government from a half million to three-quarter million dollars a year to administer the Adjusted Compensation Act. If the certificates are paid now, this expense can be abolished, thereby saving the Government many millions of dollars between now and 1945.

35. Question. Is the Government now making a profit on the interest charged on adjusted-service certificate loans?

Answer. Yes; the Government is borrowing all the money it wants for 13 to 20 cents per hundred dollars a year on short-term paper. The veterans are being charged compound interest at the rate of $3.50 per hundred dollars a year. They have been charged as high as 6 and 8 percent interest, compounded annually, which was not paid and which was added to the principal and now the veterans are paying 3½ percent, compounded annually on the unpaid 6 and 8 percent interest.

36. Question. Were the veterans given free war-risk insurance?

Answer. No; but they carried war-risk insurance with the Government by paying premiums monthly out of their pay. Veterans paid $400,000,000 to the Government in this way for which they received no benefit. Only those receiving insurance benefits are receiving anything from this $400,000,000. The average premium was $6.60 a month, which was deducted from the soldier's $30 a month. Much of the Government's cost of veterans' relief at this time is on account of insurance benefits paid to veterans; a benefit that they are entitled to receive, because they paid for it with their own money.

37. Question. Where does the responsibility for the issuance of money rest?

Answer. Under our Federal Constitution sole authority and responsibility rests with the Congress; section 8, article I, devoted to the duties of the Congress, reads in part: "To coin money and regulate the value thereof."

If H. R. 1 becomes a law, it will be a long step in a direction of stopping the issuance of more tax-exempt interest-bearing bonds; not another dollar's worth of them should ever be issued. There is no difference between many of the Government obligations that are deposited by banks as collateral security for the issuance of money and the adjusted-service certificates, a Government obligation held by the veterans. They are both made payable in 1945. They are both backed by the credit of this Nation. They are both obligations of this Nation. Money purchased one, services the other. If it is fair for the bank, it is fair for the veterans. In our plan, if there is too much money in circulation, the banks will be required to return their currency or part of it and receive their bonds in exchange, thereby taking a certain amount of money out of circulation.

If this bill is enacted into law, the veterans in the following-named States will receive the amounts indicated:

Alabama (50,867)	$26, 888, 528. 74
Arizona (10,870)	6, 668, 187. 11
Arkansas (43,849)	21, 993, 238. 27
California (200,424)	122, 833, 011. 86
Colorado (34,259)	19, 362, 059. 24
Connecticut (44,043)	26, 914, 018. 40
Delaware (4,884)	3, 527, 070. 50
District of Columbia (28,281)	16, 278, 716. 59
Florida (39,535)	21, 921, 858. 79
Georgia (58,583)	32, 262, 946. 70
Idaho (13,575)	7, 411, 798. 86
Illinois (253,343)	141, 472, 589. 16
Indiana (95,587)	50, 730, 624. 28
Iowa (79,814)	41, 019, 480. 37
Kansas (57,114)	31, 436, 036. 43
Kentucky (63,696)	34, 261, 787. 60
Louisiana (53,885)	27, 849, 762. 05
Maine (21,412)	12, 121, 627. 12
Maryland (48,424)	27, 931, 248. 31
Massachusetts (137,113)	83, 147, 947. 57
Michigan (134,009)	77, 476, 794. 12
Minnesota (85,532)	52, 789, 520. 36
Mississippi (36,802)	19, 308, 411. 76
Missouri (111,708)	60, 820, 922. 70
Montana (18,106)	10, 281, 687. 92
Nebraska (40,233)	21, 802, 190. 95
Nevada (3,066)	1, 771, 846. 11
New Hampshire (12,370)	7, 298, 113. 14
New Jersey (116,440)	69, 579, 645. 59
New Mexico (10,101)	5, 810, 422. 87
New York (377,182)	221, 373, 127. 06
North Carolina (63,926)	34, 622, 162. 80
North Dakota (16,174)	8, 762, 475. 18
Ohio (182,692)	106, 061, 344. 03
Oklahoma (67,181)	35, 202, 766. 82
Oregon (35,376)	20, 679, 034. 90
Pennsylvania (259,931)	155, 594, 459. 25
Rhode Island (20,789)	12, 356, 383. 60
South Carolina (35,747)	19, 316, 831. 04
South Dakota (22,713)	11, 757, 600. 97
Tennessee (59,009)	32, 497, 536. 52
Texas (148,771)	83, 696, 221. 25
Utah (14,387)	8, 035, 096. 92
Vermont (8,243)	5, 042, 465. 50
Virginia (63,132)	36, 811, 791. 20
Washington (56,335)	34, 079, 306. 15
West Virginia (43,294)	23, 345, 392. 42
Wisconsin (88,036)	47, 177, 680. 61
Wyoming (11,177)	6, 329, 955. 57

The figures in parentheses represent the number of veterans holding certificates and the other figures represent the total amount that will be paid to them after deducting all prior loans and interest before October 1, 1931.

There are 3,531,800 veterans of the World War who hold adjusted-service certificates as of December 1, 1934. The aggregate face or maturity value of these certificates is $3,485,650,000, or an average of $959.88 each. After the 50-percent loan act was passed veterans who were entitled to certificates of small amounts applied for them, which caused the amount of the average certificates to be reduced.

It is estimated that 49,806 of these veterans reside in Philippine Islands, Puerto Rico, Hawaii, Canal Zone, Canada, Cuba, Mexico, and other places outside of the limits of the United States.

Three million thirty-eight thousand five hundred of the three million five hundred and thirty-one thousand eight hundred veterans holding certificates have borrowed $1,465,000,000 on their certificates not including interest after October 1, 1931. It is estimated that 150,000 of these loans aggregating $60,000,000 were made by banks, and the remaining 2,888,500 loans were made by the Government, principally from the war-risk insurance fund, and the adjusted-service certificate fund.

After deducting all prior loans, with interest to October 1, 1931, there is estimated to be a remainder due to the 3,531,800 veterans the sum of $2,015,162,456.76, which includes the amount due those who have not negotiated loans on their certificates; interest on loans prior to October 1, 1931, amounts to a comparatively small sum.

The CHAIRMAN. Mr. Brobeck.

STATEMENT OF GEORGE K. BROBECK, LEGISLATIVE REPRESENTATIVE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. BROBECK. Mr. Chairman and gentlemen of the committee: It is not my desire to detain the committee with a discussion of the legislation which we are supporting. I would rather, in order to expedite your hearings, introduce our commander in chief and allow him to present the discussion for the organization, and I believe that the hearings have been gone over so many times on this question that any bit of saving that we can offer the committee will be appreciated by them.

The CHAIRMAN. I think, Mr. Brobeck, that the committee understands the viewpoint of these various organizations. We felt that you were entitled to some brief hearing here on the proposition before the committee took action.

Mr. BROBECK. We had that in mind, Mr. Chairman, and I should like to state in introducing our commander in chief, James E. Van Zandt, that he is from Altoona, Pa., that he served in the United States Navy from April 1917 until September 1919, that he still retains his affiliation with the Navy through the Reserve, and that he has served as a post commander 2 years, as department commander, and this is his second term as commander in chief of our organization, being unanimously elected at Louisville, Ky., for the second term as head of the national group. And I believe that the commander can present our case as well and as completely and as briefly as it is necessary to be presented.

STATEMENT OF JAMES E. VAN ZANDT, COMMANDER IN CHIEF, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. VAN ZANDT. Mr. Chairman and gentlemen of the committee, as commander in chief of the Veterans of Foreign Wars of the United States, I wish to thank you for the opportunity of appearing before this distinguished committee to make a brief statement of the position of America's overseas veterans on the pending legislation for immediate cash payment of the adjusted-service certificates. Our organization endorsed the Patman bill, H. R. 1 which passed the House of Representatives by an overwhelming majority and I wish to state at the outset that we are standing pat with Patman.

Before entering upon a discussion of the legislation, I want to say a few words to familiarize you gentlemen with the history of the Veterans of Foreign Wars of the United States and our position on the so-called "bonus". It is an organization composed exclusively of men who have served their country in time of war on foreign soil or in hostile waters. In other words, every member of the organization has had the privilege of bearing arms for his Government in the actual theater of war. Ninety-two percent of our membership today, which is over a quarter of a million, are veterans of the World War. These men are members of more than 3,400 units located in every State of the Union as well as our territorial possessions.

I also want to emphasize this. The veterans never asked the Federal Government to pay them a bonus. The idea was born within Congress itself. It was intended to at least partially equalize the compensation of the men who had been fighting in France for $1.25 a day, or training to fight at home for $1 a day, and citizens at home. Common labor during the war was paid 10 times that amount. In all probability the veterans would have been paid off in cash if Uncle Andy Mellon had not made his famous billion-dollar error on the state of the Treasury. That slight miscalculation on the part of the "greatest Secretary of the Treasury since Alexander Hamilton" cost the Government hundreds of millions of dollars and you gentlemen have inherited the issue.

Senator GORE. I did not quite get the point of that.

Senator BAILEY. He said that Andy Mellon made a mistake of a billion dollars.

Senator GORE. I understood that.

The CHAIRMAN. That is not the first mistake he ever made. [Laughter.]

Senator BAILEY. They are trying to prove now that he made a mistake in his income tax.

Senator GORE. Give me a little more of the details of that. I do not understand.

Mr. VAN ZANDT. If my memory serves me correctly, Senator, when Congress was discussing the adjusted-service compensation act, the Treasury Department was asked for a statement from the Secretary of our Treasury as to the condition of our Treasury, and Mr. Mellon made a statement in which he made an error of $1,000,000,000.

Mr. BAILEY. What was that error about?

Mr. VAN ZANDT. As to the amount of money on hand, I believe, at that time.

The CHAIRMAN. He missed in his estimates, $1,200,000,000 as to the needs of the Government along that time, and the Congress gradually reduced the taxes by virtue of that.

Mr. VAN ZANDT. That was for the fiscal year, I believe, at that time.

When Congress first began to discuss the bonus question, the Veterans of Foreign Wars of the United States recommended that this adjustment of pay be settled immediately, in cash, as a means of giving the returned soldier, sailor, and marine an opportunity to invest in a small business, buy himself a home, or otherwise rehabilitate himself and his family. In addition to that, we felt the veterans who fought and won the war should be accorded the same treatment given to munitions makers, the railroads, and others who had war contracts with the Government. They were not asked to wait 20 years to have their contracts adjusted. We believed then and we believe now that this was a rank discrimination against the men who bore the brunt of battle and made the greatest sacrifices.

But our proposal was ignored. It was rejected largely because the profiteers and patrioteers raised a howl of "Treasury raiders", "panhandlers", "parasites", and the like.

Senator CONNALLY. Let me ask you right there: What was the attitude of your organization in 1925 when we passed the bonus act? Did you favor that act?

Mr. VAN ZANDT. We did not.

Senator CONNALLY. Did you appear before the committees or anything of that kind.

Mr. VAN ZANDT. Our legislative representative at that time did.

Senator CONNALLY. Did they favor the bill finally?

Mr. VAN ZANDT. That I cannot say, Senator.

The CHAIRMAN. If I may be permitted to recall to your mind, Mr. Van Zandt, in 1922 all of the service organizations and those who were favorably disposed toward the ex-service man in getting some kind of legislation through, did draft a piece of legislation. It had four points in it. It went to the President, and President Harding at that time vetoed it and we were not able to override the President's veto. In 1924 we then passed practically the same bill with a very minor change in it, and we did override the President's veto at that time. It was passed in 1924 and went into effect in 1925.

Senator CONNALLY. I am talking about the present bonus law, the one that issued these certificates. Did your organization appear here then and favor that act or did it oppose it?

Mr. VAN ZANDT. I cannot state exactly what position our legislative representative took at that time, but I can say definitely that the Veterans of Foreign Wars assembled at its national encampment never went on record favoring the present piece of legislation.

Senator GORE. Did the Legion in its first annual convention go on record against the bonus, at St. Paul in 1919?

Mr. VAN ZANDT. I cannot speak for the Legion. I only speak for the Veterans of Foreign Wars.

Senator GORE. I want to ask you one question because I think there has been some misapprehension about it. You mentioned a while ago this bonus or payment to the soldiers was to equalize their conditions with the profiteers and armament manufacturers who were paid after the war a considerable compensation to release the Government from contracts for military supplies that were no longer needed. I think sometimes a wrong inference is drawn from that. Suppose the Government, shortly before the armistice, had made a contract with the Remington Arms Co. for $10,000,000 worth of rifles. The armistice came, and the Government had no occasion on earth for those rifles, and the Government, however, was bound by its contract to pay $10,000,000 to the company that made the arms. The company was willing to make the arms if necessary to get the $10,000,000. The Government, in order to avoid paying $10,000,000 for arms that were not needed at all, paid the company say $1,000,000, or $2,000,000 in order to be released from the contract. That is what happened. Don't you think that is good sense.

Mr. VAN ZANDT. Did the Government not pay the munition makers and manufacturers of arms, and so forth, 6 percent?

Senator GORE. That is not involved in this. They paid liquidated damages, you might say, or a stipulated amount in order to get released from contracts, the execution of which the Government no longer desired, and avoided paying much larger sums for arms that it did not need, and it paid a smaller amount to get out of a binding contract in order to escape the payment of a larger sum for arms that they did not need. I think that fact is sometimes overlooked.

Mr. VAN ZANDT. Of course we cannot deny the fact that they all received adjustments of their contracts.

Senator BAILEY. That was adjustment for a nonexecuted contract. I do not say that they did not make exorbitant profits on what they did pay. I think that is probably so. But the amount there, was a settlement in the interest of the Government to get out of a contract because of the sudden termination of the war.

Mr. VAN ZANDT. I understand that.

These gentlemen who had filled their purses with exorbitant profits at the expense of the Government wanted to shift the cost of the war to the shoulders of the next generation. Throughout the years, the opposition to immediate cash payment of the adjusted-service certificates has been fostered by such well-financed groups as the United States Chamber of Commerce, the National Economy League, and the American Veterans' Association, many members of which fall in the class of war profiteers. The shocking extent of Government gouging has been shown by the testimony taken by the Nye Munitions Committee, on which the distinguished and able Senator from Missouri, Colonel Clark, has rendered such conspicuous service.

Incidentally, I see that our old friend, the big-hearted and gallant Major Curran, the mouthpiece for the purse-proud super-patriots who control the National Economy League, is out with a fresh blast this morning against all bonus bills.

Senator BAILEY. Who is that?

Mr. VAN ZANDT. Major Curran, of the National Economy League. He not only demands the killing of the Patman bill, but the Harrison bill and the Vinson bill as well. I can understand why Major Curran should assail a live measure like the Patman bill, or the Harrison bill, which appears to have the administration's blessing, but why he should ghoulishly disturb the dead is beyond my understanding. The Vinson bill died in the House and has been buried for weeks. It is beyond resurrection.

The false propaganda that the veterans were seeking to wreck the Treasury and the malicious slander against the Nation's defenders succeeded.

Senator BAILEY. Let me get you clear on that. If we voted for the Vinson bill, your organization would not support it at all? You are flatly against that.

Mr. VAN ZANDT. The Veterans of Foreign Wars stand unanimous for the Patman bill.

Senator BAILEY. Are they against the Vinson bill?

Mr. VAN ZANDT. I think that my statement supporting the Patman bill will answer that question.

Senator BAILEY. No; I do not think so. Being for one does not necessarily imply that you are against the other. But I am asking you and you are here to tell us, did your organization condemn the passage of the Vinson bill?

Mr. VAN ZANDT. No, sir; we did not.

Senator BAILEY. So you are not against it?

Mr. VAN ZANDT. We have been consistent on this problem for years.

Senator CONNALLY. Suppose the Vinson bill is before this committee to report and it would be for the Senate to pass either the Vinson bill or nothing, would your organization then be against the Vinson bill?

Mr. VAN ZANDT. Not until after we called our legislative committee together and asked each department commander to give us his opinion. This organization is not run by one man.

Senator BAILEY. You would have to get the consent of your committee, but you do not oppose the Vinson bill?

Mr. VAN ZANDT. I have no statement to make on the Vinson bill.

Senator BAILEY. No statement whether you are for it or against it?

Mr. VAN ZANDT. No, sir.

The CHAIRMAN. You prefer the Patman bill, as I understand it?

Mr. VAN ZANDT. Yes, sir.

Senator GORE. What is your main reason for preferring the Patman bill?

Mr. VAN ZANDT. I think, Senator, if I may continue to read this statement, I will bring that out?

Senator GORE. I beg your pardon.

Mr. VAN ZANDT. Continuing my statement: It could have been financed alone by Mr. Eugene G. Grace, president of the Bethlehem Steel Corporation, who told the Nye committee he received only about $3,000,000 in bonuses during the war period.

In 1924, Congress passed the Adjusted Compensation Act, officially admitting that a debt was due to the World War veteran, in recognition of his sacrifices. Instead of giving him cash when he needed it, Congress gave the veteran a certificate, a promissory note payable in 1945.

Senator BAILEY. On that point you say that there was an admission. It was an admission of that debt due in what amount at that time?

Mr. VAN ZANDT. As an adjustment of his pay.

Senator BAILEY. In what amount?

Mr. VAN ZANDT. The face value of his certificate.

Senator BAILEY. They did not admit that to be due then. They admitted that to be due with accumulated interest in 1945. I want to know how much they admitted to be due as of that date?

Mr. VAN ZANDT. I think, if they decided to give the domestic service man $1 a day, the maximum amount was $500. And the amount on overseas was $1.25.

Senator BAILEY. He is the man you are representing, the overseas man?

Mr. VAN ZANDT. The overseas man. Then they decided to pay him 25 percent additional for waiting 20 years.

Senator BAILEY. That was the amount that was ascertained by Congress to be due as of 1924 when the act was passed?

Mr. VAN ZANDT. That is right.

Senator GORE. You say the soldier wanted cash and the Government gave him a certificate. This certificate was really more than a promise to pay so much money in 1945, was it not? Was it not a sort of an insurance or endowment policy?

The CHAIRMAN. It was a 20-year endowment policy.

Senator GORE. If the soldier had died and left a widow and 2 or 3 children, would they not get the money at once?

Mr. VAN ZANDT. These certificates are oftentimes referred to as a bonus certificate or an insurance certificate. I do not think you can find any words in the act of "bonus", and if my memory serves me correctly, you cannot find the word "insurance".

Senator CONNALLY. What he means is, if the soldier died the next day after getting his certificate, the soldier would have gotten the entire amount? His widow or children?

Mr. VAN ZANDT. Yes.

Senator CONNALLY. That was an insurance policy to that extent.

Mr. VAN ZANDT. To that extent.

Senator GORE. It was something more than a mere certificate?

Senator BAILEY. Do you object to the word "bonus"?

Mr. VAN ZANDT. I do.

Senator BAILEY. Why do you use it in your article? I never use it.

Mr. VAN ZANDT. We refer to it as the so-called "bonus." I realize if I probably stood here before you gentlemen and discussed the payment of the adjusted-service certificates, probably some of you would not know what I was referring to. [Laughter.] That is true among the veterans.

Senator GORE. When you say "bonus", we get the idea? That's the chief object of language.

Mr. VAN ZANDT. Exactly. The newspapers of this country use "bonus", and the veterans of the country use "bonus" even though we do not want them to do it.

Senator BAILEY. I have never used it and I am rather amazed that you do. It must be considered as compensation or not considered at all.

Mr. VAN ZANDT. We really consider it the balance of our adjustment of pay.

Senator BAILEY. But you are using the word "bonus" and are using that word all the way through, and I assume that was merely to adapt yourself to the ignorance of Congress.

Mr. VAN ZANDT. No; so that you gentlemen would know what we were talking about.

Senator BAILEY. I think that is excusable.

Mr. VAN ZANDT. It was justly denounced at the time as a "tombstone bonus." For figures of the Veterans' Administration show that the ex-service men are dying at the rate of 3 an hour, or 80 a day. If the veterans are forced to wait until 1945 for payment, approximately 500,000 veterans will have died.

Senator BAILEY. But their widows and children will get full payment at once, is that not right?

Mr. VAN ZANDT. Under the present set-up.

Senator GORE. You say that 80 are dying a day?

Mr. VAN ZANDT. Yes, sir.

Senator GORE. That means 80 widows, if they are all married, get the full face value?

Mr. VAN ZANDT. Six out of seven have borrowed on their certificates, and compound interest is gradually consuming the balance of the certificate.

Senator CONNALLY. The interest stops at the time of death.

Senator GORE. They get the full face value.

Senator CONNALLY. Without paying any more interest.

Senator BAILEY. The policy matures on death.

Mr. VAN ZANDT. He gets the face value of it.

Senator BAILEY. What is the interest they are required to pay today?

Mr. VAN ZANDT. Three and one-half percent.

The dissatisfaction of America's overseas fighting men with that law was manifested at the National Encampment of the Veterans of Foreign Wars in 1925 when delegates from every State in the Union voted unanimously for immediate cash payment of the certificates. Since that time, every National Encampment of the Veterans of Foreign Wars has mandated its national officers to support legislation which would discharge this now long overdue debt to the former service men. I am proud of the consistent record of the Veterans of Foreign Wars.

Senator BAILEY. That overdue debt that they require you to pay is this $600 maximum based on $1.25 a day from your organization, with interest to date. That would be the overdue debt?

Mr. VAN ZANDT. Exactly.

Senator BAILEY. You are not asking for the payment of the matured certificates in full, on your own statement?

Mr. VAN ZANDT. We are asking for the payment of the face value of the certificates.

Senator BAILEY. Notwithstanding you have just stated that they voted for the payment only of the matured debt.

Mr. VAN ZANDT. Yes.

Senator BAILEY. And you stated what it was. There is a little difficulty there.

Mr. VAN ZANDT. We consider the face value of the certificates debt that is due the veterans.

Senator BAILEY. But you just stated what the matured debt was.

The CHAIRMAN. Proceed, Mr. Van Zandt.

Mr. VAN ZANDT. Between the years 1925 and 1929, conditions were fairly good in this country for the average citizen and enormously prosperous for a comparative few. Unemployment was at a minimum and the average veteran, who was not handicapped by disabilities, was able to maintain himself and his family. Then came the crash. Millions of people were thrown out of work. The average veteran lost his priority on his job when he entered the military service. Therefore, he was among the first to be let out when jobs became scarce.

With wide-spread distress and unemployment among the ex-service men of America, the Veterans of Foreign Wars called upon the Congress to exchange those promissory notes for cash. With the support of public sentiment, the Veterans of Foreign Wars, in 1931, won a partial victory in this fight. Congress, recognizing the plight of the average veteran, increased the loan value to 50 percent of these certificates.

Senator CONNALLY. Did you folks advocate that bill granting the 50 percent loan?

Mr. VAN ZANDT. Yes, sir.

Senator CONNALLY. And the interest?

Mr. VAN ZANDT. The interest I think was established in the bill, but we did not favor the rate of interest.

Senator CONNALLY. You just favored getting the money without figuring on interest? It was all in the same bill. I just wanted to know if you favored the bill that we passed here in —when was that?

Senator BAILEY. 1930, was the loan bill.

Senator CONNALLY. Did you organization favor that?

Mr. VAN ZANDT. We favored the loan but not the rate of interest.

Senator CONNALLY. It was all in one bill. Were you in favor of that bill or against it?

Mr. VAN ZANDT. I do not know about the interest angle.

Senator CONNALLY. It was all in the same bill. Did you favor the bill? If we had to answer aye or no on the roll call, would you say you were for it or against it?

Mr. VAN ZANDT. I would say yes, we were for it. These loans were a Godsend to the veterans. The extent of distress among them is shown by the fact that about 85 percent of the veterans took advantage of the borrowing privilege. And while the loans were most helpful and enabled veterans to feed, clothe, and shelter themselves and their families in the midst of the worst depression in all history, there was nothing generous in this act on the part of the Federal Government. I ask you, gentlemen, to remember that the veterans were forced to pay interest on these loans, a compound interest that is rapidly consuming the balance that is due him. He is paying for the use of his own money.

Senator CONNALLY. You say he is paying for the use of his own money?

Mr. VAN ZANDT. Yes.

Senator CONNALLY. The Government is paying him 4 percent on that money, compounded?

Mr. VAN ZANDT. Exactly.

Senator CONNALLY. And charging 3½ percent?

Mr. VAN ZANDT. Exactly.

Senator CONNALLY. How is that he is paying on his own money when he is getting 4 percent and only paying 3½ percent?

Mr. VAN ZANDT. We contend that the face value of the adjusted-service certificate represents an adjustment of pay of the veterans.

Senator CONNALLY. As of when?

Mr. VAN ZANDT. The time of his service.

Senator CONNALLY. You say that we ought to have paid him this whole thing back in 1918?

Mr. VAN ZANDT. Exactly.

Senator CONNALLY. I though that you said awhile ago that the amount due in 1918 was $500 in one case, in the case of the domestic-service man and $625 in the foreign service?

Mr. VAN ZANDT. That amount was established by Congress.

Senator CONNALLY. You favored that bill? That is your basis now. Is it not a fact that the man who gets $625 would have gotten in 1918, on face value, $1,500, over $1,500?

Mr. VAN ZANDT. By the 25 percent additional plus the 4 percent?

Senator CONNALLY. I am talking of his certificate. You say you want these certificates paid in full now at face value?

Mr. VAN ZANDT. Exactly.

Senator CONNALLY. And you contend he was due the $1,500 back in 1918?

Mr. VAN ZANDT. Exactly.

Senator CONNALLY. Instead of $625, you want to pay him $1,500 as of date in 1918, is that your position?

Mr. VAN ZANDT. Correct.

Senator BAILEY. And he wants the interest paid up to date.

Senator CONNALLY. No; it is on the theory that he was going to be paid as of 1918. That would have been merely $3 a day instead of $1, would it not?

Mr. VAN ZANDT. I am not familiar with the hearings at that time.

Senator CONNALLY. I am not talking about the hearings. I am talking about the facts. You say he ought to have been paid in 1918, and paid in 1918 when these certificates mature in 1945. I am asking you if you think we ought to have paid him in 1918 the $600 amount, and that would figure about $1,700, would it not?

Mr. VAN ZANDT. $1,585 is the limit.

Senator CONNALLY. You contend that instead of giving him these certificates they ought to have paid him in 1918, $1,585 instead of $625?

Mr. VAN ZANDT. Exactly.

Senator CONNALLY. Then you ought to pay interest on that up to now. Do you not think you ought to pay interest on $1,585 from November 1918?

Mr. VAN ZANDT. The mechanics employed at that time for the construction of the certificate, as you probably will recall or know, they paid the veteran $1.25 a day for every day served with a maximum amount of $625 for overseas.

Senator CONNALLY. I want to get your idea.

Mr. VAN ZANDT. From the $625, they deducted $60.

Senator CONNALLY. I know that, but I want to get your position. You say they should have paid them $1,585 as of November 11, 1918. If there were due $1,585 and we are not going to pay them until now, don't you think we ought to pay the interest from 1918?

Mr. VAN ZANDT. I think if the veterans of this country get the face value of the certificates, they will be satisfied.

Senator CONNALLY. I am asking you what you think. Don't you think, and if I felt that we were due them $1,585 in November 1918, I would vote to pay them the interest on it. What do you say?

Do you say they are entitled to interest on $1,585 from November 1918 to date?

Mr. VAN ZANDT. No, sir.

Senator CONNALLY. Why not? You say they were due that amount then?

Mr. VAN ZANDT. I think that the 25 percent additional which Congress decided to pay to the veteran on his adjustment of pay back in 1924 when they were considering this bill, the 25 percent was established for the purpose of eliminating criticism. The veterans throughout this country were not satisfied with $1.25 a day for every day they served and then they established the maximum of $625. The average overseas man whom I represent felt as though he were entitled to $1.25 a day for every day he served in the service, and in order to quiet that criticism down, they gave them 25 percent additional.

Senator CONNALLY. I am not talking about what Congress did, but what you say ought to be done.

Mr. VAN ZANDT. I would say the veteran does not expect the interest on the $1,585 that you mentioned.

Senator CONNALLY. That is a correct figure, is it not?

Mr. VAN ZANDT. That is about the limit.

The CHAIRMAN. All right, Mr. Van Zandt; proceed.

Mr. VAN ZANDT. Since the enactment of that amendment to the Adjusted Service Compensation Act, it has become increasingly apparent to the Veterans of Foreign Wars that the compound interest charges on the loans would render the certificates practically valueless in 1945.

Senator CONNALLY. You said that you favored the bill that granted these loans and this interest. Now you are saying that that bill ought not to have been passed.

Mr. VAN ZANDT. Unless I had the mandate of our National Encampment, I could not really give you an authentic answer on that.

Senator CONNALLY. You have your own mandate?

Mr. VAN ZANDT. I am talking of the mandate at that time.

Senator CONNALLY. I am talking about your views. You said you favored that bill granting these loans and paying the interest and all of that, and it was passed, and now you are saying that that bill would eat you up. Why did you advocate that bill if you knew it would eat you up?

Mr. VAN ZANDT. I do not speak for myself. I speak for the Veterans of Foreign Wars, and speaking for the Veterans of Foreign Wars, we act at all times under a mandate, and when the 50-percent loan bill was up for discussion, I imagine that our commander in chief at that time had a mandate if the Congress of the United States amended the 50 percent law so as to charge these veterans a rate of interest, naturally we could not tell Congress, "You cannot do this", because Congress is the body considering that legislation and they have the power to enact it. So we had to accept exactly what Congress gave us.

Senator BAILEY. You were not in favor of it? You were just taking what you could get?

Mr. VAN ZANDT. Exactly.

Senator BAILEY. Now let me ask you a question. You represent the Veterans of the Spanish War?

Mr. VAN ZANDT. Exactly.

Senator BAILEY. Why do you not ask for compensation for them on the same basis as you ask for compensation for the veterans of the World War?

Mr. VAN ZANDT. We have a very definite legislative program which concerns veterans of all wars.

Senator BAILEY. Are you asking for compensation for them?

Mr. VAN ZANDT. We are not. There was never a resolution presented to our encampments asking for that.

Senator BAILEY. Do you not think they have some rights to consideration?

Mr. VAN ZANDT. That is for our national encampment to say; not me.

Senator BAILEY. You do not have any views on that?

Mr. VAN ZANDT. No, sir; I do not. That is for the encampment. I follow the mandates of our encampment.

Senator GORE. What were the Spanish soldiers paid during the war?

Mr. VAN ZANDT. I was not born until 1898 so I cannot answer that question.

Senator GORE. Do you know anything about what happened before you were born? [Laughter.]

The CHAIRMAN. I think Senator Bailey asked you a question with reference to the conditions of the Spanish-American War, and you probably forgot that he was talking about the Veterans of Foreign Wars.

Mr. VAN ZANDT. We have in our membership, Senator, 92 percent of World War, about 6 percent of Spanish War, and 2 percent of veterans of other wars like the soldiers in Nicaragua and Haiti and the soldiers elsewhere.

Senator GORE. Is your membership of those who served in the World War, pretty much the same as the members in the Legion? It is bound to be.

Mr. VAN ZANDT. Yes.

Senator GORE. A great many belong to both?

Mr. VAN ZANDT. Exactly.

The CHAIRMAN. All right; proceed.

Mr. VAN ZANDT. To illustrate, a veteran holding a certificate with a face value of $1,000 on which he borrowed 50 percent, would receive approximately $68.50, if he failed to pay the Government the compound interest on the money he was forced to borrow to keep body and soul together.

Now the Veterans of Foreign Wars of the United States again come to Congress asking that a new law be enacted providing for the immediate cash payment of the adjusted-service certificates. The individual veteran will receive a mere pittance in comparison with the huge profits rolled up by men at home during the war. But he needs it now as never before. The certificate he now holds is only a scrap of paper when the landlord demands his rent and the grocer insists upon being paid for his merchandise. The poverty-stricken veteran, meanwhile, must look to local charity and Federal relief agencies for subsistence.

We are asking Congress to liquidate this obligation under the Patman plan, which clearly has been approved by the House of Representatives. While I can speak officially only for the Veterans of Foreign Wars, I feel confident that the Patman bill has the support of the vast majority of all World War veterans who are holders of adjusted-service certificates, as well as the average citizen of this country. If the Patman bill becomes law, Congress will never hear another word from the veterans about the so-called "bonus."

Senator GORE. Of course it would be paid off if the Patman bill goes through, and it would be a dead issue?

Mr. VAN ZANDT. Exactly.

Senator GORE. Do you have some other program in mind that would follow?

Mr. VAN ZANDT. We do not. I am only permitted to speak for this administration of the Veterans of Foreign Wars. I cannot tell you about the next encampment of our organization, what they will do.

Senator GORE. I understand.

The CHAIRMAN. All right; proceed.

Mr. VAN ZANDT. We are well aware that the same well-financed and selfish interests which defeated the cash payment plan originally are again flooding the country misleading propaganda against the Patman bill and once more villifying the veterans. The veteran is pictured as a brigand and a bandit because he insists upon payment of an obligation that has already been confessed. He is charged with being a parasite on the Federal Treasury and one who has abandoned all principles or patriotism in a selfish desire to fill his own pockets at the expense of the taxpayers.

We know that they have raised the bankers' bugaboo of "unbridled inflation" against the Patman bill. The horrible example of monetary experiments in post-war Germany and other European countries are being cited to frighten the public. That is just a lot of tommyrot and I believe Congress and the country will recognize it as such.

But I am no economist or monetary expert. In fact, I am told there are only 20 men in the United States who really understand the monetary question.

Senator GORE. Would you put their names in the record?

Mr. VAN ZANDT. Let me finish, Senator. I have no doubt that they are all members of this committee. At any rate, I w'll leave that feature for others to discuss.

For one thing, I believe the fact that 318 members of the House voted for the Patman bill disposes of the dangers of inflation the opponents of the measure claim it contains. Certainly 318 patriotic men and women in the House never would have voted for the Patman bill if they believed for a moment it would send this Nation to the bow-bows.

If we assumed any such thing, that would leave only 90 true patriots in the House, and they are all ladies and gentlemen who always have opposed the so-called "bonus" in any manner, shape, or form.

All of which leads me to the reasons why the Veterans of Foreign Wars are supporting the Patman bill. Throughout the years that our organization has been sponsoring immediate cash payment of the so-called "bonus", we observed and analyzed the sources of opposition to the proposal. We found that the general public had been led by false propaganda to believe the cash payment of the certificates would result in increased taxes or additional national debt. We were attracted to the plan proposed by the Honorable Wright Patman of Texas, who had been studying the problem for several years. He proposed to pay this obligation to America's ex-service men without increasing either taxes or the national debt.

After studying the plan, our organization concluded that it provided an economically sound and just method of paying the so-called "bonus." Briefly, the plan provides that the Government shall issue United States legal-tender notes, often called "Treasury notes", to pay the full remaining value of the certificates now. This money would be backed by the credit of the Nation in the same way that United States notes, National currency, Federal Reserve notes, and all money is backed and supported. We believe that the Patman bill provides a safe brake on inflation. Some of the leading economists of the country, however, insist that $2,000,000,000 of inflation, or "reflation", as they call it, would have a beneficial effect just now. But the so-called "bonus" could be paid without a dollar of currency expansion, under the terms of the bill. In the event the Secretary of the Treasury so desired, he could withdraw from circulation $1 in national-bank notes or Federal Reserve notes for every dollar he issued in the new Treasury notes to the veterans.

Senator GORE. Is this the first time that the Patman bill has included the issuance of those notes and restoring price levels of 1926? That is a novel proposition.

Mr. VAN ZANDT. I believe H. R. 1 is similar to H. R. 1 of the last Congress, and I cannot recall the number of the bill——

Senator GORE (interposing). I do not think it is.

Mr. VAN ZANDT. I just cannot recall that.

Senator COUZENS. Is it proposed to retire these notes at any period of time under H. R. 1?

Mr. VAN ZANDT. Senator, I have told you briefly, I am not a monetary expert.

Senator COUZENS. You are speaking about the Patman bill. I have not read it, and I am wondering if it contains any provision for retiring these notes that ought to be issued in payment. Is there any provision for that?

Mr. VAN ZANDT. I would say no.

Senator COUZENS. Do they go on indefinitely? They are never taken up, is that right? I raise that question particularly because you say the bill would not require any taxation or the issuance of any bonds, and it seems if that would be the case, then it must be intended to have them float indefinitely and never be taken up.

Senator BAILEY. I understood the proposition was that there should be a retirement or withdrawal whenever the price level reached a certain point. That that was the limitation that was proposed to be placed on the inflationary idea.

Senator COUZENS. When they are retired, they could only be retired by taxation.

Senator BAILEY. I think his theory would be just to issue some more.

Senator CONNALLY. In fairness to Mr. Patman, I think his theory is that the sinking fund which is now being created to retire these certificates themselves in 1945 would be available if need be.

Senator BAILEY. It is in contemplation that they should be retired whenever the price level had reached a certain point. That is the limitation that he fixed upon his inflationary theory.

Mr. VAN ZANDT. Once convinced of the wisdom and justice of the Patman bill, the Veterans of Foreign Wars began a militant and intensive campaign for the measure. We carried the message to the public generally, as well as the veterans. Slowly at first and then rapidly, we found public sentiment changing.

As a national officer of the Veterans of Foreign Wars, I have traveled conservatively 250,000 miles in the last 5 years. I have crossed the continent at least 50 times and made hundreds of speeches in large and small communities. I have addressed thousands of citizens of every type, scores of business and civic organizations, as well as veterans' posts, State departments, national encampments, mass meetings, and rallies. The veterans are "sold" on the Patman plan. And I can say to you gentlemen that I am firmly convinced a vast majority of the citizens of this country are now in favor of immediate cash payment of the adjusted-service certificates. Certainly the Patman bill never would have passed the House by a more than 3½-to-1 majority if the Members who supported it did not believe their constituents were for the measure.

I am here under a mandate from the last national encampment of the Veterans of Foreign Wars of the United States, held in Louisville, Ky., which unanimously adopted a resolution calling for the immediate cash payment of the adjusted-service certificates, after Mr. Patman had presented his plan. I have an even more recent mandate.

Senator BAILEY. I get from that that they asked just for the immediate cash payment?

Mr. VAN ZANDT. Exactly.

Senator BAILEY. They are not especially insistent upon the Patman idea for issuing greenbacks or Treasury notes. What they want is to be paid in good money.

Mr. VAN ZANDT. If you will permit me to continue, I will bring that to your attention.

After the fight began to develop in the House, a poll on pending bonus bills was taken of all State departments of the Veterans of Foreign Wars, which, in turn, polled the local posts in each State. That poll came back without a single dissenting vote cast against the Patman bill.

The Veterans of Foreign Wars of the United States advocate the payment of the so-called "bonus" now because we believe it would be a real contribution to President Roosevelt's recovery program. The amount involved in this obligation is $2,100,000,000. This money would go directly into the hands of 3½ million veterans scattered throughout the country. The 3½ million veterans represent at least 12 million persons—wives and children in need of food, clothing, shelter, and other necessities. The money would go immediately into the channels of trade and industry. And remember, this would be an expenditure by the Federal Government that would create no new political jobs, no new regiment of political henchmen to be kept on the pay roll in the future and without any danger of graft or corruption.

Senator CONNALLY. Let me ask you right there. Is it your theory that as soon as the soldiers get this money, they are going to spend it all?

Mr. VAN ZANDT. Exactly.

Senator CONNALLY. They won't have anything for a rainy day.

Mr. VAN ZANDT. Some of them might.

Senator CONNALLY. I am trying to get your theory. You say it will all go into commerce. That means as soon as the soldier gets it, somebody is going to take it away from him.

Mr. VAN ZANDT. He is going to spend it for the necessary commodities of life.

Senator BAILEY. I agree with you, Mr. Van Zandt. I have no patience with anybody who says that he will throw it away. I think he will spend it for the necessities of life, and he will spend it legitimately. I think the record shows that they did spend the money before, 80 percent of them, very soundly.

Mr. VAN ZANDT. I will bring that out very clearly.

Senator BAILEY. But I want to ask you a question. Assuming that they spend the money in the legitimate channels of commerce, how do you figure that that sort of policy, the Government issuing Treasury notes, as you say and distributing to the extent of $2,100,000,000 would really be a contribution to recovery? Is that your theory of the way we can get out of this thing?

Mr. VAN ZANDT. Exactly.

Senator BAILEY. All right. Then on that theory, the proper course to pursue would be for the Government to distribute money very much more broadly than that. We could send a great deal to people in other classes. Take the old people; say, everybody more than 60. Then we could find other classes and send out say, not $2,000,000,000, but $10,000,000,000 to $15,000,000,000. Do you think that that would really be a contribution to recovery? Is that your view?

Mr. VAN ZANDT. I would say no.

Senator BAILEY. Why do you stick to $2,100,000,000?

Mr. VAN ZANDT. If you permit me to continue, I think I will answer your question in my statement here.

Senator BAILEY. You do not advocate anything more than the $2,100,000,000 as means of recovery?

Mr. VAN ZANDT. We base our statement on what has already been spent for the benefit of various classes, and I think I will bring that out in my statement.

The CHAIRMAN. How much more have you there?

Mr. VAN ZANDT. Just about 3 more minutes.

The CHAIRMAN. Proceed.

Senator GORE. As far as I am concerned, I would like to have seen part of this $5,000,000,000 go to have paid this bonus.

Mr. VAN ZANDT. I do not wish to criticize the President in any way and I certainly am not seeking to enter into any controversy with my Commander in Chief, but in a letter to a man who saw only a few days, service in the World War, Mr. Roosevelt questioned the practical economic value of paying the so-called "bonus" now. I do not believe the President was advised of the facts at that time. The President said:

> It would not materially stimulate business, as most of the money would go to liquidate current indebtedness, as when the veterans borrowed nearly one thousand million on their certificates.

We contend that the liquidation of a debt is certainly a stimulant to business. The economics involved is very simple.

Senator BAILEY. The liquidation of a debt does tend to stimulate business; it clears the way. But you are creating a debt to liquidate a debt. When you say that, 2 and 2 make 4. One debt offsets the other. What do you say to that theory? This is a debt; this $2,100,000,000 would be a promise by the Government to pay. You discharge a debt out here and let the soldiers discharge their indebtedness to the extent of $2,100,000,000, but here is a debt created back behind that which must be paid by the Government. That is the farmer and the laborer and not just the rich man. The debt falls on all; you do not get rid of your debt. There is your difficulty.

Mr. VAN ZANDT. This debt has to be paid in 1945.

Senator BAILEY. I agree to that, but we have an accumulating system there whereby it is earning. Here we are creating an immediate debt, and debts are being paid. I agree with that. Your theory is that that debt is in the way of recovery, but this does not get rid of the debt. You get rid of one, but you create another.

The CHAIRMAN. Mr. Van Zandt, we have to recess now. At 2 o'clock we will meet in the District of Columbia room in the Capitol.

(Whereupon at 12:10 p. m., a recess was taken until 2 o'clock of the same day.)

AFTER RECESS

The committee reconvened at 2 p. m., pursuant to the taking of the recess.

The CHAIRMAN. The committee will be in order. Mr. Van Zandt, you may proceed.

STATEMENT OF JAMES E. VAN ZANDT—Resumed

Mr. VAN ZANDT. Mr. Chairman, I am going to just go back to a beginning and give a statement so that it will be clear to you.

I do not wish to criticize the President in any way and I certainly am not seeking to enter into any controversy with my Commander in Chief, but in a letter to a man who saw only a few days' service in the World War, Mr. Roosevelt questioned the practical economic value of paying the so-called "bonus" now. I do not believe the President was advised of the facts at that time. The President said:

> It would not materially stimulate business, as most of the money would go to liquidate current indebtedness, as when the veterans borrowed nearly one thousand million on their certificates.

We contend that the liquidation of a debt is certainly a stimulant to business. The merchant who receives money in payment of a debt uses this money to buy merchandise. The purchase of new merchandise naturally has its effect on the entire economic chain back to the original producer of raw material. This would result in the producer of raw material being able to sell more commodities, perhaps at a better price, and enable the merchant and the manufacturer to employ more labor.

Just to keep the record straight, let's see what happened when the veterans borrowed that billion dollars on their certificates. The Government made a survey of the results and I want to read you a letter signed by Gen. Frank T. Hines, Administrator of Veterans'

Affairs, addressed to the Honorable Wright Patman, in which he discusses the survey. It follows:

I have your letter of October 3, 1931, asking for certain information resulting from the study you understand the Veterans' Administration to have made concerning the direction in which veterans spent money obtained from loans on their adjusted-service certificates.

You are advised that a general study of this matter has been made, which permits the following broad conclusions in answer to your several questions:

(1) The average percent of veterans obtaining loans for personal and family needs was 65 percent.

(2) The percent of veterans who used funds secured for investment purposes was 20 percent.

(3) The percent of veterans who used funds secured for the purchase of automobiles, purpose undetermined, was 8 percent.

(4) The percent of veterans who utilized funds in such a way as to receive no practicable benefits therefrom was 7 percent.

This survey showed that 100 percent of that money was actually placed in circulation. We have every reason to expect that the remaining 50 percent of the value of the certificates would be spent, and as wisely spent. If we are going to prime the pump in an effort to restore prosperity, certainly this plan offers a practical method.

To further substantiate our claim that the immediate cash payment of the so-called "bonus" would have a marked effect in stimulating business, as well as relieving distress among the veterans, I want to read you a letter written by our distinguished Vice President, Mr. John N. Garner, when he was minority leader of the House of Representatives. Mr. Garner's letter follows:

OFFICE OF MINORITY LEADER,
HOUSE OF REPRESENTATIVES,
Washington, D. C., October 26, 1931.

MR. JOHN COOGAN,
Chicago, Ill.

Just received your letter of the 24th, and desire to thank you for your many kind expressions tendered both Mr. Patman and myself.

It is impossible at this time to forecast with any degree of accuracy what action the next Congress will take with regard to payment of the remainder of the bonus due the veterans. Frankly, I am of the opinion that if it had not been for the billion dollars distributed throughout the country as a result of the bonus action of the last Congress, the effects of the depression would be far more intense in many parts of the Nation.

With regards and best wishes, I am
Very truly yours,

JOHN N. GARNER.

Senator CONNALLY. Do you consider that letter of the Vice President's as approving any particular bill on the bonus?

Mr. VAN ZANDT. No, sir; I do not. The letter is offered for this purpose, as sustaining our claim that the payment of the compensation at this time will have a marked effect on the recovery program.

Senator CONNALLY. As a matter of fact, I think Mr. Garner introduced in the House a bonus bill to pay them the then cash value of what they were actually worth, rather than the 1945 value, and that is as far as I have heard of him going. I just do not want the record to contain any misconstruction of the attitude of the Vice President.

Mr. VAN ZANDT. I want to cite just one more objection raised by the President in his letter to this man who is not eligible to receive an adjusted certificate. The President said:

It would single out veterans as a preferred class, whereas relief should be given equitably to all destitute citizens. Veterans already are receiving preferential treatment in work relief employment.

During the past 2 years special legislation has been enacted for the benefit of nearly every phase of our economic structure. Congress has passed special laws to help the bankers, the insurance companies, the railroads, the manufacturers, the business men, the farmers, and the wage earners. In fact, the entire recovery program of the Roosevelt administration thus far has been builded upon the adoption of class legislation for the benefit of all classes except the veterans. And the veteran asks for nothing except a chance to collect what the Government admits that it owes him, and what the Government must pay him in 1945, if it does not pay him now.

Please do not misunderstand me. We are not criticizing the relief measure adopted by the administration. We believe that human needs have a prior claim upon every penny in the Federal Treasury. We value human rights above property rights. We only ask that the veteran be singled out for equal treatment, not preferred treatment.

It is true that veterans' preference is stipulated in some of the relief laws. But the various alphabetical agencies have either ignored Executive orders and legislative decrees pertaining to veterans or have been unable to enforce them generally. There is plenty of evidence in the form of complaints from all sections of the country to refute the claim that recovery legislation has bestowed any special favors upon America's ex-service men. They are participating in general relief but they are given an extra "break" in few instances.

Before these hearings are over, you gentlemen doubtless will hear the falacious argument raised that payment of the so-called bonus before 1945 would be a violation of the contract between the Government and the veterans. That is just plain "baloney." The Adjusted Service Compensation Act was not a contract, it was an acknowledgment of a debt and the veterans had nothing to say about it. They were told to take what was given and like it. The act already has been amended and it can be further amended, without any breach of contract.

Now, gentlemen, to sum up briefly, the Veterans of Foreign Wars of the United States are asking for immediate cash payment of the adjusted-service cetificates for four major reasons.

First, the certificates were given to the World War veterans by the Government to adjust their pay while they were in the military service, as well as in recognition of their physical sacrifices. The war contracts were settled in cash shortly after the expiration of hostilities. On the basis of equalizing their compensation alone, surely veterans are entitled to treatment equal to that given those who made enormous profits out of the war. Moreover, there will never be a time when the veterans need this money due them more than now.

Secondly, we are asking for payment at this time in order to prevent the veterans from losing a valuable equity in their certificates, an equity which will be all but destroyed by compound interest charges if they are forced to wait until 1945 for a settlement.

Thirdly, we believe that full cash settlement now would not only relieve distress among the veterans and their families but would constitute a valuable part of the President's recovery program and give Congress and this administration an opportunity to wipe out an injustice so long suffered by the veterans, a chance to right a wrong that threatens to stand as a blot on the patriotism of this country for years to come.

Fourth and lastly, we are advocating the enactment of the Patman bill, because it will redeem the pledge made to the American public by the Veterans of Foreign Wars of the United States, a pledge to support a program for cash payment that would not entail any boost in taxes or any increase in the national debt. We believe the Patman bill offers a constructive plan that is both economically sound and morally right.

I want to reiterate that the Veterans of Foreign Wars of the United States stand unanimously behind the Patman bill. There is not the slightest semblance of internal strife within our organization.

That is our case and that is our plea. I trust that this committee, in formulating its report to the Senate, will be able to see the justice of the case and need that goes with the plea which I have, in my humble way, attempted to present on behalf of America's overseas veterans of the World War.

Mr. Chairman and gentlemen, I think you.

The CHAIRMAN. Thank you very much, Mr. Van Zandt. Is Mr. Wolman present?

Mr. BROBECK. Mr. Chairman, Mr. Wolman advised us by long-distance telepone this morning that because of a very critical illness in his family he was unable to be here, so we will ask you to pass over his name and in the event he could appear later in the day, we would like the privilege of his making a short statement.

The CHAIRMAN. We wanted to finish up the hearing now, if we could, because Mr. Taylor and Mr. Belgrano desire to be heard tomorrow morning, is that correct?

Mr. TAYLOR. Yes, sir, Mr. Chairman.

The CHAIRMAN. Is Mr. Bottomley present?

Mr. BOTTOMLEY. Yes, Mr. Chairman.

The CHAIRMAN. How much time do you desire?

Mr. BOTTOMLEY. Five minutes introduction, and 20 minutes of my argument.

The CHAIRMAN. We have at least 6 or 7 witnesses here, and they are being given 10 minutes, but we will permit you to put in any statement you want in the record following your statement.

Mr. BOTTOMLEY. I could not do justice to my argument, and I would rather leave it out than to attempt to put it in within such a short period.

The CHAIRMAN. Very well, then. Mr. Staley we will hear you.

STATEMENT OF JOHN E. STALEY, NATIONAL COMMANDER OF THE VETERANS' PROSPERITY ORGANIZATION, LOS ANGELES, CALIF.

Mr. STALEY. Mr. Chairman and Senators of the Finance Committee, I appear before you as national commander of the Veterans' Prosperity Organization.

I wish to state, to qualify myself in this matter, that in 1931 I called together a group of veterans prominent in the affairs of the State of California, and organized the Veterans' Prosperity Organization. On the advisory committee of this organization were many prominent civilians, among them Governor Ely of Massachusetts, Governor Rolph of my State, and mayors of cities in California and many other men prominent in national religious, educational, and social circles.

Following the payment of the first half of the bonus I made a tour of the United States, which I supplemented during the recent inauguration of Franklin D. Roosevelt, in the organization of a California delegation, when we again came across the country and cut a cross section of every part.

Following my tour, in San Francisco, Calif., where I had the support of a number of prominent veterans, including Frank Belgrano, now the national commander of the Legion, I went to the State capitol and was received by Governor Rolph and unfortunately the gentleman who is now deceased, who gave out the first national interview in favor of the payment of the so-called "bonus", known better as the "adjusted compensation."

That interview was published by the national press, and resulted in an impetus or wave across the United States, and that in turn resulted in the payment of the first half of the bonus.

If I were to vocalize the position of the veteran today who is not represented by these great organizations such as the American Legion, and as the Veterans of the Foreign Wars, I would say this: that the American veteran is interested in and is a proponent of a sound economic order. The American veteran believes we can return to prosperity by the sale of goods, and services at a profit. He believes that the payment of the soldiers' bonus is a constructive measure.

The American veterans does not believe in any so-called "third economic system." He knows that money must be constructively spent, and he believes in the system under which we have operated in the past. Thanks to Senator Bailey, it has been indicated clearly that the bonus money which has been thus far paid has been spent constructively.

In the United States 35.8 percent of the money is spent for food; 14.9 percent for clothing; 13.4 percent for rent; 3.1 percent for fuel and light; 5.1 percent for house furnishings; and 27.7 percent for miscellaneous purposes.

Now, gentlemen, the four millions odd veterans of the World War are no wiser than any other men, neither are they any more indiscreet. When this money is paid it will be divided nationally among these expenditures in exact accordance to a penny, by the figures I gave you just above, which were obtained by me this noon from the Library of Congress from the Department of Labor Statistics.

Now, Mr. Chairman, I do not like to indulge in any criticism, even thought it is constructive, of the bill which the chairman of this committee has presented, but I would like to say this, that it is proposed shortly to pay a pension of some kind to those persons who are old and indigent in these United States. The bill which the chairman proposes states, as a matter of policy, that veterans shall never receive payments which have been paid to several classes of veterans, Civil War, Spanish War and other veterans, and as a matter of policy, how could the United States consistently pay to the old persons a series of payments which will amount to the astronomical figure of $13,750,000,000 by 1950 other than for the reason they are handicapped?

I will not indulge in any oratory as to the vicissitudes of the veterans, but I want to point out when the veterans returned home from overseas they had to rehabilitate themselves, and many of them have never been successful in doing that, hence they are handicapped. They feel that in all fairness no other like resident or domiciliary of the

United States should receive a pension, and they feel that this policy as stated should be stricken out of the bill, because if the old-age pension or some other similar measure passes Congress, then in the next session the war veterans would likewise appear before Congress and ask for legislation of that kind.

Now, this is really adopting the European plan of legislation, and it would be an innovation in these United States.

I do not know that the World War veterans ever intend to apply for pension, but I know that many of us, such as Col. John Taylor and myself, for example, are members of the Reserve offiicers of the United States, and we serve as Reserve officers in the United States Army, and make a substantial financial sacrifice for so doing.

I think in fairness to the veterans, in fairness to the body politic, that this bill should either eliminate that clause, or that it should be amended so as to declare that as a matter of policy none of the civilian population of these United States should receive a pension at any time.

Mr. Chairman, the payment of the soldiers' bonus has been a long, long fight for me personally. We are almost at the end of the trail, and I believe that in equity and good conscience and fairness the Senate is going to pass some kind of a bill. I am a proponent of what is known as the Patman bill, for the reason that our President has told us that he would veto any measure which failed to show a means of payment. As that bill does show a means of payment I am, therefore, a proponent of the Patman bill.

But, what the veterans of the United States want, if I could vocalize their request, is an immediate cash payment of this money in the full amount without deductions in some form or other.

Now, Mr. Chairman, I want to read to you a statement of the great leader of the party to which you and I owe allegiance, and gentlemen of the Senate Finance Committee, I want to read to you a statement of our great war-time leader. I met this distinguished gentleman in 1912 at the University of Michigan. I am unable to utter before you in as glittering way the rhetoric of Woodrow Wilson, but at least I can read you what he said at one time. He said:

> The anniversary of Armistice Day should stir us to exhaltation of spirit because of the proud recollection that it was our precept and example which had, by those early days in that never-to-be-forgotten November, lifted the nations of the world to the lofty level of vision and achievement upon which the great war for democracy and right was founded and won. Although the stimulating memories of that happy time of triumph are forever marred and embittered for us by the shameful fact that when victory was won—chiefly by the indomitable spirit and ungrudging sacrifice of our incomparable soldiers—we turn our backs on our associates, refuse to bear any responsible part in the administration of the peace, yet confirm a permanent establishment of the results won by the war at so fearful a cost of life and treasure, and withdraw into a silent and selfish isolation which is deeply ignoble because manifestly dishonorable.
>
> How much more ignoble, how more manifestly dishonorable would be the failure of our country to extend to these same "incomparable" soldiers the consideration their country owes them by continuing to deny them the liquidation of their adjusted compensation. If Woodrow Wilson could speak from his tomb at the Washington Cathedral this is what I conceive he might say today, Mr. Chairman. Let us be true to our Nation, our fellow man and ourself and to that small degree that lies in our power correct by monetary satisfaction this long-continued disregard of the men whom we termed, in 1917, "the saviors of the Nation."

The soldier did achieve something in 1917 under the impetus of men then in public life telling them when they returned from overseas nothing would be too good for them to expect.

Mr. Chairman, I submit, in justice to your country, in justice to your fellowman, and in justice to yourself, that this is the time the Senate Finance Committee of the United States Senate should take favorable action for the immediate liquidation of that just compensation.

I want to thank the chairman of the committee and the members for your kind attention.

The CHAIRMAN. Thank you, Mr. Staley.

Is Mr. Breheny present in the committee room?

Mr. BREHENY. Yes, sir.

The CHAIRMAN. You may come forward, Mr. Breheny, and make your statement.

STATEMENT OF WALTER W. BREHENY, FOUNDER AND FIRST COMMANDER OF CHAPLAIN DUFFY CHAPTER, D. A. V., NEW YORK, N. Y.

The CHAIRMAN. What organization do you represent, Mr. Breheny?

Mr. BREHENY. I represent myself as an individual foreign-war veteran and a veteran of the old Sixty-ninth, Rainbow Division, who volunteered on April 16, 1917. If I may give expression to my 16 years of activity among veterans and veteran organizations, I served as one of the organizers of the Greater New York Chapter D. A. V., No. 2, New York City, 1920. At that time, I was a member of the Lafayette Post of Veterans of Foreign Wars and a member of the New York chapter, Rainbow Division Veterans.

I also assisted in organizing unemployment bureaus for our veterans in 1919–22 and helped to establish and arrange for scholarships for the veterans of the World War through the Knights of Columbus of which I happen to be a member. In addition I was selected by the New York chapter Knights of Columbus as chairman of the war veterans committee in 1929, 1930, 1931, and 1932.

I may also say, having served as senior commander of the Bronx Post No. 170 of the American Legion, and as a charter member of the William F. Deegan Post of New York City, that I am thoroughly familiar with the adjusted-service pay question.

I am not here, Mr. Chairman, for any sort of publicity, and I ask that no pictures be taken during my testimony. I will be very brief and will ask for 20 minutes.

The CHAIRMAN. We will give you 10 minutes.

Mr. BREHENY. Thank you, Mr. Chairman. Having attended a great many of the hearings pertaining to the Senate Munitions Investigation Committee under Senator Nye, I was amazed to hear read into the record the testimony of Mr. E. W. Grace and other patriotic philanthrophists who, when asked a question by an esteemed member of the committee, I believe Senator Clark, as to whether he was in favor of the boys getting their bonus, he (Grace) said it was preposterous for them to think of it, while $1,300,000 was the bonus drawn by that gentleman in 1918, in addition to his $12,000 a year salary.

That is only one example of the many examples of bonuses paid to certain financiers who are more interested in war than in the United States of America.

It is just exactly 17 years ago this month that I saw about 300 members of the One Hundred and Sixty-eighth Infantry of Iowa, their bodies laid out one by one for burial over there, I being a member of the platoon that was the firing squad to do honor to our buddies who had passed on after suffering from that mustard gas and other gases, and I know the smell of it, because I have had it in my lungs ever since, and I will carry it with me to Arlington Cemetery; I saw those boys laid out there, and my thoughts went back to their homes back in the good old U. S. A. where we are glad to be—my thoughts went back to the homes and to the parents of those boys who were left when they, our comrades, went abroad. There was no dickering, no bickering and no argument about who was going over the top and who was not; the job was there and they did the job.

In the meantime, back in 1918 in the United States, as has been testified to by Mr. Bernard Baruch, who told the Senate Munitions Committee they had just one hell of a time—to excuse the expression—in getting the munitions manufacturers to agree to a price, which was within common-sense reasoning, to supply the United States Government with munitions.

That was at the time in July 1918 when we were up in Champagne, just a little above Paris, and the Second Division had been relieved by the First Division of New England, and we were up there shy of a sufficient supply of munitions, and we had to let the enemy get within a certain number of yards from our trenches before we got the word to fire. General Riley, of the One Hundred and Forty-ninth Field Artillery, if I may mention his name although I do not know whether he would be angry with me for so doing, had his artillery hub to hub parallel with the ground, shooting direct fire into the enemy right over our heads.

I want to say, I cannot understand the argument over a question such as why we do not get our money, and why we have to wait until 1945. It is beyond me.

I have been a business man, I have always gone out and earned a living, but I could use that money, and I know a million of the boys could use that money, and I am in favor of the bill introduced by Congressman Patman.

As so ably testified to by our national chief, James Van Zandt, we are behind this bill 99 percent. Ninty-nine percent of the American Legion are in favor of the Patman bill.

Being a member of the Legion, I saw the workings of that organization, and I have every respect for the creed of that organization and for the code. I have been through the hospitals over the United States, and I have seen my buddies for many years past, even in the past few months, when it was my honor and privilege to go into the hospitals in New York and see those fellows in there that are the last remnants of the war, the real heroes being the ones who are overseas, and who are over in Arlington, and the hero in the Unknown Soldier's Tomb. There are no living heroes and we are not speaking for those of us that can get around, but speaking in behalf of the boys who would like to be here before the committee expressing their views, and I am expressing the views of the rank and file of those real Americans, and I want to say to this committee now, that we need this money at this time and we can use it to pay our just obligations. There was no thought on the part of President Wilson, now that he has gone to his reward, for any deferring of this payment. It was not his idea, it was not the idea of the esteemed Congressmen in the House, or the Senators in the Senate, ever to defer this payment, but it was the idea of the group that make up the economy league of this country, the patriotic racketeers of the United States, and I make that statement without fear of contradiction. I know many of them. I have had dealings with them, and they would love to put their finger on me, but I am an American citizen, and I have never said anything only what was a just and fair statement in behalf of those boys.

That is their wish and their request of you gentlemen on this committee, to pay this money.

I am not criticizing our President, and our commander in chief, whom I respect but the so-called "yes" men who claim they represent him and his views, one of them told me himself with his own lips about this being a racket, there was no racket over there, but they would like to put us down as parasites and racketeers, but the law has been passed providing for the certificates to be paid, and why not pay us now, and settle this argument once and for all, and let us go back satisfied to our homes and people.

I thank you, Mr. Chairman and gentlemen.

The CHAIRMAN. Thank you, Mr. Breheny.

Is Mr. Royal C. Stephens in the committee room?

(No response.)

The CHAIRMAN. Is Mr. Hickerson in the committee room?

(No response.)

The CHAIRMAN. Mr. Hobart, do you want to go on at this time or in the morning?

Mr. HOBART. I will be very glad to go on at this time.

The CHAIRMAN. Thank you.

STATEMENT OF DONALD A. HOBART, NATIONAL COMMANDER OF THE AMERICAN VETERANS ASSOCIATION, INC.

Senator CONNALLY. Will you please give your name and whom you represent?

Mr. HOBART. My name is Donald A. Hobart, and I represent the American Veterans Association as national commander of that association.

Senator COUZENS. I see you are incorporated.

Mr. HOBART. Yes, sir.

Senator COUZENS. Are these other associations such as yours incorporations like this?

Mr. STALEY. I will have to answer that so far as the association I represent is concerned and I will say we are incorporated under the laws of the State of California as a nonprofit organization, or as an eleemosynary association, and neither myself nor any other officer has received any salary as compensation for our work.

Senator CONNALLY. You may proceed, Mr. Hobart.

Mr. HOBART. Mr. Chairman and gentlemen of the Finance Committee, I welcome this opportunity to present to this committee the views of the American Veterans' Association on the general question of the prepayment of the so-called "soldiers' bonus", as well as certain specific proposals which are before you concerning the method of payment.

The members of the committee may be able to place a proper evaluation on the views of the American Veterans' Association if you are correctly informed concerning the organization itself. Our beliefs, are I believe, unique among veterans' organizations. All of us are war veterans, and the majority have been and many of us still are members of the American Legion. We were pround of that membership and we wholeheartedly joined in the early activities of the Legion in obtaining national recognition and assistance for the war wounded and their dependents. We believed and we still believe the declaration in the preamble of the Legion constitution which calls of "an inculcation of a sense of individual obligation to the community, State, and Nation."

I am not revealing any knowledge exclusively my own when I say that veterans' organizations show a strong tendency to change their objectives as they grow older. Sacrifice gives way to selfishness; high ideals are trailed in the dust; power is exerted for unworthy ends.

In common with many other members of the American Legion, those who are now members of the American Veterans Association felt a growing sense of alarm and indignation at the manner in which certain Legion officials were undertaking to speak for all the veterans, particularly on the bonus question.

The American Veterans Association had its beginning in Chattanooga, Tenn., and is incorporated under the laws of that State. It was formally organized on November 11, 1932. Our creed is astonishingly simple. We believe that true patriotism cannot be exercised for gain, that the veteran should first of all be a citizen, willing to bear the responsibilities that go with citizenship, and that neither he nor his family should be regarded as a class apart, entitled to special benefits merely because he has worn his country's uniform.

We believe that the Government should give primary, continuing, and just consideration to those wounded in combat, those suffering from injury or disease incurred, in fact, in line of duty, and the dependents of those killed in action and of those who died of wounds, injury or disease incurred, in fact, in line of duty. We believe that all other veterans and their families should have the same relationship to their government that other American citizens have—no better and no worse. "Justice to the war wounded, justice to the war dead, justice to the American people," succinctly expresses our code. It is on these principles that we base our opposition to the prepayment of the bonus in any form.

It is our hope that this is one veterans' organization which will never stray away from its ideals. To the extent of our ability we have sought to protect the association's integrity by providing that any amendment which seeks to change or modify the purpose of the organization automatically constitutes a dissolution of the organization itself. Only war veterans are eligible for membership; only war veterans can vote or affect in any way the policies and actions of the organization.

Much has been made in the past, and doubtless much will be made in the future, of the contention that the approximately 10,000 veterans who are members of the American Veterans Association represent but one-fifth of 1 percent of the total veterans of the World War. This we freely admit. But I submit that the argument has no more merit than the contention that the views of the House of Representatives are always superior to those of the Senate on the ground that the lower house has a much larger membership.

Senator CLARK. They represent the same number of people, though, in that case; do they not?

Mr. HOBART. Yes, sir; that is perfectly correct.

It is evident to everyone that just as we represent a minority of organized veterans, so does every other veterans' organization. The entire number of veterans of the World War is less than three percent of the population of the United States—an insignificant minority of all the citizens. The largest veterans' organization does not claim that more than 25 percent of the veterans have seen fit to join it. Thus it is clear than no veterans' group is or ever will be more than a minority of a minority.

The American Veterans Association believes that there are compelling reasons why none of the bills which call for a prepayment of the bonus should be enacted. These reasons are ethical, financial, and political, and apply with almost equal force to all of the proposals. They are specific objections to various of the bills, but with your permission, I should like first of all to discuss all of the proposals in general terms.

Those who would pay the bonus now have made many arguments of a superficially compelling character on behalf of the needy and unemployed veteran. It is our judgment that the payment of the bonus now, or even making the remaining sums available to the veterans, will be cruel and unfair to the class of veterans for whom the Nation should have the greatest sympathy.

We know that in the administration of unemployment relief and work relief, the nation, the States and the cities are committed to the policy of granting relief on the basis of need. The unemployed veteran who has resources in the form of an uncashed bonus certificate will be under great pressure to obtain and use up his sole remaining assets. He is virtually compelled to strip his family of its sole protection in the event of his death—the insurance feature of his bonus certificate.

It has been everyone's understanding from the beginning that the only ones who can qualify for the Public Works jobs to be created by the expenditure of $4,800,000,000 are those who are on relief—those who do not have resources of their own. Any other principle strikes at the heart of our national policy on relief. A most dangerous situation will be created, in my judgment, if relief authorities undertake to discriminate by saying to the veteran: "You can keep your assets and obtain employment on public works", while saying to the nonveteran citizen: "You must prove your need and prove you are without resources before you can obtain public works employment."

But if all citizens are treated alike, as I believe is the intent of the relief authorities, the passage of the bonus act will be most unfair in its effect upon that group of veterans the country is most anxious to help. And when the veteran understands this situation clearly, when he realizes that he must continue in idleness and cannot qualify for public-works employment until he has used up his bonus money, he will not consider that the passage of a bonus bill is an act of friendship on the part of his country.

No one can speak with certainty concerning the number of unemployed veterans. We can be positive that unemployment is not more prevalent among veterans than nonveterans. Concerning the veteran who is not in need, there is striking evidence that the average veteran occupies a more favorable economic status than the average citizen.

Consider a moment the advertisement paid for and printed in the March 1, 1934, issue of Printers Ink by the American Legion Monthly, the official organ of the American Legion. In this advertisement the Legion contends with pride, after 4 years of America's most devastating depression:

> Legionnaires earn double the average income.
> Legionnaires have proved they are insurance minded—94 percent of them are insured for an average amount of $12,050, and 84 percent of them own automobiles.

Senator CONNALLY. Is that just Legion members, or all members?

Mr. HOBART. This advertisement refers to all Legion members.

Senator CLARK. That is apart from a very large number of veterans who, by reason of the economic situation which exists, have not been able to pay their dues to the American Legion, or the Veterans of Foreign War or any other organization?

Mr. HOBART. Yes, and I may say with equal force there is an equally large number who have not felt constrained to join an organization for reasons of their own.

The CHAIRMAN. You may proceed.

Mr. HOBART. When we couple these facts with the frequent assertion of the Legion that it is truly representative of the World War, veterans—not a hand-selected, upper-crust aggregation—we can find not a trace of merit in the demand which would give to this privileged economic class at this time new benefits at the expenses of citizens who earn only half as much.

I think we should give heed to the consideration of this problem to another group of citizens, 94 percent of whom are not insured for an average of $12,050, and 84 percent of whom do not own automobiles. I refer, of course, to the more than 22,000,000 of our fellow citizens who today have only a Government-relief job or a dole between them and starvation.

It is the belief of the American Veterans' Association that the obligation of the Government toward these unfortunate people is paramount, and that no moral justification can be offered for the disbursement of extra billions of dollars admittedly not on any basis of need. We believe that any impairment whatever of the national credit to meet the veteran demands strikes at the future security of all those whom we know the Government must continue to assist for an indefinite period of time.

These are the reasons why we do not hesitate to say that the prepayment of the bonus, despite the good intentions of some of its proponents, constitutes a triply compounded injustice. It is unfair to the American citizen who must pay the bill; it is unfair and cruel to the veteran we are most anxious to help; it is grossly unfair to all those who are on relief.

Just 3 weeks before the formal organization of the American Veterans Association, Franklin D. Roosevelt, speaking in Pittsburgh, clearly and courageously set forth his views on the financial aspects of the prepayment of the bonus. He said:

I do not see how, as a matter of practical business sense, a government running behind $2,000,000,000 annually, can consider the anticipation of bonus payment until it has a balanced budget, not only on paper, but with a surplus of cash in the Treasury.

Since that time, President Roosevelt has on a number of occasions expressed additional and even more determined views in his opposition to the payment of the bonus at this time. The American Veterans Association believes that public opinion, including a large percentage of veterans, upholds and approves these statements by the President. There is just as great an opportunity to consider practical business sense now as when Mr. Roosevelt first used the phrase. The members of the committee know even with greater certainty than I do how far the Government budget is from being balanced, what additions have been made to the national debt, and what will be the extra burden in the way of immediate or deferred taxes to defray the extra cost of immediate bonus-payment.

If it is true that without any hazard of any kind additional sums of money can now be produced for the benefit of veterans, with all sincerity I would like to suggest to the committee that the most humane use that can be made of this money is to use it to increase the $30 per month pittance now being paid to the widows of the veterans who lost their lives as the direct result of war service. Here is a cause worthy of generosity, if generosity is within your power. Here is a chance to gain the approval of the American public and the applause of every patriotic veteran.

The argument has frequently been advanced that the bonus should be paid now on the ground that the Government is already making large expenditures, and that while so many people are in receipt of Government funds in one form or another it is only fair that the veteran should receive his share. In my judgment, the fact that the Government has already spent and contemplates the expenditure of additional large sums offers the most compelling reason why a new financial obligation should not be assumed.

It is precisely as if it were urged that a patient who is desperately ill with typhoid fever might as well contract pneumonia at the same time, since it is quite likely that he will get it sooner or later. Common sense would urge that if these two diseases can be combated at different times, the patient will have a much better chance. We believe that precisely the same reasoning applies to the problem of national credit.

Touching further upon the Nation's credit, I should like to quote the words of an American on this point.

As a very important source of strength and security,

he said,

cherish public credit. One method of preserving it is, to use it as sparingly as possible avoiding * * * the accumulation of debt * * * and not ungenerously throwing upon posterity the burden which we ourselves ought to bear. The execution of these maxims belongs to your Representatives, but it is necessary that public opinion should cooperate. To facilitate to them the performance of their duty it is essential that you should practically bear in mind that towards the payment of debts there must be revenue—that to have revenue there must be taxes—that no taxes can be devised which are not more or less inconvenient or unpleasant."

I have quoted this paragraph from the Farewell Address of George Washington. We believe that it is as true today as it was when he said it.

I should like now to comment on specific bonus-payment measures before you for consideration, particularly the Patman bill, the Vinson bill which is favored by the Legion, and the bill introduced by Senator Harrison.

All the inequities of which I have previously spoken apply directly to both the Patman and the Vinson bills, and each one has uniquely objectionable features. Both bills undertake to "forgive", in varying amounts, interest which has accumulated on the portion of the bonus certificates already borrowed by the veteran. The American Veterans' Association regards as childish any concept that this interest can be "forgiven", as if an act of Congress can cause the interest charges to evaporate into thin air. To remit the interest charges on the veterans' loans is only to pile them on the public instead. This is just as true of loans on insurance policies and bonus certificates as it is of interest on the public debt. It should clearly be the part of everyone's knowledge that no individual, group, or nation can borrow money without meeting the interest charges. There is no reason that we can discern why a veteran should not accept the financial consequences of his own act in borrowing on his insurance. Every farmer, every home owner, every organization, and every business that has borrowed money from the Government has paid interest; there is not even the shadow of a reason why the veteran should expect free loans from his fellow citizens.

So many warnings have been sounded by so many competent American citizens against the Patman measure to prepay the bonus with printing-press money that perhaps nothing new can be added to these statements. The American Veterans' Association believes that any proponent of this bill is either careless or callous, unwilling or unable to mark the tragic fate of those peoples who have been forced to adopt such measures as Congressman Patman would have us deliberately embrace. It is unthinkable that this Nation should with open eyes add the hazard of money inflation to those other perplexing and dangerous problems of our people. The disinclination of the chairman to support this bill, as is shown by the introduction of his own measure, is reassuring, and for this, the American Veterans' Association extends its appreciation.

The Vinson bill, which has the approval of the American Legion, clearly has as its basic concept the conviction that veterans are not primarily citizens, or that they are supercitizens, and that the responsibilities of American citizenship need not be assumed by them. It says in effect that veterans do not care how the money is obtained, and that taxes and national credit are meaningless words to the veterans.

On the theory that might makes right, and that force in the form of organized numbers can be a substitute for ethics, it seeks to exact tribute just as surely as it was ever exacted from any conquered people by a superior military force. I am convinced that if any veteran will for one monent think of himself as first of all a citizen of the United States, in that moment he will realize that he has confused patriotism with greed. The passage of the Vinson bill would make a hideous mockery of the Legion's boast that its primary concern has always been for the disabled veteran.

I should like now to address myself to the so-called "compromise measure" introduced by Senator Harrison. It demonstrates, in my judgment, the absolute impossibility of yielding even partially to the ill-considered demands of the veterans without setting into action a whole new chain of injustices and inequities. We will grant that this measure is a fair-minded effort to "settle" the bonus question, but in our opinion it promises to be mutually disagreeable to the veterans and the public.

The American Veterans' Association believes that there is no device by which Congress can pump extra value into the bonus certificates without shifting every cent of this tribute to the backs of the public. The really needy veteran who has already borrowed on his certificate, who has been led into the belief that the face value of the debt due in 1945 should be his now, will be stimulated to new and vengeful activity by the passage of this bill. He will be justifiably embittered if he discovers, as he very probably will, that the availability of even a partial sum of his bonus will debar him for a time from public-works employment. At the same time, the proposal of Senator Harrison piles one bonus on top of another for the veteran who can afford to hold his certificate until 1945. It makes him an additional grant of $115 on each $1,000 bonus—unasked for and unsought.

In our judgment but one conclusion can be drawn from the reception which has greeted the proposal: you cannot "compromise" just and ethical principles. We believe that the term "compromise" is a misnomer—that the proposal is nothing less than an abject and craven surrender, and will be so regarded by everyone.

It is not probable that either the members of this committee or the American Veterans' Association share any illusions concerning the effectiveness or meaning of the "declaration of policy" against future pensions to World War veterans. Some of us remember the time when the young Legion scorned any suggestion that the veterans should seek a Federal bonus of any kind; the passing years and the invention of the phrase "adjusted compensation" made the procedure more palatable. If you have any desire to test the value of a "declaration of policy" it may be of interest to note that the American Legion has already formally gone on record against pensions. At the fourth annual convention of the Legion in 1922, the organization unanimously declared:

> The American Legion stands foursquare in favor of adjusted compensation and against a pension. What is sought by the American Legion is that the entire Nation shall meet its obligations to the service men by the constructive legislation proposed, and not by the creation of a pension system.

Despite this, it is a matter of common knowledge that there has already been introduced in the House of Representatives at the request of the American Legion, the Rankin bill to provide pensions for a certain class of World War beneficiaries.

We submit that if it is the purpose of this Congress to discourage future demands for service pensions, the way to discourage them is to refuse point-blank to pass any kind of bonus prepayment legislation at this or any other session of Congress. The veteran has not been out of the service so long that he will not recognize whether he is meeting genuine resistance or whether the line is crumbling and a retreat is under way. If any fact has ever been demonstrated in American history it is that the willingness of the veteran to ask for favors cannot be equaled by the capacity of the country to give.

In all these demands and accessions, the American Veterans' Association sees a grave danger in the future. When the time comes that the citizens feel the full effects of new and heavier taxes, larger debts or inflation, it will only be human for them to try to place the responsibility for their plight

The veteran is likely to be the most conspicuous target. The mass anger of the public is rarely discriminating in its desire for a victim or in its cry for economy. We foresee the grave responsiblity that the innocent sufferers who will be those veterans who were disabled in action, and the dependents of those who lost their lives as the direct result of war service. Nothing could be more tragic than this, that the able-bodied veteran who lost nothing in the war should try by his inconsiderate demands to bring about a situation which would make life even more unbearable for those who should be the Nation's first responsibility.

We believe that those who may be primarily considering the question of bonus legislation from a political standpoint are overestimating the capacity for loyalty and gratitude of those it is desired to placate. We believe that at the same time they are underestimating the determination and fervor of that share of the public which is now aroused in opposition to such action.

The Harrison bill, with its declaration of policy against pension legislation, in our judgment, can only serve to incite the already misguided veteran. If he is convinced that he has not received all that he should in the way of a bonus, and if there is any inclination on his part to seek a pension, he will be under a strong compulsion to defeat for reelection all those who have bound themselves by this declaration. Other candidates who are not committed against pension legislation will naturally be favored by such veterans.

Senator Pat Harrison has characterized the bonus problem as "troublesome" and "vexatious." In my judgment it is troublesome and vexatious in the same way that the Tripoli pirates were when they exacted tribute from American citizens. To our shame it must be said that America paid for a time, and then our citizens asserted their moral judgment by rallying to the cry "Millions for defense, not one cent for tribute."

We believe that a similar American judgment on the question of continuing to pay tribute to the veteran is rapidly being formed. There has lately been witnessed in this country a rising demand to "take the profits out of war." The American Veterans Association believes an equivalent and just as forceful demand is taking from to "take the profits out of patriotism."

Thousands of letters have come to us, from citizens in all walks of life—workers, farmers, business men, professional men and women, veterans and nonveterans. These citizens have united in commendation of our stand in opposition to bonus prepayment, and in their communiactions there are evidences of determination and courage to enlist in the fight of the American Veterans Association to keep some honor in the term "veteran."

The whole bonus problem arises and brings sharply to the fore some very simple and forceful questions:

Is the veteran first of all a veteran or is he first of all a citizen?

Is this a government of the veterans, by the veterans, and for the veterans?

Are the selfish demands of a portion of 3 percent of our people to take precedent over the rights of the remaining 97 percent?

The members of the American Veterans Association are first of all citizens. As citizens we ask that you defeat this class legislation and ask that you reject every kind of a bill providing for the prepayment of the bonus. As veterans of the war, we ask that you help us to remind all veterans of those principles of patriotism and the ideals of citizenship which they once held.

If you agree that it is desirable at all times in the United States to further the tenets of good citizenship, I ask the members of the committee to reflect the several million veterans and many million more Americans may be guided aright in their concept of what constitutes good citizenship by your actions on these bonus bills.

I submit that, important as the veterans may be, all of us are something else first. We are American citizens before we are veterans.

Can you, as American citizens, in the full knowledge that 22,000,000 of your fellow citizens are completely dependent upon some kind of public relief, and when the widow of a veteran killed in action is entitled to compensation of only $30 a month, justify the payment of over $2,000,000,000 to 3 percent of the population of the country, without regard to need or disability.

Senator CLARK. Does your organization have any support other than dues paid by your members?

Mr. HOBART. Yes, it does.

Senator CLARK. What are they?

Mr. HOBART. It is supported through dues and other contributions of veterans. Most of the veteran contributions have been in the form of donating the proceeds of the loans on bonuses which they felt they were not entitled to or did not need.

Senator CLARK. They did take the loan value of the certificates in many cases and turned them over to your organization?

Mr. HOBART. Yes, in the sum of about 200.

Senator CLARK. Do you accept contributions from anybody other than veterans?

Mr. HOBART. We would, under certain reservations.

Senator CLARK. What proportion of your revenue is derived by dues paid by your members, and what proportion is in contributions?

Mr. HOBART. I do not have the exact figure, but I should say last year probably 20 percent from donations and 80 percent from dues.

Senator CLARK. Could you secure that information for us and include it in the record?

Mr. HOBART. I would be glad to.

Senator CLARK. Has your organization ever sponsored or secured the introduction of any measure for compensation or increased compensation to widows of men who were killed in the service or died as the direct result of service?

Mr. HOBART. We have just recently given our approval to the Edith Nourse Rogers bill which is intended for that purpose.

Senator CLARK. When was that?

Mr. HOBART. A matter of 2 or 3 weeks ago at a meeting of the executive committee.

Senator LA FOLLETTE. Is that the only bill for widows of veterans who died in action, or disabled veterans your organization has ever supported?

Mr. HOBART. I will have to qualify that information in this way, that it happens to be the only specific bill. I have personally been working for a matter of 7 or 8 months on a complete study of a bill which we hope to have in some kind of shape in the next 2 or 3 months.

Senator LA FOLLETTE. How long has your organization been in existence?

Mr. HOBART. Since the end of 1932.

Senator LA FOLLETTE. Was your organization in favor of the Connally Act?

Mr. HOBERT. Yes, with certain reservations, we were.

Senator CONNALLY. How many members has your organization?

Mr. HOBART. About 10,000.

Senator CONNALLY. Are they scattered over the country pretty generally?

Mr. HOBART. Pretty generally, but we have only 60 organized chapters.

Senator CLARK. This question of the compensation bill for widows was raised in the House hearings, was it not, on the bonus bill; that is, the question as to whether you would support that widows bill was raised in the House?

Mr. HOBART. That is right.

Senator CLARK. At that time you had never introduced or sponsored any bill of that sort, and it was since the question was raised in the House hearings that your executive committee has taken action to support the Rogers bill?

Mr. HOBART. No, that is not correct.

Senator CLARK. Will you just state what the facts are.

Mr. HOBART. At our convention in Washington, I think in February 1933, a resolution was passed which was quite similar to that of Mrs. Rogers' bill, except that the amounts were different. Ours called for $60 as against $75 in Mrs. Rogers' bill. Copies of that resolution were sent to all Cabinet officers, and all Members of both Houses of Congress, and there was no action until Mrs. Rogers introduced her bill, to initiate such legislation.

Senator CLARK. Have you ever taken any further steps toward procuring the introduction of such a bill in the nearly 2 years which elapsed since that resolution was passed?

Mr. HOBART. You will have to remember that until July——

Senator CLARK. Just answer the question and then make any statement you please, but did you take any other steps?

Mr. HOBART. We initiated the study I have referred to some 7 or 8 months ago.

Senator CLARK. Then following the House hearing you did endorse the Rogers bill?

Mr. HOBART. That is correct.

Senator BARKLEY. What was the occasion for the organization of your association?

Mr. HOBART. It was wholly spontaneous. If I could have just a moment to explain, I think this has never been fully explained before, and I would like to make an explanation.

This is the explanation, and it also explains my interest in the organization as well.

It so happens I was a member of the Leonard Marange Post of the American Legion of New York, which had been in violent disagreement with the national organization, which had reached the point of indignation where the question was raised as to whether the post would stay in it or get out of it. This was at the time the matter of the bonus was being considered by the national American Legion.

A special committee was set up within the post of which I was a member to survey the situation and recommend to the post whether it stay in or withdraw.

Almost simultaneously with the appointment of that committee there was an announcement in the press that the veterans of Chattanooga, Tenn., apparently held the same views we did. We inquired whether we could send down a man to sit in with their meetings, which privilege was granted, and Mr. James J. Bevin, a member of the same committee of which I was a member, went to Chattanooga and spent 2 or 3 days there.

He found that not only did the men appear to be earnest in their belief, but they were honest and decent people, and we found that thousands of letters had come in from all over the country inquiring about the organization. So he returned to Bronxville, and at the next meeting of that Legion post a report was made recommending that they endorse many worth-while things being done by the Legion post referred to. There was a desire to remain within the organization of the American Legion, but we felt there were limitations which we term "gag rules" which did not permit us to submit any opposition to the national Legion policy.

So, at the adjournment of the Legion meeting a group meeting was convened, and the second chapter of the American Veterans' Association was formed that evening.

Since that time and until last summer, with the exception of 2 or 3 clerks in our office in New York, and 1 part-time clerk in Chattanooga, all of the work of this association has been done wholly voluntarily, and much of it at a sacrifice to business and home life.

It got to be too much for the voluntary group to handle and last summer it was arranged to pay the commander a salary, and he has been receiving a salary, and I have been receiving a salary myself since that time. Does that answer your question?

Senator Barkley. It does in a way, but what I was trying to find out was whether it was essentially a nonbonus organization in its origin.

Mr. Hobart. I think it was combined against the problems of bonus and against the disability service which you know then were on the pension rules.

Senator Barkley. What business have you been in?

Mr. Hobart. This is my business since December.

Senator Barkley. What business had you been in before that?

Mr. Hobart. I have been in the lumber business, in the woods, in the construction business, and insurance business.

Senator Clark. What was your business at the time this organization was formed?

Mr. Hobart. I was in the insurance business.

Senator Connally. Was this organization created shortly after the bonus march in 1932, or did that have anything to do with it?

Mr. HOBART. I suspect it did, but I am a little confused what was the date of the bonus march.

Senator CONNALLY. It was in the summer of 1932, was it not?

Mr. HOBART. I suspect it did have something to do with it.

Mr. PATMAN. Mr. Chairman, I would like to ask a question, if I may.

The CHAIRMAN. Congressman Patman would like to ask a question or two. You may be permitted to do so.

Mr. PATMAN. You were the representative of the Liberty Mutual Insurance Co., were you not, at the time of this organization?

Mr. HOBART. Yes; that is right.

Mr. PATMAN. The first chapter was organized in Chattanooga, Tenn.?

Mr. HOBART. That is all right.

Mr. PATMAN. The man who got up that organization was also representing the Liberty Mutual; was he not?

Mr. HOBART. I think he was handling some claim cases there, but he was a general practitioner of law.

Mr. PATMAN. He became the first president of it?

Mr. HOBART. That is right.

Mr. PATMAN. And you became organizer for the New York chapter?

Mr. HOBART. Not quite, but for the first chapter in Bronxville.

Mr. PATMAN. In other words, the Liberty Mutual representatives were looking after the national organization and also the organization of New York?

Mr. HOBART. Would you please repeat that?

Mr. PATMAN. The Liberty Mutual representatives were looking after the national organization at Chattanooga and the State organization in New York?

Mr. HOBART. No; that is not so. Mr. Silas Williams practices law in Chattanooga, Tenn., and I learned some 3 months after I had met Mr. Williams that he handled an occasional case there, since we had no legal department in Chattanooga. It was the same as if you handled a case for the Maryland Casualty Co. in the District of Columbia. He was not an officer or employee officially of the Liberty Mutual, nor did the Liberty Mutual ever have or ever expect to have any connection whatever with this organization.

Mr. PATMAN. It is just a coincidence that the national organization was represented by a representative of the Liberty Mutual, and just a coincidence that your New York representative was a representative of the Liberty Mutual?

Mr. HOBART. Nothing more, nothing less.

Mr. PATMAN. Nothing more and nothing less; and you are going back to the Liberty Mutual?

Mr. HOBART. No; I burned my bridges behind me when I resigned.

Mr. PATMAN. New York is where you expect to do your principal business?

Mr. HOBART. Not necessarily.

Mr. PATMAN. Most of your members are in New York City.

Mr. HOBART. So far the largest chapter is in New York City.

Mr. PATMAN. How many members do you have outside of New York State?

Mr. HOBART. I could not tell you.

The CHAIRMAN. Is there anything further?

Mr. HOBART. I have nothing further, Mr. Chairman, and I thank you for the privilege of appearing before you.

The CHAIRMAN. Thank you, Mr. Hobart.

Mr. Lovenbein, will you please come forward, and we will hear you.

STATEMENT OF S. LOVENBEIN, REPRESENTING THE VETERANS VOTERS' LEAGUE, AND RANK AND FILE VETERANS ASSOCIATION

The CHAIRMAN. You represent the Veterans Voters' League, and I believe you say the rank and file of the association?

Mr. LOVENBEIN. Yes, the Veterans Voters' League, and the rank and file; yes, sir.

Senator BARKLEY. That is a nonprofit organization?

Mr. LOVENBEIN. Yes; that is correct.

Senator COUZENS. Where are your headquarters?

Mr. LOVENBEIN. The headquarters are in New York.

The CHAIRMAN. Are you the head of it?

Mr. LOVENBEIN. No; Lieutenant Colonel Hobson is head of it. It was formed in New York in LaGuardia's campaign, and had 150,000 fighting members, and in Chicago we also have an organization as well as in almost every Congressional District of Illinois, and in some other States.

Senator BARKLEY. What Lieutenant Colonel Hobson is that?

Mr. LOVENBEIN. That is the one that sunk the *Merrimac*.

Senator CLARK. He is an admiral, he never was a lieutenant colonel.

Senator BARKLEY. Your organizations are more rank than file, are they not?

Mr. LOVENBEIN. Well, I don't know.

Senator BARKLEY. Admiral Hobson is a retired admiral on pay of $4,500 per year.

Mr. LOVENBEIN. He is not only here advocating the bonus; we are looking after every means we can to get rid of this depression, and so, while we ask to see a bill passed similar to the Patman bill, and then of course having a bill introduced by Senator Harrison, we think some of the features of that bill might be added to the Patman bill, because I do not expect the Patman bill is going to go sailing through the Senate. We are going to beat them over ere in the Senate, although we think in the House they might turn them down.

Senator CONNALLY. Have you a copy of your bylaws and regulations with you?

Mr. LOVENBEIN. No; I am the bylaws—you can put that in the record.

Senator BARKLEY. Are you the constitution, also?

Senator CONNALLY. How do you spell the bylaws?

Mr. LOVENBEIN. Never mind, gentlemen, I am going to get a few words in here, anyway.

Senator BARKLEY. How many members are there in your organization?

Mr. LOVENBEIN. I thought I had explained we have 150,000 members in New York, during LaGuardia's campaign.

Senator Barkley. Did they all vote for LaGuardia?

Mr. Lovenbein. Yes; they had to vote for him, because that was a part of it.

Senator Barkley. That is what you mean by the Voters' League?

Mr. Lovenbein. We adopted a mandate, and the Voters' League as a whole was asked to go out and fight for it.

Senator Couzens. Are you organized in Michigan?

Mr. Lovenbein. Yes; and let me tell you this, that we had an organization, and Mr. Howell was with us, and he arrived in Chicago while we were having a meeting there, and during the American Legion convention we had a mass meeting, and at that convention the men took the stand it was against the bonus.

The Chairman. You may proceed with your statement, Mr. Lovenbein.

Mr. Lovenbein. I want to tell you the Voters' League is functioning now, and we only began during a campaign during which LaGuardia was running. We are really interested in seeing a bill passed in the Senate so that we can get it through the House, because if the bill reaches there and you have put too much in it, it will never get out of there, the conference committee will not get it out.

Senator Connally. What will not get to the House?

Mr. Lovenbein. Any bill that is too mixed up from the Patman bill. You might send the Vinson bill over there and it will not get through. You might try to get the Harrison bill through, but it will never get through the House.

Here are some of the things we might adopt in the Harrison bill and I think it will get through the Senate, if it could be added to the Patman bill. We are opposed to pensions, and that should go in, but I do not think that will stand only this one session, because there will be another session, and you might get a constitutional amendment, and then you could get it through.

If we do not get inflation I do not think the American people will stand for it. I will tell you what I intend to do. I represent a pretty good group, and I am going to ask at a meeting being held in the city of Detroit starting Wednesday—Father Coughlin is at the head of it, and I am going to ask him to speak for veterans on inflation. That word "inflation" is what we are going to use.

The Chairman. Have you taken it up with him?

Mr. Lovenbein. I have corresponded with him two or three times, and spoke to him 3 years ago at the Democratic convention in Chicago, and I am very strong for that. I am more interested in that than in the bonus, and I think the soldiers throughout the United States are more in favor of that than in favor of the bonus.

The Chairman. In other words, you are more in favor of the inflation idea in the bill than you are interested in the bonus?

Mr. Lovenbein. Yes; and I am going to use all of the phrases I can. Patman knows more than I do, but he has got a nice way of covering them up, and I cannot do it, but I am going to use all of these phrases I can.

The Chairman. Suppose you go ahead and tell us what you want.

Mr. Lovenbein. I had to appear one time in front of the Ways and Means Committee, and I came there as the representative of the rank and file of veterans. At that time I ran a neswpaper here in

Washington, and it was not an imaginary newspaper, because we had 150,000 paid subscribers.

Senator BARKLEY. What was that paper?

Mr. LOVENBEIN. It was called the "Soldiers Service and Marine." It was printed in 1919, and I originated the bonus with that particular paper. I started a campaign in the House, going around to half a dozen Congressmen with bills to introduce in the House and in the Senate. It was hard to find anyone in the Senate to introduce the bonus bill, but eventually we got Senator Groner, who was living at that time, to introduce the bill. Of course, other Senators wanted some other bill, like the Mott bill for homes, farms, and such, but finally we got it started, and the then Legion came out for it, but it was a whole year's work before any of them took it up.

There are two things I want used in the Harrison bill, if you can get them in, and if it passes it is all right. The Legion has already gone on record opposed to it.

If you gentlemen have inflation in there we will fight the bill and you will get more telegrams than you did on the World Court, or any other bill, and I am talking on the Vinson bill.

Senator CONNALLY. You mean if we should pass the Vinson bill through both Houses of Congress you would do what?

Mr. LOVENBEIN. We will ask the President to veto it, and I will ask every veteran I can get in contact with to oppose it.

Senator CLARK. The chances are you will exceed your wishes, too.

Mr. LOVENBEIN. If we get that it will prolong the depression another 4 years, and what I ask is the only thing for depression, which is inflation, and if you do not get it now, we have got to get it some way or other.

Senator CONNALLY. Suppose we issued 4 billions of new money and paid off this public works, would that suit you, as you say you do not want the bonus?

Mr. LOVENBEIN. You will not do that, so why talk about it?

Senator CONNALLY. I want to get your idea.

Mr. LOVENBEIN. You have already got a chance with the silver bill coming up, and you can go there with that.

Senator BARKLEY. If we passed the Patman bill and issued 2½ million dollars new currency, and withdrew that much already in circulation, would that suit you?

Mr. LOVENBEIN. They are not going to do that. It is all right to talk about it, but it is not going to happen. We need the money in circulation to keep going.

I did not expect I was going to take up so much time, but there are things we ought to bring out and settle here. If this committee gets through here and goes into executive session, you will not have any advice here, because you have only heard a lot of patriotic talk, which you have heard for the last 10 or 12 years. I don't know what the thesis will be tomorrow, but I know they will not be for the Patman bill or the Harrison bill, and if they do not get what they want they are not satisfied with anything except what they can get for themselves.

I feel we should settle it right here out in the open, in front of the committee.

The CHAIRMAN. Maybe we can settle it this afternoon.

Mr. LOVENBEIN. You should get one of the representatives of the Legion on the stand and make them agree to something, then we can be done.

Senator BARKLEY. What are the two things you would like to have now in the Harrison bill?

Mr. LOVENBEIN. I will be willing to go back to the day of my discharge and maybe you will allow me 2 years of interest, but in the Harrison bill we want only the inflation, not all of it. Then, of course, the pension for the next generation, that is all there, put that in, that won't amount to anything, but put it in.

I might as well close my testimony here.

The CHAIRMAN. Thank you, Mr. Lovenbein.

The committee will recess until 10 o'clock tomorrow morning.

(Thereupon, at 3:35 p. m., the committee recessed until 10 a. m., Tuesday, Apr. 23, 1935.)

PAYMENT OF ADJUSTED-SERVICE CERTIFICATES

TUESDAY, APRIL 23, 1935

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

The committee met, pursuant to adjournment, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), King, Walsh, Connally, Gore, Costigan, Bailey, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Couzens, Keyes, La Follette, Capper.

The CHAIRMAN. The committee will be in order.

Mr. John Thomas Taylor.

STATEMENT OF JOHN THOMAS TAYLOR, LEGISLATIVE COUNSEL, THE AMERICAN LEGION, WASHINGTON, D. C.

The CHAIRMAN. You may proceed, Mr. Taylor.

Mr. TAYLOR. Mr. Chairman and gentlemen, it is a pleasure for me once again to come before this Finance Committee which has over the many years considered this very implicate question of the payment of adjusted-compensation certificates, and I want at this time to express our appreciation for the opportunity accorded us today.

You have a number of bills before your committee dealing with this question, and for the record I would like to have set down the long and continued effort of the American Legion devoted to this legislation.

In 1919, a number of bills had been introduced in the House calling for the payment of what at that time they called a "bonus." That grew out of the fact that a number of States throughout the West had initiated so-called "bonus legislation." At that time Secretary Lane, who was Secretary of the Department of the Interior, was attempting to bring into effect a program which he had in mind for the veterans returning from overseas, and the veterans on this side too, to take up land settlement along the same general idea that had followed our previous wars, and just after the armistice the Secretary of the Interior had circulated post cards throughout the Army on this side and the Army on the other side, with the result that there were several million postcards which had come back indicating that men, the returning veterans, would be interested in taking up land.

At that time Secretary Lane sent for me to discuss this matter to see whether this newly created veterans' organization would be interested in having the veterans go out onto the lands in the far West. Also, at that time the vocational training for partially disabled men had gotten under way.

We were interested of course in the education for the young men, particularly the men who had been attending the universities and whose education had been suddenly stopped by their entrance into the war—we were particularly interested in seeing that they be given the chance to go back to school.

So, with those two problems, the propositions confronting us, we asked that the matter be delayed at least until the first convention of the American Legion to be held at Minneapolis on November 11, 1919. That convention adopted a resolution setting forth that this newly created veterans' organization would leave the entire matter with confidence to Congress.

As a result of that, upon our return here to Washington, the Chairman of the Ways and Means Committee requested the American Legion to draw up a bill, which we did. It called for land settlement, following Secretary Lane's idea. It called for home aid, to assist returning veterans to establish themselves in their own home communities. It called for educational advantages for the men whose education had been disrupted, and it called for a cash bonus.

That was called the "four-point plan." It was presented by the Legion—extensive hearings were held on it in 1920 and 1921.

The CHAIRMAN. What was the cash bonus at that time?

Mr. TAYLOR. $30 a month.

The CHAIRMAN. What was the aggregate amount?

Mr. TAYLOR. No aggregate. It was just $30 a month for every month of service.

The CHAIRMAN. The one that was in service for the full term, what would he receive?

Mr. TAYLOR. Some of them ran up as high as 30 months.

The CHAIRMAN. The average was what?

Mr. TAYLOR. Around about 14 months.

The CHAIRMAN. It would be somewhere around $400?

Mr. TAYLOR. Just about. At that time the argument was advanced that this legislation could not be enacted into law due to the fact that it would depreciate the price of Liberty bonds 15 percent, they said. The following year it was opposed by the then administration upon the ground that it would cause an increase in taxes.

Finally, the committee reported out a bill after extensive hearings and included in it what subsequently became the insurance provision, and at that time, sitting in the Ways and Means Committee room in executive session, we suggested that in order to encourage the men to take one of these other four options, that they be increased—or sweetened was the language I used—by 40 percent, and that was included in the bill that was reported. That bill was passed by the House and came over to the Senate and was passed there and was vetoed. The following year another bill was introduced and the thing dragged on through 1922 and 1923 until finally in 1924 all of the other options were deleted from the bill, and there was left nothing except that insurance provision.

And I say again, sitting in executive session of the Ways and Means Committee around the table talking about the thing, it was myself who suggested that since this 40 percent had been included in the previous provision and the previous bills to "sweeten" it as it was then said, that 25 percent be included in the bill then under consideration. That is how that 25 percent was put in the bill.

It was not put in because it was not going to be paid until 1945; it was not put in because of the lapse of 7 years. It was put in because we had put it in the original legislation at 40 percent.

So, on May 19, 1924, over the veto of the President, the adjusted-compensation bill was passed. It has been discussed here what it provided for. The average is a $1,000 certificate.

In 1921 and 1922 we had a sort of a depression. From 1924 on, the men who might have taken up home aid, the men who might have taken up other aid, the men who might have gone back to the colleges, had all settled themselves in the ordinary routine of life, and at that time the adjusted-service certificate in the form of an insurance policy appeared to the Congress to be the best thing that could be done, because they had in mind this: I think, that the average age of the man at that time, with little opportunity to accumulate anything, particularly with a family, at some future date there would be something on hand for him. That is why the adjusted-service certificate with the insurance feature was brought into existence. There was no necessity for any changes in that law until the depression came along. The borrowing capacity of the certificate, of course, was limited, because in the original legislation $112,000,000 was provided to accumulate earning interest, so that at the expiration of 20 years sufficient money would be on hand to pay off all of the certificates.

An error was made, I think, in the printing on the face of the certificate of the full amount that the man would get at the expiration of the 20 years, and yet I suppose that was necessary because the certificate also provided payment in case of death, and so they could not put in simply the amount of the adjusted-service credit increased by 25 percent. They had to put on the certificate the amount which would be due in case the certificate matured by reason of death, the amount that would come to the beneficiaries. But in doing that there is no question but that every veteran throughout the country had the impression when he received his certificate that the amount that the Government admitted that it owed him was the amount on the face of the certificate. And over the years, of course, with no information to the contrary, that impression has grown in the minds of the veterans.

The borrowing capacity, of course, did not start for 2 years. The entire adjusted-service credit was not deposited to purchase this insurance because only $112,000,000 was appropriated each year, and after the second year when it became possible to borrow any money, how much out of that $224,000,000 had actually gone in as the premium or part of the premium to pay for the ultimate cost of the insurance?

So that the borrowing capacity after 2 years was very, very small. I do not think there was very much borrowing for a long period of time, until along came the depression, and with the veterans out of work and veterans being of that age that they lost their employment perhaps a little sooner than others because they had been away from employment during the war, and coming back they were the last ones on, and so they were the first ones off. They, I think, were hit the hardest.

They required money, and immediately in 1929 and in 1930 there started some agitation for the immediate payment of the certificates. At that time there was never any question in the mind of the veteran but what the face value of the certificate as it appeared on the certificate was the amount of money that was coming to him.

In 1930 we had a convention at Boston and the question was brought up as to the attitude of the Legion and the Legion decided to take no action upon it.

January 1931 we called a meeting of our national executive committee, because bills had been introduced here before this Senate Finance Committee, and over on the House side calling for immediate payments, and Mr. Smoot, at that time Chairman of the Senate Finance Committee, and Mr. Hawley wanted the opinion of the American Legion, since the Legion represented the great body of veterans throughout the country. As a result of the national executive committee meeting, we decided that although the disabled man was the first problem of the Legion, that unquestionably the payment of the adjusted-compensation certificates would help business at that time in 1931. Out of that, of course, came the Loan Act, increasing the loan value to 50 percent.

I think then that every veteran who borrowed 50 percent thought that he was borrowing 50 percent of the face value of the certificate and that it would be charged against the certificate. I do not think that they had very much of an idea that they were going to be obliged to pay interest on that 50 percent, and that ultimately the paying of interest would consume the balance of the certificate. That is one of the things that has disturbed the Legion; it is one of the things that has disturbed the veterans most.

The CHAIRMAN. The question of interest, though, at that time was discussed, was it not?

Mr. TAYLOR. Yes; it was discussed. It was discussed before the committee and it was discussed by us, and we understood it. No question about that. But out in the country, the millions of veterans in the remote sections of the country did not understand it. Things that are done here in Washington in veterans' legislation, by the time they are a hundred or two hundred miles from Washington, the veteran does not understand it. The only thing he gets is what the newspaper carries as a story.

The CHAIRMAN. Your official organ of the American Legion and other ex-service magazines and periodicals carried the information to the legionnaires and others.

Mr. TAYLOR. The most that they actually thought at that time was that the veteran could borrow 50 percent on his adjusted-service certificate. I do not think anyone foresaw at that time that this question of cancelation of interest would come up as it has come up during consideration of this legislation. There was no necessity for explaining that to them. Unquestionably when they made the loans there was some explanation. It must have been when they made the application, but the fact of the matter is——

Senator KING (interposing). They could not expect, could they, to borrow money without paying interest?

Mr. TAYLOR. Senator, they had an idea not that they were borrowing money, but that this was a partial payment, a payment of one-half of the amount of their adjusted-compensation certificates, and it was to be charged against the face value of the certificate. Unquestionably that was in the minds of most of the veterans. That was in 1931, and 85 percent of the veterans took advantage of that legislation.

The condition continued. So far as the Legion is concerned, we took no action on it at Detroit, but at Portland we did adopt a resolution calling for the immediate payment of the face value of the certificates. You will recall at that time of the so-called "bonus marchers" down in Washington, the new session of Congress came in in March 1933, and with it the Economy Act which made it impossible, of course, for any veterans' organization to present payment of adjusted-compensation legislation. The problem of the disabled men was occupying the attention of all of the veterans throughout the country, and no one would dare suggest or propose at that time that adjusted-compensation certificates be considered and paid in full.

The Legion at Chicago considered the matter and passed no resolution upon it, and finally at Miami here last October the Legion did adopt a resolution calling for the immediate payment of the adjusted-compensation certificates at maturity value, with a cancelation of interest and the refund of any interest that has been paid, and the extension of time for filing of applications.

Senator BLACK. Has that resolution been put into the record?

The CHAIRMAN. Yes; that ought to go in the record.

Mr. TAYLOR. The national commander, Senator Black, will put it in the record. I am just making the preliminary remarks in order to present to you the national commander, Frank N. Belgrano, Jr., who will discuss this problem from any phase that you gentlemen desire.

In the meantime there had been presented to Congress a bill calling for the full payment, known as "H. R. 1", a bill which, in addition to calling for payment of the certificates, provides a method for raising the revenue. Through the years when the Legion has come before this committee with the original adjusted-compensation act, and on all other legislation the Legion has proposed, never have we undertaken to direct Congress how the money should be raised and how it should be financed. We have considered that that is the prerogative of the Congress itself.

The legislation H. R. 1 which was passed in the House, came up before your committee and was rejected by your committee, unfavorably reported to the Senate. Eventually it was brought to a vote and defeated by a vote of 60 to 28. Every time that that particular bill containing that particular method of raising revenue by expension of the currency, every time it has come before the Senate, either originally or as an amendment to pending legislation, it has been defeated. The largest vote that it ever received in the Senate was 31 votes.

After the Miami convention, the American Legion prepared its own bill, known as the "Vinson American Legion bill, H. R. 3896", and had it introduced in the House. The national commander will direct his remarks to the bill. It carries out specifically the mandate of the American Legion Convention calling for the immediate payment of the certificates at their maturity value, calling for the extension of time for the filing of applications, and the cancelation of interest. True, it does not call for the refund of interest that has been paid. That was proposed before the committee and the sponsor of the bill, Mr. Vinson, advised us that he brought it up in executive session of the committee.

So, with that exception, the bill carries out specifically the mandate of the Miami convention, and I desire at this particular point, Mr. Chairman, to have it put in the record for the consideration of this committee when it will take up this legislation.

The CHAIRMAN. That will be done.

(The same is as follows:)

[H. R. 3896]

A BILL To provide for the immediate payment of World War adjusted-service certificates, to extend the time for filing applications for benefits under the World War Adjusted Compensation Act, and for other purposes

Whereas the immediate cash payment of the adjusted-service certificates will increase tremendously the purchasing power of millions of the consuming public, distributed uniformly throughout the Nation, and will provide relief for the holders thereof who are in dire need and distress because of the present unfortunate economic conditions; and will lighten immeasurably the burden which cities, counties, and States are now required to carry for relief; and

Whereas the payment of said certificates will not create any additional debt, but will discharge and retire an acknowledged contract obligation of the Government; and

Whereas since the Government of the United States is now definitely committed to the policy of spending additional sums of money for the purpose of hastening recovery from the present economic crisis, the immediate cash payment at face value of the adjusted-service certificates, with cancelation of interest accrued and refund of interest paid, is a most effective means to that end: Therefore be it

Enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding the provisions of the World War Adjusted Compensation Act, as amended (U. S. C., title 38, ch. 11; U. S. C., Supp. VII, title 38, ch. 11), the adjusted-service certificates issued under the authority of such Act are hereby declared to be immediately payable. Payments on account of such certificates shall be made in the manner hereafter provided in this Act upon application therefor to the Administrator of Veterans' Affairs, under such rules and regulations as he may prescribe, and upon surrender of the certificates and all rights thereunder (with or without the consent of the beneficiaries thereof). The payment in each case shall be in an amount equal to the face value of the certificate, except that if, at the time of application for payment under this Act, the principal with respect to any loan upon any such certificate has not been paid in full by the veteran (whether or not the loan has matured), then, the Administrator shall (1) pay or discharge such unpaid principal in such amount as is necessary to make the certificate available for payment under this Act, (2) deduct the same from the amount of the face value of the certificate, and (3) make payment in an amount equal to the difference between the face value of the certificate and the amount so deducted.

SEC. 2. In the case of each and every loan heretofore made pursuant to law by the Administrator of Veterans' Affairs and/or by any national bank, or any bank or trust company incorporated under the laws of any State, Territory, possession, or the District of Columbia, upon the security of an adjusted-service certificate, any interest that has been or, in consequence of existing law, would be charged against the face value of such certificate either shall be canceled or not so charged, as the case may be, notwithstanding any provision of law to the contrary. Any interest on any such loan payable to any such bank or trust company shall be paid by the Administrator of Veterans' Affairs.

SEC. 3. (a) An application for payment under this Act may be made and filed at any time before the maturity of the certificate (1) personally by the veteran, or (2) in case physical or mental incapacity prevents the making or filing of a personal application, then by such representative of the veteran and in such manner as may be by regulations prescribed. An application made by a person other than a representative authorized by such regulations shall be held void.

(b) If the veteran dies after the application is made and before it is filed it may be filed by any person. If the veteran dies after the application is made it shall be valid if the Administrator of Veterans' Affairs finds that it bears the bona fide signature of the applicant, discloses an intention to claim the benefit of this Act on behalf of the veteran, and is filed before the maturity of the certificate, whether or not the veteran is alive at the time it is filed. If the death occurs after the application is filed but before the receipt of the payment under this Act, or if the application is filed after the death occurs but before mailing of the check in payment to the beneficiary under section 501 of the World War Adjusted Compensation Act, as amended, payment shall be made to the estate of the veteran irrespective of any beneficiary designation.

(c) Where the records of the Veterans' Administration show that an application, disclosing an intention to claim the benefits of this Act, has been filed before the maturity of the certificate, and the application cannot be found, such application shall be presumed, in the absence of affirmative evidence to the contrary, to have been valid when originally filed.

(d) If at the time this Act takes effect a veteran entitled to receive an adjusted-service certificate has not made application therefor he shall be entitled, upon application made under section 302 of the World War Adjusted Compensation Act, as amended, to receive, at his option, either the certificate under section 51 of such Act, as amended, or payment under this Act.

SEC. 4. Subdivisions (b) and (c) of section 302, section 311, subdivision (b) of section 312, section 602, and subdivision (b) of section 604 of the World War Adjusted Compensation Act, as amended (U. S. C., Supp. VII, title 38, secs. 612, 621, 622, 662, and 664), are hereby amended to take effect as of December 31, 1934, by striking out "January 2, 1935" wherever it appears in such subdivisions and sections and inserting in lieu thereof "January 2, 1940".

SEC. 5. There is hereby authorized to be appropriated such amounts as may be necessary to carry out the provisions of this Act.

SEC. 6. This Act may be cited as the "Emergency Adjusted Compensation Act, 1935."

Mr. TAYLOR. The Ways and Means Committee held exhaustive hearings on this legislation. There were 27 bills pending before the Ways and Means Committee, and after those hearings, the Ways and Means Committee by a vote of 23 to 1 reported this Vinson bill, H. R. 3896. When it came before the House it came under a very special and particular rule. H. R. 1, the bill containing the expansion of currency provision, had never had any hearings before any committee in either the House or the Senate so far as its monetary changes were concerned. It was therefor not germane to this legislation on the floor of the House, and so a special rule was necessary. That rule provided that when H. R. 3896 came up for consideration, that all bonus bills could be offered as amendments on the floor of the House.

That was subsequently done, and H. R. 1 was offered as a substitute, and on the motion to recommit, gentlemen of this committee, which was the final motion made on this particular issue, on motion to recommit, the Vinson-American Legion bill carried by a vote of 205 to 204, and at that moment three Members of the House arose and went down into the well of the House and then changed their votes. One had already voted for the Vinson bill, and the other two had voted present. The result was that the vote finally, as brought out here yesterday, was 207 to 204, and within 5 minutes after that motion to recommit, these same three gentlemen voted on the final passage of the bill against its final passage.

So I say to you that the Vinson bill carrying out specifically the mandate of the American Legion convention was reported favorably by the Ways and Means Committee by a vote of 23 to 1, and on that motion to recommit, which was the important motion, carried in the House by a vote of 205 to 204. And I think that demonstrates the attitude of the House so far as this legislation is concerned.

We of the Legion do not contend or hold ourselves out as persons with monetary experience. What we objected to, so far as H. R. 1 was concerned, was that it contained within its provisions a method of financing which had been before this committee, which had been before the Senate, and which every time it had been before the Senate had been defeated. It was our firm belief then, and it is our firm belief now, that that bill can never be passed in the Senate, and therefore it never can become the law, and therefore the veterans will never be paid, under the terms of that bill, the face value of their certificates, and this adjusted-compensation legislation will still be bothering us.

I know that it is the wish of the Senate and the wish of the members of this committee to in some way dispose of this legislation For 16 years now it has been before the Congress. It has almost become a political football. Every time an election comes around the question of the payment of the bonus is dragged into the campaign, and this truly now is the time to dispose of this vexatious question once and for all.

I was very much interested yesterday when the question came up and the Senator from Alabama, my good friend Legionnaire Black, asked the question as to the issuance of bonds and the issuance of currency against the bonds, and he certainly gave me the impression that if the Vinson bill was enacted into law that that would provide an opportunity for the issuance by the banks of some $2,200,000,000 or some $2,500,000,000 of currency. I want to say this: Senator Black, under an order several months ago issued by the Secretary of the Treasury, Mr. Monganthau, national banks can no longer obtain currency or issue currency against securities, and by July of this year all national-bank currency will have been withdrawn from circulation. So that under the terms of our proposal, national banks cannot issue currency against any securities. I know that you would want to know that.

Senator BLACK. The law provides that they can.

Mr. TAYLOR. Senator, under the order just issued within the past 4 weeks by the Secretary of the Treasury, all national-bank currency is withdrawn, and by July it all will have been withdrawn.

Senator CLARK. You do not contend that the Secretary of the Treasury has the right to repeal an act of Congress by executive order?

Mr. TAYLOR. I understand that the Secretary of the Treasury has the right to issue rules and regulations relative to the withdrawal of national-bank currency from circulation, which he has done.

The CHAIRMAN. Mr. Morgenthau will be on the stand this morning.

Mr. TAYLOR. Fine.

The CHAIRMAN. Proceed, please.

Mr. TAYLOR. This question has undoubtedly reached the far corners of the country. Twenty-six State legislatures have now passed resolutions calling upon Congress to enact this legislation for the payment of the adjusted-compensation certificates. The business men throughout the country are interested in seeing the certificates paid, and it was upon the basis of being a benefit to the recovery program that the resolution was drafted at the Miami convention.

I have with me today, Commander Belgrano and the members of the national legislative committee. I have nothing further to say. I just wanted you gentlemen to recall, before Commander Belgrano speaks to you, the history of the legislation, and the manner in which this legislation—and you know Senator King, for you were a member of the committee at the time—that ever since the beginning of that time we were and we still are vitally interested in seeing that this legislation is carried to its fulfillment. We are before you today asking for favorable consideration of legislation which will carry out our program as adopted at Miami, and with those few words, unless there are some questions, I would like to present to the committee Frank N. Belgrano, Jr., the national commander of the American Legion.

The CHAIRMAN. All right; Mr. Belgrano.

STATEMENT OF FRANK N. BELGRANO, JR., NATIONAL COMMANDER THE AMERICAN LEGION, INDIANAPOLIS, IND.

Mr. BELGRANO. Mr. Chairman and honorable gentlemen of this committee, much has been said with reference to the Legion's position with reference to this important legislation. Many discussions have been had concerning the mandate of the Miami convention and the Legion's action in supporting the so-called "Vinson-Legion bill" in the House. I would like first to introduce to the record the resolution adopted at the Miami convention last October.

The CHAIRMAN. That may be put in the record.

Mr. BELGRANO. That resolution is as follows [reading]:

Whereas the immediate cash payment of the adjusted-service certificates will increase tremendously the purchasing power of millions of the consuming public, distributed uniformly throughout the Nation; and will provide relief for the holders thereof who are in dire need and distress because of the present unfortunate economic conditions; and will lighten immeasurably the burden which cities, counties, and States are now required to carry for relief: and

Whereas the payment of said certificates will not create any additional debt, but will discharge and retire an acknowledged contract obligation of the Government: Now, therefore be it

Resolved, That since the Government of the United States is now definitely committed to the policy of spending additional sums of money for the purpose of hastening recovery from the present economic crisis, the American Legion recommends the immediate cash payment at face value of the adjusted-service certificates, with cancelation of interest accrued and refund of interest paid, as a most effective means to that end.

Senator BLACK. I would like to ask one or two questions at this point before you leave it. Who drew that resolution, do you know, Mr. Belgrano?

Mr. BELGRANO. Yes, sir. That matter came up, Mr. Senator, before the legislative committee. That committee consisted of one gentleman representing each department of the American Legion. The chairman of the committee was Mr. Raymond Kelly, of Detroit.

The committee determined to have a subcommittee appointed to consider this question solely, and that subcommittee consisted of nine members. The nine members of that subcommittee were as follows: Harry Colmery, of Kansas; the Honorable Wright Patman, of Texas; Col. J. M. Johnson, of South Carolina; Samuel Reynolds, of Nebraska; Lionel G. Thorsness, of Illinois; Walter J. Kress, of Pennsylvania; S. B. Corr, of Wisconsin; Harry Benoit, of Idaho; and Edward N. Scheiberling, of New York.

Senator BLACK. Just one other question; I do not want to delay you. I was not there, but I understand that there was a controversy up on the floor and all around as to whether they would recommend the Patman bill or some other bill, and after all of this controversy was up, this committee took up the question and drew up this resolution which simply provided for payment without specifying in any manner what program of payment the Legion should adopt?

Mr. BELGRANO. That is my understanding, and following this discussion, wherein the officers of the American Legion and particularly the national legislative committee were condemned in the presentation of that bill calling for the immediate payment, as the legislative committee believed it to be the legislative translation of this resolution, and one of these gentlemen, Mr. Kress, of Pennsylvania, determined that he would write a letter to the other eight remaining members of this committee who in fact formulated the language of this resolution. As I understand it, there were only 3 or 4 words changed in that resolution when finally presented by the committee of the whole. That is that section that says: " Since it is the policy of the Government " was inserted for a section which said: " if the Government desires to continue this program."

Senator CONNALLY. May I ask a question right there? As a matter of fact, your resolution really though, in effect, is an endorsement of the Patman bill, is it not?

Mr. BELGRANO. No; I do not think so, Senator.

Senator CONNALLY. It says " without increasing the public debt." It certainly would increase the public debt if you paid the full amount now and pay interest on that until 1945.

Mr. BELGRANO. The position of the Legion is that the adjusted-service certificates today is an obligation of the United States Government.

Senator CONNALLY. It is; of course.

Mr. BELGRANO. And that in the retirement of that obligation you do not increase the national debt.

Senator CONNALLY. No; you do not if you pay the present value of it, but if you pay the present value now and then pay 4 percent or 3 percent on that present value in the way of interest until 1945, you will increase the public debt by the amount of that interest.

Mr. BELGRANO. First of all, the position of the Legion is that the need for the reformation of the original contract is due to the fact that the debt is already due.

Senator CONNALLY. Why don't you Legion men come in, instead of talking about paying these certificates at face value, and ask to wipe it all out and start all over? Disregard the whole plan and adopt a new plan?

Mr. BELGRANO. We are asking to reform that contract and correct the errors and pay the certificates in full.

Senator CONNALLY. You are really asking us to reform it entirely. That is what you are asking us to do. What you want us to do is reform it and write a new bonus contract.

Mr. BELGRANO. We believe that if the committee will reform it and correct the errors and pass it that in itself—we use the term in this way, in payment of the certificates in full—we thoroughly believe that in the reformation of the contract that the amount determined will equal at least the amount of the certificate as it has been presented to the veterans of the country.

Mr. BELGRANO. I am the national commander of the American Legion.

Senator CONNALLY. In private life, you are a banker?

Mr. BELGRANO. Before October 25, 1934, that was my line of business.

Senator CONNALLY. If you had a man bringing you a note to your bank that was issued and due in 1945, was it the practice of your bank to pay in full at present, and then carry that note until 1945 without any interest?

Mr. BELGRANO. Mr. Senator, in the first place I think that you fully realize that the reason that I appear before this committee today is to represent the men of the American Legion.

Senator CONNALLY. Certainly.

Mr. BELGRANO. As national commander of the American Legion, I may say that from what little I know concerning that sort of a situation, that first of all I think the men would be paying the bank instead of the bank paying the men, if I understood your question; but certainly in these days I find that all businesses, whether banking or otherwise, have found it necessary to reform their contracts and to fit their position with reference to the needs of the other man who is on the other end of the note if you desire to make collection. It is not a new thing at all in days like these to change the principal sum of any obligation or to change the terms of the rate of interest, and we find it even in using some of the facilities given to us by this Government of ours to help these people who are destitute, that many times institutions who are in the business of lending money must take a discount on many occasions to comply with the regulations made.

Senator Black, in further answer to your question in connection with this entire controversy as to whether or not this resolution translated into the Vinson bill was the sense of that meeting, the gentleman from Pennsylvania, Walter Kress, determined to have an expression from the eight members of that committee, the ninth being the Honorable Wright Patman. And this letter was submitted and inserted in the records of the House Ways and Means Committee, signed by each of the other eight members of that committee [reading]:

There has been called to our attention a statement issued by the Honorable Wright Patman, a member of the convention legislative committee of the American Legion, which met in Miami and drafted the resolution relative to the immediate payment of the adjusted-compensation certificates. This statement was also made in the form of a speech delivered by Congressman Patman from the floor of the House on Wednesday, January 30, in which the Congressman makes a statement that that portion of this resolution in the following language: "Whereas the payment of said certificates will not create any additional debt but will discharge and retire an acknowledged contract obligation of the Government", is in fact an endorsement of his bill, H. R. 1.

This is a positive misstatement of fact, as Congressman Patman is fully aware of the purpose of writing this language into the resolution. The fact of the matter is that the method of financing the payment of this obligation or the endorsement of any specific way to effectuate this purpose was never at any time discussed by the committee.

The sole purpose of the use of this language, as Mr. Patman well knows, was to draw a distinction between the expenditure of Government money, thereby creating a new debt in the various forms of relief which had been carried on during the previous year and which it was expected would be continued during the coming year and which would not discharge any existing obligation of the Government, as against the payment in full of the adjusted-compensation certificates which was, and is, an acknowledged debt of the Government.

Mr. Patman approved the use of this language, knowing full well its intent and purpose, and his efforts and action now to read into it a construction which he personally knows was never contemplated by the members of the committee which approved it in our opinion is a deliberate attempt to mislead the Members of Congress and to misinterpret the specific mandate of the Miami convention.

The sole and only purpose of the resolution adopted at Miami was to express the will of the convention calling for the immediate payment of the adjusted-compensation certificates.

Senator BLACK. That is what I understood, Mr. Belgrano. That convention endorsed neither plan. It was known that Mr. Patman had one idea and others had other ideas. And Mr. Pritchard, of Alabama, made a speech on the subject setting forth that that was the situation with regard to it.

Mr. BELGRANO. As I understand it, it was Mr. Pritchard who changed the language that I referred to a moment ago.

Senator BLACK. As a matter of fact, the whole object and purpose of what those people voted for at that time was for payment and not for payment according to either the Patman method or the method now proposed or any other method?

Mr. BELGRANO. That is correct.

Senator BLACK. Thank you.

Mr. BELGRANO. Much has been said, Mr. Chairman and members of the committee, as to the officers' action in the legislative committee in preparing the so-called "Vinson bill" and presenting this bill to the Congress of the United States. I should like to say that my experience in the American Legion dates back to the time that I became a charter member of my post, its first adjutant. Going through the chairs of that post, becoming its commander, and then district commander, county commander, and department commander, and serving all through the various committees until I was honored in having been elected unanimously the national commander of this organization. My experience, therefor, has been an experience of going through the rank and file of this organization, and I really believe that I understand the organization probably better than anyone during the last number of years.

I have just completed a trip covering some 30 States of the Union, a trip that gave me an opportunity to not only speak to the veterans, members of all organizations and particularly the members of the American Legion, but to speak to the business men of many, many communities. In my opinion, the veterans and the business men today are anxious to see this most troublesome question disposed of. They thoroughly believe that there is a justification in requesting recommendation of the veterans today that this certificate be paid in full with cancelation of interest accrued and a refund of interest paid.

Much has been said concerning the activities of the national commander, that he is only the expression of those Legionnaires who meet in the larger communities. For your information I should like to say that in this most recent trip, covering some 3,500 miles, I not only did stop at the larger communities, but I stopped at every crossroad wherein there was a Legion post situated. As an example, in the last 2 days of my trip in North Carolina, I stopped at 7 places on Easter Sunday and made 10 talks and stopped at 10 of various posts on the Saturday preceding that Easter day.

Therefore I can truly give you an expression of what I consider the rank and file of this organization. The rank and file of this organization today stand behind the American Legion in its efforts to encourage the passage of a law which in fact will once and for all dispose of this question, and pay these certificates at the full face value.

Colonel Taylor suggested a moment ago concerning the Vinson bill that it did not carry with it the provision calling for the refund of interest paid. I personally appeared before the House Ways and Means Committee and respectfully requested that that committee give serious consideration to adding to that bill a clause calling for the refund or payment of interest already paid by the veterans. The committee did not consider the question favorably and therefore it is not in the bill.

Following the action of the House of Representatives, the officers of the American Legion had two courses to pursue; one was to determine for themselves the course to be followed before this honorable body, and the other was to assume the prerogatives given to us by our national constitution of the American Legion, which provides that there is a sole governing body of that organization during the interim between national conventions. I decided to use those prerogatives, and following the language of the constitution, I called a special meeting of the national executive committee of the American Legion, wherein all of the States of the Union were represented, with the exception of one, by their duly elected national executive committee members. At that meeting this entire matter was discussed, and, of course, H. R. 2896, the bill which passed the House of Representatives, was thoroughly discussed, and following a full day of discussion, that committee unanimously voted the following resolution:

The national executive committee of the American Legion states:

That the national executive committee of the American Legion in special session duly assembled at national headquarters in the city of Indianapolis, Ind., on this the 2d day of April 1935, does hereby express its full approval of the effort extended and action taken by National Commander Frank N. Belgrano, Jr., and the national legislative committee in support of and in endeavoring to carry out the mandates of the Miami convention and particularly that relating to the payment of the adjusted-service compensation certificates.

1. That all World War veterans have a right to expect that their adjusted-service certificates will be paid in full at this time at face value and with cancelation of interest accrued and refund of intere t paid.

2. This organization is not concerned with the merits or demerits of inflation or in any other controversial question that is not within the scope of the activities of the American Legion.

3. Believing that the only bill which is reasonably assured of final passage is one which includes no other question than the immediate payment of the adjusted-service certificates, the national commander, and the national legislative committee are directed to diligently pursue such a course as should ultimately effect the passage of this type of bill at this session of Congress.

The CHAIRMAN. When was that meeting held, Mr. Belgrano?

Mr. BELGRANO. On the 2d of April 1935.

Senator CLARK. That was after the bill had passed the House?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. I would like to ask you a question.

Mr. BELGRANO. Yes, sir.

Senator BAILEY. The resolution stated that the committee was not at all concerned about the merits or demerits of inflation?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. Are you? You are a banker.

Mr. BELGRANO. I am the national commander of the American Legion; this is the mandate that I hold, given to me by the elected representatives of every department; therefore the only expression of thought that I can have is the thought or the expression directed to me by those who were duly elected and representatives of the organization.

Senator BAILEY. I understand that; but you are here before us. I would not unduly press you if you do not care to state. That is all right with me. Are you indifferent as to inflation? You are a banker.

Mr. BELGRANO. I will answer the question very promptly. The American Legion is not concerned with the merits or demerits of inflation or any other controversial question that is not within the scope of the activities of the American Legion.

Senator BAILEY. I understand that perfectly, and I make no complaint about that. And I can understand why. But I am asking you as a banker. You are a member of the Legion. Will your inform the committee of your views as to inflation?

Mr. BELGRANO. I would not desire to answer that question in that form, because I believe that those who are acquainted with our organization fully realize that those who are given the honor of leading it in the office of national commander are elected to only express the desires and wishes of the members of that organization and not to express their own, either in a business way or a personal way.

Senator CONNALLY. You cannot divest yourself, though, of your own convictions or views of these things?

Mr. BELGRANO. I think, Mr. Senator, that that is the easiest thing to do.

Senator CONNALLY. It would be the easiest thing for us to do, to divest ourselves of any sense of responsibility, too, but we cannot do it.

Mr. BELGRANO. I should like to know how one could divide himself and be thinking along one line at one moment and another line at the other when his responsibility is simply to carry out the responsibility given to him.

Senator BAILEY. You appreciate the fact that the members of this committee must be concerned about inflation.

Mr. BELGRANO. Mr. Senator, it seems to me that there are competent gentlemen throughout the United States that might be very happy to give you the benefit of their views concerning this question, men who represent in an official capacity those institutions. Today and during this year I have only one body to represent, and that body is the members of the American Legion.

Senator BAILEY. I am asking you now, do you not expect us to consider those things, or do you expect us to be indifferent as to inflation?

Mr. BELGRANO. I thoroughly appreciate the fact that this committee will take into consideration that question and all questions affecting this legislation.

Senator BAILEY. Do you think we should?

Mr. BELGRANO. I certainly do.

Senator CONNALLY. Mr. Chairman, I want to ask a question. When your executive committee met out in Indianapolis, you say it has the authority to act in the interim between conventions?

Mr. BELGRANO. Yes, sir.

Senator CONNALLY. But it has no authority to undo or to modify or to change anything that the convention itself does?

Mr. BELGRANO. No, sir.

Senator CONNALLY. All right. This resolution which was passed in Miami, you admit that that was susceptible of being in support of either the Vinson bill or the Patman bill, because it does not say anything about inflation, it does not say anything about anything except the immediate payment of the bonus?

Mr. BELGRANO. I do not agree to that at all, Senator, that it would be applicable to the Patman bill.

Senator CONNALLY. You answered Senator Black a while ago and admitted, as I thought you did, that it did not support either plan but it just simply made a straight-out demand for immediate cash payment.

Mr. BELGRANO. It recommended the immediate payment of the certificate, supporting no bill whatsoever.

Senator CONNALLY. Exactly. That is what I am getting at. If that resolution did not support any bill but it voiced the expression of the Legion, what authority did your executive committee have out in Indianapolis to adopt another resolution which in effect modified and abrogated that resolution passed by the convention itself?

Mr. BELGRANO. First of all, Mr. Senator, the convention as you remember was held in October and the resolution was passed recommending the immediate payment. The usual thing. There were no bills at that time presented, either the Vinson or the Patman bill or any bill, at that convention. The first duty of the national legislative committee and the officers of the Legion following the November meeting of the executive committee when it would determine what resolutions will be given priority as the major objective of the Legion, is for the legislative committee to translate into legislative language all of the resolutions passed at that convention, and therefore the Vinson bill became the translation of that mandate adopted in October at Miami.

Senator CLARK. Is not this the situation, that the national convention adopted forthright declaration in favor of the immediate payment of the bonus, and the objection of the national executive committee at Indianapolis this month to the Patman bill was that the

Patman bill went beyond the declaration of the American Legion and interjected another highly controversial subject into the purpose set out in the Legion's resolution at the national convention?

Mr. BELGRANO. I think that is correct, Senator.

Senator CONNALLY. All right. Let us see if it is. You just admitted that all that you asked for was the immediate payment?

Mr. BELGRANO. That is right.

Senator CONNALLY. But you have gone further than that, because you are now coming in and saying, "We won't have immediate payment under the Patman bill but we will have it our way under the Vinson bill": is that not true?

Mr. BELGRANO. We present before you the translation——

Senator CONNALLY (interposing). What right have you to translate the resolution of the convention itself, which the convention itself passed? Is that not clear enough?

Mr. BELGRANO. We have no other way to present it to the Congress, Mr. Senator.

Senator CONNALLY. Could you translate it in any other way except the way it reads? It ought to mean exactly what it says, and what right have you after the convention adjourns and the delegates all go home, what right have you, as the national executive committee, to come along and translate that into something else?

Mr. BELGRANO. We have every right, because the national legislative committee following each national convention presents bills to the Congress of the United States or suggests the presentation of bills that comply with the mandates of that convention.

Senator CONNALLY. Could you not translate that just as easily into support of the Patman bill if you wanted to?

Mr. BELGRANO. No, sir.

Senator CONNALLY. It would not mean the same thing?

Mr. BELGRANO. No, sir.

Senator CONNALLY. Why?

Mr. BELGRANO. For the simple reason that the Patman bill did not conform to the resolution in having tied to it another question that had nothing to do with the desires of the American Legion.

Senator CONNALLY. The Patman bill gives immediate payment of the bonus, and that is what you asked for in your resolution at Miami.

Mr. BELGRANO. That portion of the Patman bill——

Senator CONNALLY (interposing). That is all you were concerned with, was immediate payment, in that resolution. You said yourself it did not make any difference, that all that you want was immediate payment. The Patman bill does that. Why couldn't you have translated that resolution into support of the Patman bill as well as the Vinson bill?

Mr. BELGRANO. Because the Patman bill had a clause adding to the calling for the immediate payment of the adjusted-service certificate a mode of payment, and the American Legion in all of its experience before the Congress of the United States recommending the vast expenditures of sums of money for payment of compensation to those who were deserving, for the building of these hospitals throughout this land of ours, has never at any time endeavored to suggest to the Congress of the United States the mode of payment. We have always presented ourselves on the justice of the recommendation presented and we use the usual language that has been used in all of the bills we have been interested in calling for the authorization of funds necessary to make the act effective.

Senator CLARK. The theory of the committee, as I understand it, Mr. Belgrano, is that by injecting into this bill another and different and highly controversial subject that the whole accomplishment of the Legion's purposes was very seriously endangered, just as much as it would have been perhaps not to the same degree, but in the same way that it would have been endangered if they had injected the Townsend plan or any other separate and highly controversial subject into the bill?

Mr. BELGRANO. I am certain that the result has proven that. That, however, was not the reason for having had the Vinson bill introduced. The reason for having the Vinson bill introduced is that it conformed exactly——

Senator CLARK (interposing). I am speaking of the action of the committee in Indianapolis in the month of April.

Mr. BELGRANO. That is correct.

Senator CONNALLY. You said a while ago that you were perfectly indifferent to inflation or no inflation, that you were not concerned with that at all. Is not your true attitude if you want to represent the true attitude of the Legion at Miami, to come up here and say, "We do not care which plan you adopt? Why don't you just do it, and we do not care whether you inflate or do not inflate. Pay us in full and that is all we ask."

Mr. BELGRANO. The American Legion has given notice on many occasions, Mr. Senator, that of course it will accept the decision of the Congress of the United States as to the mode of payment. It is not involving itself as to how these funds should be raised. The Congress itself can determine that. We are asking you to determine whether or not there is justice in the recommendation of the veterans calling for the immediate payment at this hour and then if we are successful in proving that point to the members of this committee and to the Congress itself, that Congress can determine the mode of payment in dispensing with these certificates.

Senator BAILEY. Now, let me ask you about that. You are putting it on a matter of simple justice?

Mr. BELGRANO. Yes.

Senator BAILEY. You do not want to get into any controversies about inflation?

Mr. BELGRANO. That is right.

Senator BAILEY. In the passage of that resolution and in your own view here as representative, are you able to tell us whether those who are responsible for the resolution, on the council, looked into it from the standpoint of the whole country, the condition of the Treasury and what might follow from the immediate payment, or did you just look into it from the standpoint of simple justice to yourselves?

Mr. BELGRANO. They looked into the question first of justice in making the recommendations for the payment.

Senator BAILEY. That is justice to themselves, that it was a just claim.

Mr. BELGRANO. Whether they were in a position to justify their recommendation at all for the payment of the certificates, and then they took the position that since it was the policy of the Government today to spend billions of dollars for recovery and relief measures, that this was a measure by which the Government could continue their relief and recovery program and at the same time retire this long past due obligation to those who wore the uniform. So they took into consideration both of the questions involved.

Senator BAILEY. That is two phases. Grant that it is just to the soldiers; that the policy of the Government in spending large sums is a further argument for paying the soldiers. Now, looking to the other aspects of it, did you look into the other aspects? Do you know, for example, what the national debt is today?

Mr. BELGRANO. I do not know today. I would be glad to be informed.

Senator BAILEY. Well, can you approximate it?

Mr. BELGRANO. I understand it is approximately 28 billion. Is that correct?

Senator BAILEY. Do you know how much of that will be added to it by this present Congress?

Mr. BELGRANO. I understood that there was a bill passed calling for $4,880,000,000, and, Mr. Senator, if you do not mind, I do not believe that the national commander of the Legion was asked to appear at that time to say whether it should have an inflationary clause added to that bill. I know that has been passed.

Senator BAILEY. That would make it 33 billion?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. Now we have a bill in process of passing today for one billion. That is 34. Now, the soldiers, if we pay them in full at once, that would be at least two billion, would it not?

Mr. BELGRANO. About $2,100,000,000.

Senator BAILEY. That would be 36 billion. That is what we have on our hands to deal with, a 36-billion debt as against the 16-billion debt in 1929. That is an increase of 17 billions in the debt. I am not arguing but I am asking you, did you take all of that into consideration?

Mr. BELGRANO. When the resolution was passed at Miami, we considered that the debt was approximately 28 billion——

Senator BAILEY (interposing). I will give you the information that was in the paper today, that the actual bonded and note debt is $28,150,000,000. That is correct. That is as of March 31, 1935. So you can take that as your starting point.

Mr. BELGRANO. When the resolution was passed it was known that the national debt was approximately that much money.

Senator BAILEY. We have a contingent debt which we can not state in terms. But I am just asking you, did you take into consideration that factor in the matter?

Mr. BELGRANO. When the resolution was adopted, that matter was taken into consideration. Of course there was no way to know what the new legislation would call for except that I think that it was generally understood that it would call for an additional debt rather than the retirement of any.

The CHAIRMAN. All right, Mr. Belgrano; proceed.

Senator BLACK. Just one other question. Did you also take into consideration the fact that the Government has already admitted that it owed this $2,100,000,000?

Mr. BELGRANO. Yes, sir; it having admitted it in the Sixty-eighth Congress, 1924.

Senator BAILEY. But, Mr. Commander, did you take the view that that was already matured?

Mr. BELGRANO. We took the view that if this committee and the Congress would be good enough to consider the arguments made, I know it is suggested that an error was committed in the calculation of those certificates, using the same formula used by the Sixty-eighth Congress and having for some reason or other not having added interest from a given date or the date that the service was actually rendered, up to January 1, 1925, we felt that the Congress would be willing to correct that error.

Senator CLARK. What the original proposition amounted to was this, was it not, Mr. Belgrano, that the obligation was started running not from the time that the obligation accrued, but from the date when the obligation was admitted?

Mr. BELGRANO. Exactly. The rate of interest at 4 percent compounded annually started on January 1, 1925, when the act became effective, and not when the service was rendered, and feeling that the Congress would be willing to discuss this situation and possibly reform that contract, then the date of the certificate, using the same certificate that we now have, would not be due in 1945, but would already have been due, and if that is so——

Senator BAILEY (interposing). Would it be already past due? Just for my information. Suppose we relate the $500 and the $625—those are the maximums in the original act?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. Back to 1918, and say on Armistice Day that those were the sums admitted that ought to have been paid. Disregard the 25 percent. I do not care to go into the argument about that. I just assume that that was put in there as a matter of justice. Calculate your interest. When did the debt mature?

Mr. BELGRANO. Our position is this——

Senator BAILEY (interposing). You are a banker, and you understand those things. It would not have matured by now, would it?

Mr. BELGRANO. First of all, may I suggest that we do not agree that the $60 should ever have been deducted.

Senator BAILEY. I understand about that. I understand that the $60 was given to the boys in order to get them on their feet and reimburse them for the clothes. I do not charge that against them. I think that was a necessity that had to be taken care of. I am not going to charge them with that at all.

Mr. BELGRANO. Starting from that point and forgetting, as you say, the 25 percent which seems to have caused all of this controversy——

Senator BAILEY (interposing). I am willing to disregard that.

Mr. BELGRANO. We claim that if the contract was corrected, and starting from that point, and the interest rate of 6 percent were used, that the certificates would have become due——

Senator BAILEY (interposing). Six percent on the Government money in the fund that was accumulated?

Mr. BELGRANO. Six percent used in arriving at the face value of the certificates, that the certificates would have become due in 1931.

Senator BAILEY. You are a banker and you know about that. The Government was accumulating the money at the rate of about $100,000,000 a year, and getting what interest they could on it and putting that to the credit of the fund. That is the way this whole proposition was arrived at.

Mr. BELGRANO. As I understand, it was the intention of the Government to set aside some $112,000,000 which in certain years was set aside, and in other years a lesser amount.

Senator BAILEY. You understand that no insurance company could get 6 percent on its funds. No bank could.

Mr. BELGRANO. During this whole term of years, the Government used the item of 6 percent both in returning to those who had overpaid in income taxes that they were refunding to those gentlemen or to those corporations the sum of money that made up the overpayment, with 6 percent added to it.

Senator CLARK. If it was underpaid, they charged 6 percent.

Mr. BELGRANO. Yes, if it was underpaid, they charged 6 percent. Therefore, the Government——

Senator GORE (interposing). Do you figure, Mr. Belgrano, that each contract ought to express its terms in its own language and express the will of the two parties where their minds agree, and should govern the two parties, or do you think that all contracts should be standardized at 6 percent, at the prevailing rate, and let all contracts bear 6 percent?

Mr. BELGRANO. No; I think, Mr. Senator, when we are dealing with a contract, where two parties are involved, that of course that contract should carry on to the agreement made. I never have called this adjusted-service certificate a contract, however, because it has always been my opinion that it took two parties to make a contract.

Senator CLARK. In this case, Congress passed the act, and the veterans accepted it.

Mr. BELGRANO. The veterans had two things to do—they could either apply for the certificate or not apply for it.

Senator GORE. Do you figure then that this was the execution of a contract on the part of Congress that issued these certificates and agreed to pay this additional amount, or was it a sort of a gift or a gratuity? How do you characterize it? It was not in the law under which the boys volunteered or were conscripted?

Mr. BELGRANO. No, sir.

Senator GORE. It is superadded to the stipulated or statutory compensation that was to be paid?

Mr. BELGRANO. Yes, sir.

Senator GORE. So that the soldiers, the ex-service men, cannot really insist upon this as a part of their contract, but their service was paid——

Senator CLARK (interposing). They did not have any contract when they entered the service. A man was drafted, they put him in uniform and told him what they were going to pay him.

Senator GORE. I am trying to get at what this thing really is. I think it was a sort of gift or gratuity. We all say it is merited and granted by the Government to the ex-service men. My point is, I do not see how then you begin to calculate and consider what was done in other contracts.

Senator CLARK. In the same sense, the $1.25 that a fellow might have gotten as his pay for serving in France was a gratuity too, was it not?

Mr. BELGRANO. Yes; exactly.

Senator GORE. You mean added to the certificates?

Senator CLARK. No; the $1.25 that he was paid while in the Army was in the same sense a gratuity. The Government could have taken him and made him serve without any payment.

Senator GORE. They could have done it but they did not. You cannot pay a soldier all that he deserves, if you look at it from that standpoint. I never have been able to reduce the value of a soldier's service, who faced fire on the field of battle, to a common denominator of dollars and cents, but there was a certain stipulated rate of pay that he got while he was in the Army.

The CHAIRMAN (interposing). I have the Secretary of the Treasury down here and I do not want to keep him.

Mr. BELGRANO. May I have the privilege of entering this extract from the Congressional Record in extension of my remarks?

The CHAIRMAN. Yes.

(The same will be found at the conclusion of Mr. Belgrano's statement.)

Senator BAILEY. I think the commander should state, assuming the 6 percent, which I question, but I should like to know just what would be the state of the compensation certificates if you dated them back to 1918, and assuming that the Government would pay 6 percent, as you do, when would they mature, then?

Mr. BELGRANO. Six percent, taking the dollar and the dollar and a quarter a day, and forgetting the 25 percent now, and using 6 percent compounded, would bring those certificates and make them due in October 1931.

Senator CONNALLY. That is including the 25 percent?

Mr. BELGRANO. Wait a minute. It would be about 17½ years, and would make them due in October 1935, without the 25 percent.

Senator BAILEY. You mean, make the face value due then?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. This year?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. That is your contention?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. That is the basis of your argument?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. All right.

Senator CONNALLY. I want to ask one question, and that is this: I think it is due the Congress at this point to say to Mr. Belgrano and Senator Clark who said that this original bonus act, the Government just passed it, and if the soldiers wanted it they could take it and if they did not, they could leave it. Is it not a fact that when this original 1924 Bonus Act was passed, that the representatives of the American Legion and the representatives of other veterans' organizations came before the Congress and the committees of the Congress and had hearings and asked Congress to pass this act in the exact form in which it was, and that is why the Congress passed it?

Mr. BELGRANO. Of course, Mr. Senator, the records of the various committees of the Congress will speak for themselves, but my understanding it, along the line suggested by Colonel Taylor, that the Legion did take definite action, and the program consisting of four points as he explained this morning, that this so-called "adjusted-service certificate", the insurance policy, was the idea advanced making the fifth, which culminated in the passage of simply that part. But in 1924 Congress was interested in that particular phase of the Legion's recommendation made in 1919, giving various ways to receive this compensation. I do not doubt at all that the various veterans' organizations having met in convention, probably appeared before these committees and took what they thought was the only thing they could have at that time.

Senator CLARK. The fact is, Mr. Belgrano, that several alternatives were presented and supported by the service men's organizations, that the House Ways and Means Committee selected one of the various alternatives presented, worked out a bill in the committee, not prepared nor offered by any service men's organization, and that thereafter the service men's organizations supported the bill as it was presented in the committee?

Mr. BELGRANO. And incidentally took the one item that was never included in the Legion's program and eliminated the four items that the Legion did approve.

Senator CONNALLY. I think it is due the Congress and those concerned in it, to let the facts be known that as a matter of fact there were a lot of plans submitted, but when they got through with them all, they worked out this particular bill, and the representatives of the veterans' organizations came before the Congress and said, "This is what we want; we want you to pass this bill", and we did.

Mr. BELGRANO. That comes right back to 1931.

Senator CONNALLY. I say that in view of your statement that it should all be set aside now and we should go ahead and adopt a wholly different plan.

Mr. BELGRANO. Senator, the reason we advanced this thought is that as all of these changes have been coming down the line, it seems as if we never correct the evil that was first started in the fact that the cash was not paid in 1918 to settle this matter once and for all, or in 1924 when they then determined to pay it in cash and get rid of the question. In 1931, surely the representatives of the veterans who appeared here were asking then for full payment of the adjusted-service certificates. They took off——

Senator WALSH (interposing). Is it not a fact that the veterans were always asking for the cash and that the administration in 1924 proposed this plan as a compromise, and you accepted it?

Mr. BELGRANO. Yes, sir.

Senator WALSH. As a compromise?

Mr. BELGRANO. Yes, sir. Just as we did in 1931 when we accepted the one-half loaning privilege.

Senator WALSH. The agitation on the part of all of the veterans was for cash payment from the end of the war up to the time of this plan?

Mr. BELGRANO. I think that is a fair statement.

The CHAIRMAN. Is there something else you want to put into the record?

Mr. BELGRANO. That is all.

Senator GORE. I want to ask a question first.

The CHAIRMAN. Proceed, Senator Gore.

Senator GORE. You stated a minute ago that the Government was spending billions and billions and lately had appropriated $5,000,000,000 to distribute purchasing power and stimulate business and promote recovery?

Mr. BELGRANO. Yes, sir.

Senator GORE. I think that is your chief argument. That bill will add five billion to the public debt. The retirement of these certificates would not add to the public indebtedness and it would distribute purchasing power as widely as any other measure would. I think that is your practical argument and I do not see how it can be answered, but I do not follow your argument when you say this obligation is long past due. That weakens your argument to me rather than strengthens it. These soldiers have risked their lives and have faced the cannon on the field of battle. Here is a certificate which says that it is due in 1945. I take it at its worth, and I do not follow any of these manipulations in the interest rate or the 25 percent by which you argue this into the conclusion that the thing is past due.

Senator BAILEY. I asked him of that. He said that on the 6-percent base it would be due this year in October. On the 5-percent base—I want to get the several percentages because I want to inform myself——

Senator GORE (interposing). Did you not adopt a set of figures and calculations which would bring it out at the point where you want to come out?

Senator BAILEY. Five percent would extend it one-sixth further, approximately, would it not?

Mr BELGRANO. Yes, sir.

Senator BAILEY. One-sixth of 17 years is about 3. At 5 percent, then, it would be due in 1938.

Mr. BELGRANO. Approximately so.

Senator BAILEY. Four percent would extend it one-third approximately, and one-third is about 6 years—one-third of 17. Six years from today is 1941. If we took the figures, in order to have them due this year, we would have to figure on the 6-percent base, which no insurance company ever did. I do not say we should not; I am just looking at the facts and talking to a business man here who has had a great deal of experience in money, as I understand it, and knows how to calculate. On the 5-percent base, we wait until 1938, and on the 4-percent base until 1941, on your argument; is that right?

Mr. BELGRANO. Yes, sir; however, Mr. Senator, I am certain——

Senator BAILEY (interposing). I am not denying the validity of your 6-percent argument; I am just getting the facts.

Mr. BELGRANO. All right.

Senator GORE. Nobody has answered your argument that this bill would distribute purchasing power as widely, if not as much as this $5,000,000,000 bill. You have an added appeal that this would not increase the public debt, while that does. As far as I am concerned, I wish you had stood on that argument, because it has a very definite appeal with me. Were you present at Chicago in 1933 when the

Legion convention declared, indirectly at least, in favor of an honest dollar and against inflation?

Mr. BELGRANO. No, sir; I did not attend the national convention in 1933.

Senator GORE. Do you accept that principle and declaration?

Mr. BELGRANO. I am afraid that I cannot interpret the short resolution adopted at that convention. I do not know of the discussions pro and con for it, and in the way that it is written I do not know exactly what they meant by the sound dollar.

Senator GORE. It is not very explicit; you are right about that. But it proposes to favor an honest dollar, according to your own interpretation of an honest dollar.

Mr. BELGRANO. Of course I favor an honest dollar.

Senator GORE. Are you opposed to inflation?

Mr. BELGRANO. What is that, sir?

Senator GORE. Are you opposed to inflation?

Mr. BELGRANO. I am opposed to anything tied into this legislation which does not comply with the mandate of the convention, and the Legion has determined that it is neither interested in the merits nor the demerits of inflation or expansion of the currency.

Senator GORE. And does that reflect your own views?

Mr. BELGRANO. I have not any views other than I represent.

Senator GORE. I was speaking about your views personally.

Mr. BELGRANO. I have always refrained during this entire year, Senator, to express my personal views on any subject.

Senator GORE. Do you interpret the Patman bill to mean inflation, the issuance of 2½ billion in Treasury notes, with no provision for redemption? Some regard that as fiat money. Do you regard that as having at least inflationary tendencies?

Mr. BELGRANO. The proponent of the bill has declared on many occasions that it is not an inflationary measure. I have not any idea—I think he terms it an expansion of the currency measure.

Senator GORE. A man can define inflation in his own way and then say that it is not inflation. This scheme involved in this bill——

Senator BAILEY (interposing). You can do the same thing with sound money; you can define it any way that you want.

Senator GORE. That is true. This scheme involved in this bill to revive and restore the price level of 1926 and to maintain it from here on, are you in favor of that?

Mr. BELGRANO. I have heard that matter discussed in two ways. The proponent of the bill, I think, claims that that section of the bill is in there as a brake against any possible chance of inflation.

Senator GORE. I heard him say that. If costs have been materially reduced since 926, if improved methods and improved machinery can cut down the cost of producing goods, do you not think that people in this country and the consumers are entitled to some little benefit of reduced costs and to have it reflected in reduced prices?

Mr. BELGRANO. I do not believe that I am in a position to follow that or answer that, Mr. Senator.

Senator GORE. Very well.

Senator CONNALLY. One other question. If the Patman bill should come before the Senate and the vote was on that, the final vote, do you and the Legion favor that and want us to vote for it, or would you favor us voting against it?

Mr. BELGRANO. I think the position of the Legion will be this——

Senator CONNALLY (interposing). I do not know what it will be; I want to know what it is now.

Mr. BELGRANO. I cannot determine that until I know what this committee is going to do.

Senator CONNALLY. You are here as a representative, and I want to know——

Senator GORE (interposing). Let me ask you this question. If you were a member of the Senate——

Senator CONNALLY (interposing). Wait a minute, Senator. I want him to answer me first. [Laughter.]

The CHAIRMAN. Let us have order in the committee room.

Mr. BELGRANO. We are appearing here——

Senator CONNALLY (interposing). I am acting in good faith with you. I am not trying to trick you or trap you. You are here representing the American Legion. You told us what happened at Indianapolis. I want you to tell us whether or not, if the question before the Senate is the Patman bill or nothing, do you as a representative of the American Legion want us to vote for it or vote against it? To vote "aye" or "no"?

Mr. BELGRANO. First of all, we believe that this honorable body will——

Senator CONNALLY (interposing). That is not an answer, and you know it is not an answer.

Mr. BELGRANO. If you will let me go along——

Senator CONNALLY (interposing). You answer and then make your explanation. I want to know because I am representing a great many Legionnaires and a great many soldiers. You are here, and I want you to tell us now whether you want us to vote for the Patman bill or no, and then you can make all of the explanation you want.

Mr. BELGRANO. We will see to it that a bill be presented that will in effect comply with the mandate of the Miami convention, and we will ask you respectfully to support that sort of legislation.

Senator CONNALLY. And vote against any other bill? Is that what you mean?

Mr. BELGRANO. We are asking you to support that bill, which has to do——

Senator CONNALLY (interposing). You know what I am asking you. You are a smart fellow and banker and you know what I mean, and I think I am entitled to an answer.

Mr. BELGRANO. I think, Senator——

Senator CONNALLY (interposing). You are dodging the answer.

Mr. BELGRANO. We are here before this committee in the hope that this committee will report on the floor of the House the same bill which will in effect comply with the mandate of the Legion, and we are hopeful that you will support that sort of a bill. I have not any idea when this honorable committee goes into executive session just what sort of a bill you are going to present, and surely you would not want me to express myself as being for or against some other measure and then find myself in a position that you have presented a bill which complies. I do not believe you want to put me into that sort of a position.

Senator BAILEY. I have received a good many petitions from soldiers asking me to vote for the Vinson bill. I think we are entitled to know if they really want to have that or nothing. Would they want me to vote for the Vinson bill knowing that the President is going to veto it, and then vote against the Harrison bill because they said to vote for the Vinson bill, or to vote against the Patman bill because they said to vote for the Vinson bill? You see, you come here to tell us, and we want to know. You represent the Legion, and we are acting in good faith. We really would like to have that clear.

Mr. BELGRANO. We have presented it, and I think the chairman suggested that the committee would give consideration to the Vinson bill.

The CHAIRMAN. The committee will give consideration to all of these bills.

Senator BAILEY. Do you want us to vote for that?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. And nothing else? Will we satisfy the demands of your organization as represented by you in voting right straight down the line for the Vinson bill, and then voting against all others?

Mr. BELGRANO. We believe that in the support of this sort of legislation that, in fact, it will pay the certificates and complete the program.

Senator BAILEY. You mean, vote for the Vinson bill?

Mr. BELGRANO. Yes, sir.

Senator BAILEY. If we do that and vote against all others, will we be acquitted—will we then have done what the soldiers of the American Legion want us to do?

Mr. BELGRANO. I do not believe anyone will be acquitted until the certificates are paid; and if we can vote on the sort of bill that will pay the certificates and eliminate the question, then of course the question will be closed forever.

Senator BAILEY. Undoubtedly; but just imagine that I vote for the Vinson bill, and the President vetoes it, and the veto is sustained. What good have I done to the veterans? I want to do something for them. What good would that do? We look at it practi lly from where we are. We have got to vote. We would like to gratify the wishes of the soldiers, but we do not want to get into a blind alley, and I do not want to make a gesture at their expense. I do not want to vote for a bill which will be vetoed and then defeated. That is just a gesture for my benefit and does not help them.

Mr. BELGRANO. That is what we are interested in. We do not want to leave the veterans of the country up a blind alley. We are asking you to support a bill which can in effect become the law and pay the certificates. If you support any bill which will become a law and which will pay the certificates, of course the veterans will be satisfied, but they, of course, request that the certificates be paid in full.

Senator BAILEY. So you dismiss the mechanics and just say we should vote for the best bill that will serve the soldiers?

Mr. BELGRANO. Which we believe is along the lines of the Vinson bill.

Senator BAILEY. One that will pass that will be satisfactory.

Mr. BELGRANO. A bill which will in effect become the law.

Senator BAILEY. Yes; that is right.

Senator GORE. If you were a member of the Senate and conscientiously opposed inflation, believing it was dangerous, and were unwilling to embark upon this experiment of resurrecting or restoring the price level of 1926, would you, acting upon your oath and responsibility as a United States Senator, vote for the Patman bill or against it?

Mr. BELGRANO. You do me a great honor, Senator Gore——

Senator GORE (interposing). And you do me a great service by answering. [Laughter.]

Mr. BELGRANO. I think I should do this: First of all, I would divide the question. I would not burden a soldier and put upon his neck that other controversial question, which, indeed, is even more controversial than the payment of the certificates as a whole.

Senator GORE. I agree with you there.

Mr. BELGRANO. And if you divide that, Mr. Senator, and then if the Congress of the United States feels that there should be any changes in the banking laws or the monetary system of the country or anything else, certainly it is the prerogative of those who represent the people of the United States here to take that subject up and to pass any kind of a law that they deem necessary for the benefit of the Nation as a whole; but why put these two questions together where one or the other may suffer and the veterans again will be out on the end of a limb and not receiving their money in payment of the certificate?

Senator GORE. I do not know; and I do not impute any motive to anybody, because I do not know. If this Patman bill passes, and if it did not pass over the President's veto, another bill will be passed just before the next campaign—if you know what I mean. If this thing is paid off, this issue is gone.

Mr. BELGRANO. We would like to have it paid off and gone, Mr. Senator.

Senator CONNALLY. I do not want to be insistent about this: but I think, in fairness to this committee and to Congress and to everybody else—we want to know what the attitude of the veterans' organization is and not what it will be. We want to know what their attitude will be today. Let us suppose that in the Senate a motion is made to substitute the Vinson bill, and it is voted down, and then there comes up a vote on the Patman bill. Shall we vote for it, or shall we vote against it?

Mr. BELGRANO. As far as the American Legion is concerned, we respectfully ask you to vote for a bill that will in effect decide this question once and for all so that we may know just exactly what the intent of both Houses is in connection with the payment of these certificates aside from any other matter.

Senator CONNALLY. I decided the question for you. I had the vote come first on the Vinson bill, and they voted it down.

Mr. BELGRANO. Yes, sir?

Senator CONNALLY. And then it came on the Patman bill. Shall we vote "yes" or "no"?

Mr. BELGRANO. You can vote any way you want to on that bill.

Senator CONNALLY. Of course, I can and I expect to. But what is the attitude of the Legion on it? I want to know.

Mr. BELGRANO. Senator, after we have put up all of the fight that we know how to put up in the passage of a bill which we believe will pay the certificates, and then after that the fight is gone as far as the Legion is concerned, and any other method that you can find for the payment of the certificates, surely the men in the field want their money, and if you believe, if the Senate believes, that there is any other method through the Patman vehicle, or any other vehicle, that you can pay the certificates in the passage of that law, certainly we will not oppose your continuing to try to pay those certificates through some other vehicle.

Senator CONNALLY. Then you would be for the Patman bill after the Vinson bill is voted down?

Mr. BELGRANO. I have answered the question, I believe.

Senator CONNALLY. Is that your answer? That you would vote for it?

Mr. BELGRANO. I would use all of my good efforts to find a method to pass a bill which would pay these certificates, and we believe that the Vinson plan is the plan for that.

Senator CONNALLY. If you were a Senator, as Senator Gore says, and could not answer that better than you have now, you would be in a devil of a fix when they called the roll. [Laughter.]

The CHAIRMAN. Thank you very much.

Senator BLACK. I just want to ask you one question. From your trip over the country and your contact with the veterans, and your knowledge of the fight that was long continued on this issue, do you believe that the veterans of this country will ever be satisfied, or that this issue ever will be permanently settled until each veteran receives 100 cents on the dollar for each certificate that he has received?

Mr. BELGRANO. I do not.

Senator BLACK. Do you believe that if any compromise is effected which reduces it one dollar that it will continue to be an issue the next day, the next week, the next month, and the next year, with the veterans?

Mr. BELGRANO. I believe it will.

Senator GORE. That feeling and desire on the part of the veterans to be paid now instead of being paid in 1945, that is not peculiar to the veterans. Anybody or any groups of human beings who have their choice would rather be paid now than in 1945, generally speaking.

Mr. BELGRANO. That is right. I think it is probably more acute with the veterans because of the fact that this has been a matter that has had so much controversy during the past few years.

Senator CLARK. Also, it is more acute with them because they feel they should have been paid in 1918.

Mr. BELGRANO. That is right, Senator.

The CHAIRMAN. Thank you very much.

(Following is the statement of Mr. Belgrano to be inserted in record:)

ADDRESS ON ADJUSTED SERVICE CERTIFICATE BY HON. FRED VINSON, M. C., BEFORE HOUSE OF REPRESENTATIVES, MARCH 19, 1935

(P. 4115, Congressional Record)

Mr. Chairman, I am happy that I can agree with the distinguished gentleman from Texas [Mr. Patman], who has just preceded me, that in this legislative battle there is no feeling of unfriendliness between Wright Patman and myself. We have been fighting together for many years here in behalf of veterans for the immediate payment of the bonus against the so-called "economy bill" and all other legislation affecting veterans. We have been warm friends; we will continue to be so.

Mr. Chairman, it so happened that in my first session as a Member of this body the original Adjusted Service Compensation Act was passed. As a new Member, I rose in my place and insisted in a weak voice that what the soldier wanted was a cash settlement of the adjusted service pay. I have made several campaigns for reelection since that time, and in each instance I have taken the position that the services rendered by the World War veterans were personal and that they were entitled to be paid in cash, as other adjustments were paid. My record has always been and is consistent in this respect. My express pledges in four campaigns prior to the election of our President has committed me to my constituents on veterans' legislation. In every respect I yield to no Member in more loyal support of our President and the "new deal."

PAST FAILURES

It is true that I labored with my friend the gentleman from Texas [Mr. Patman] in two former Congresses for the payment of the adjusted-service certificates in bills carrying his name, namely, H. R. 7726, in the Seventy-second Congress, and H. R. 1, in the Seventy-third. I would say to the gentleman and to the membership of this House that these two bills, neither of which were favorably reported from our committee, passed the House, went to the Senate, and there were killed. The first bill, H. R. 7726, received 18 votes in the Senate, and the subject matter of H. R. 1 in the last Congress, the Seventy-third, had 4 votes in the Senate, the last time on June 11, 1934. The most votes they could muster in the Senate was 31. This last vote was on H. R. 1.

When this Congress convened, with what were we confronted? Were we to take a currency expansion bill, an inflation measure, pass it through the House and see it defeated in the Senate, then go home to our soldier constituency and say, "Well, boys, we fought a good fight. We kept the faith. We passed it through the House, but we could not control the Senate." Then have the cash-payment issue with us in another campaign. Mr. Chairman, we should not fool the soldier. I do not believe there are many Members of this House who have this purpose, but let me say to you that it requires more than 31 votes to pass a bill in the Senate. It requires more than twice this number to override a possible veto.

I submit that when I take my present position on the floor today I am in no wise inconsistent. I gave the Patman bills my all in two former Congresses. The Record will bear me out. If you will take the hearings before the Ways and Means Committee in 1932 you will find that I gave my full support to the Owen plan which changed the money mechanics of that Patman bill.

THE BILL H. R. 3896

The bill, H. R. 3896, is the first measure providing for the immediate cash payment of the adjusted-service certificates that has ever been favorably reported by the Committee on Ways and Means. It is the first time that any immediate cash-payment proposal had been considered by the Ways and Means Committee solely upon its own merits, and this is the first time Congress has had the opportunity to vote upon immediate cash payment divorced from other legislation.

SECTION 1

In this section the adjusted-service certificates are declared immediately payable upon surrender of the certificates and all rights thereunder, with or without the consent of the beneficiary thereof. The amount of payment shall be equal to the face value of the certificate, subject to any loan that may be made upon the certificate. The payment made, therefore, would be the difference between the face value of the certificate and the principal of any loan made thereon.

SECTION 2

Any interest that has been or would be charged against the face value of the certificates either shall be canceled or not so charged. Any interest on any such loan payable to any bank or trust company shall be paid by the Administrator of Veterans' Affairs.

SECTION 3

(*a*) This section provides for the manner in which applications for payments may be made and filed either personally by the veteran or, in case of physical or mental incapacitation, by the proper representative of the veteran.

(*b*) If the veteran dies after application is made and before it is filed, it may be filed by any person. If the veteran dies after the application is made, it shall be valid if it bears the bona fide signature of the applicant, discloses the intention to claim the benefits of this act, and is filed before the maturity of the certificate.

If the death occurs after the application is made or filed, but before the receipt of payment under this act, payments should be made to the beneficiary designated.

(*c*) Where the records of the Veterans' Administration show that an application has been filed before the maturity of the certificate and, for any reason, the application cannot be found, such application shall be presumed, in the absence of affirmative evidence to the contrary, to have been valid when the application was filed.

(*d*) Provides that a veteran who has not heretofore made application for the adjusted-service certificate shall have the right to make such application and to receive either the adjusted-service certificate or cash payment under this act.

SECTION 4

This section extends the time from January 2, 1935, to January 2, 1940, for applying for the benefits of the adjusted-service certificates and the benefits under this act.

SECTION 5

This section is the usual authorization for an appropriation for such amounts as may be necessary to carry out the provisions of this act.

SECTION 6

This states that this act may be cited as the "Emergency Adjusted Compensation Act, 1935."

It will be seen from the foregoing that H. R. 3896 provides for the immediate cash payment of the adjusted-service certificates, for the cancelation of interest on loans accrued and to accrue, and further, for the extension of time in which applications for the benefits hereunder may be filed.

ONE OBJECTIVE—IMMEDIATE PAYMENT

H. R. 3896 has one objective and one objective alone. It provides for the immediate cash payment in full of the adjusted-service certificates, the cancelation of interest, and the extension of time within which to make application for the benefits.

My friend Patman's latest bill, his fifth bill on the subject and his seventh plan, H. R. 1 in this Congress, has two objectives. I am taking the title of the bill; I am taking the subject matter of the bill, and I submit to you there can only be one conclusion, namely, that it has two objectives—one, the immediate payment of the certificates, and, two, controlled expansion of the currency.

If there were any doubt as to this conclusion, I would turn to page 74 of my friend's appeal to veterans. I would read the last sentence of that document, the words of my friend Patman:

"Let us kill two birds with one stone—pay the certificates and restore the power to the Government to issue money and regulate its value."

Mr. Chairman, I fear this is what the Patman bill will do—kill two birds with one stone—but the trouble is it is striking at the cause of the soldier and it is striking at the cause of controlled expansion. I fear he has builded better than he knew, and that this measure would kill these two birds with one stone.

We should be practical. We should recognize the conditions that obtain today, and I say to you in all candor, in all friendliness, that the Member of this body who puts controlled expansion or inflation first should vote for H. R. 1. I submit to you in the same breath that if you believe in the payment of the adjusted-service certificates, in my judgment, H. R. 3896 is the strongest vehicle to attain that end.

There has been no effort made in the Senate of the United States in this session. The question is asked, "Why has no bill been introduced there?" Why, that is piffle. That is fizzledust, as we would say in Kentucky. I could say they await the passage of H. R. 3896; that they will take this bill that has the endorsement of the American Legion, whose help is spurned by some today. I submit that the strength of the American Legion ought to be welcomed in the cause of paying the soldier the adjusted-service certificates. In my service here, the Legion has always been in forefront in the cause of veterans. The term "Legion" and "soldiers" are almost synonymous.

In spite of all attacks, it should be remembered that the voice of the American Legion is the voice of the American ex-soldier. This organization represents in its highest and best sense, the finest type of Americanism. It has been insinuated that they have heretofore opposed the payment of the bonus. At Miami they approved the immediate payment of the bonus with the least possible expense to the country. I have demonstrated that H. R. 3896 best and most reasonably accomplishes the purpose of the Legion and the ex-soldier. This is the only plan before you which accomplishes this plain objective. This is the first bill which gives you the opportunity to vote for the soldier and the soldier alone.

CASH PAYMENT AND INFLATION SHOULD BE DIVORCED

Now, I had some persuasion with reference to my position in this present Congress. It came from my friend, Wright Patman, himself. In August of 1934 he said:

"I have been thinking for quite a long time that the proposal to pay the adjusted-service certificates should be changed, if possible, so that our advocacy of it will not be in conflict with administration policies.

"Although we favor pure money expansion, the administration is opposed to it at this time, and the veterans are very much divided on it; so is the country. If the bill can be changed so as to eliminate the possibility of inflation, it occurs to me that we will strengthen our cause solely from the standpoint of paying the veterans. We can then endeavor to persuade the administration to expand the currency in another way. In the meantime, we will have the inflation issue divorced from the proposal to pay the adjusted-service certificates."

I would not detract from him one iota of the gratitude that soldiers should bear toward him. He is a strong, able advocate for them. At times some people might think that he was an inflationist first, but I am not saying that. I am not saying it, because I believe in his heart of hearts he is the friend of the soldier first. However, in the last Congress, in H. R. 1, controlled expansion was given first place in the title, and when you come down to the conclusion of the bill, which is the citation section, it was to be cited as the "Controlled Expansion Act of 1933." It may have been so treated as a matter of strategy. But the fact remains that the bill under consideration, H. R. 1, differs very little from the H. R. 1 in the last Congress. If it were an expansion bill, then we can well argue H. R. 1 today is inflationary.

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

Mr. VINSON of Kentucky. I yield.

Mr. PATMAN. Is it not a fact that the gentleman supported that bill?

Mr. VINSON of Kentucky. I supported it whole-heartedly, because I, in 1932, and in the last Congress, believed in controlled expansion of the currency. I have not changed my mind on that issue. My thought is, I may say to the gentleman from Texas (Mr. Patman), that we ought to divorce inflation from the payment of the bonus. We should not hang around the neck of the soldier and put an added burden on him by attempting to pass here a bill for currency expansion, or inflation, the same thing, particularly when it has not been considered by the Banking and Currency Committee of this House. My friend Patman makes a better argument for divorcing the soldiers' cause from inflation than I possibly can.

H. R. 3896 IS REGULAR, USUAL COURSE

Every time the bonus matter has been up it has come up in an irregular way. It has come up by the exercise of force, through discharge petitions in both instances, and at times almost intimidation. My friend is so adroit, so clever, that as a lawyer he would attempt to sell to the country and to this House the idea that H. R. 3896 is irregular; that this is unusual. Why, Mr. Chairman, this is the regular way of legislating in Congress. Only two committees of the House have the power of appropriation—the Committee on Appropriations and the Committee on Accounts.

The Ways and Means Committee cannot appropriate. We come here regularly with an authorization to let the administration pay it as they choose, and my friend Patman would say that because it did not carry an appropriation that somebody was shooting a double curve. No one knows better than Patman that such is not correct.

H. R. 1 MUST HAVE APPROPRIATION FOR FOUR SEPARATE ITEMS

In H. R. 1 you have four specific authorizations. You have four separate instances in H. R. 1 that require appropriations. In section 4, lines 16 to 24, page 7, there are three specific items that require appropriations. The language clearly shows this. It is as follows:

"Amounts in the adjusted-service-certificate fund are hereby authorized to be made available for the expenses of printing and engraving United States notes issued under this act, for paying fractional parts of a dollar which cannot be paid in United States notes issued under the provisions of this act, and for paying the principal and interest on or in respect of loans pursuant to the provisions of subsection (c) of section 509 of the World War Adjusted Compensation Act, as amended."

In section 2, on page 4, line 21 to line 2 on page 5, you have an express authorization. This will require an appropriation for the amount of the notes used. I want to read it, because if the Patman bill does become a law it will have to go through the same channel, the same legislative procedure, that H. R. 3896 will have to go through. Here is what his bill says on this point:

"The Secretary of the Treasury is hereby authorized and directed to issue notes in such amount as may be required to make such payment, and of the wording, form, size, and denominations as United States notes issued under existing law, except that the wording thereon shall conform to the provisions of this act."

It was thought by my friend Patman—and I grant you it was a reasonable conclusion—that there was no appropriation needed in this provision. However, my friend needs the same appropriation that we do in H. R. 3896.

No one ever attempted to deny that it required an appropriation. It was the usual way of doing it. But he secures authority from the Treasury that it required an appropriation. Now I present my authority with reference to the appropriation items necessary for H. R. 1. I bring to you authority, the Parliamentarian of the House, the Chairman of the Drafting Service. Then I will read from a letter from the Secretary of the Treasury, which was written March 16, 1935, the same authority that the gentleman quoted. It is as follows:

"MY DEAR MR. VINSON: Responding to your oral inquiry concerning certain phases of the bill to provide for the immediate payment of adjusted-service certificates (H. R. 1), there would, I am advised, be a necessity for an appropriation to render effective the provision in section 2 (a) of the bill for payment of adjusted-service certificates, and the provisions of section 4 of the bill authorizing certain amounts to be made available for expenses."

The point I want to make is this: If anybody is attempting to shoot a double curve, my friend Patman is attempting to shoot one of those Frank Merriwell double-shoots. [Laughter.]

Now, I do not mean that in a caustic way; I think he was honest; I think he was sincere in making the statement that his bill did not require appropriations. It shows that one wants to be careful when he challenges another with taking short cuts.

I submit that the bill H. R. 3896 is the regular and usual way of getting legislation before this House, and that H. R. 1 is irregular and the unusual way of doing it.

CHARGE OF "BANKERS' BILL" ABSURD

There is a difference between a lawyer presenting his case to folks who are not thoroughly familiar with the technique of the subject, between a lawyer presenting his case to a jury whom he might temporarily fool, and coming before committees of the House and before the House itself and making statements of the same tenor. Over the radio we have listened to that mellow voice of my friend in splendid lawyerlike fashion talking about the "bankers' bill." He talked about the bankers taking shears and clipping coupons, and even last week, after my friend had appeared before the Ways and Means Committee and had not said a single word about a "bankers' bill", we heard him today say that it was a bankers' bill.

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

Mr. VINSON of Kentucky. Yes.

Mr. PATMAN. The gentleman realizes that I was under certain limitations in the committee, where I could not properly protect myself. [Laughter.]

Mr. VINSON of Kentucky. Oh, I never knew the gentleman to be limited at any place anywhere. I complimented the gentleman on that occasion, and I compliment him today. I compliment him on the fact that when he faced Mr. Belgrano before the committee he did not characterize this as a "bankers' bill" or as a "Belgrano bill."

Mr. BLANTON. Mr. Chairman, now will the gentleman yield?

Mr. VINSON of Kentucky. Just a moment, please. I am not going to be interrupted, my dear friend. Why characterize it as a "bankers' bill"? The purpose was to arouse in the minds of the American listeners and in the minds of the members of this body an antagonism to this bill. Some folks are even antagonistic to anyone who is acquainted with a banker. "Why, the bankers failed us in our dark hour", they say. They did not have as much sense, as much business acumen as we had attributed to them, and consequently when the banks were closed and people lost their money there arose a natural resentment against the bankers. No one knows it better than my friend from Texas (Mr. Patman), no one knows more than he that the use of a bromide is more powerful in inflaming emotion than an appeal to the intellect, particularly when it will not stand the scrutiny that gentlemen of the House and Senate can give it.

Because Frank Belgrano worked in a bank and later was cashier of a bank, and then through his own efforts was elevated to the vice presidency of a bank, is no reason to say that this is a banker's bill. This is the same Belgrano elected national commander of the American Legion at Miami where my friend Patman was also present. I say to you that it is not a banker's bill, unless Wright Patman's bill, the first one he ever introduced, was a banker's bill.

THE FIRST PATMAN BILL, H. R. 3493, SEVENTY-FIRST CONGRESS

My friend Patman calls the Vinson bill a "bankers' bond bill." I wonder if the bill which he introduced on May 28, 1929, in the Seventy-first Congress, could similarly be said to be a "bankers' bond bill." I grant him that in this first bill which he introduced, he had only one thought in his mind at that time; it was the immediate payment of the face value of the adjusted-service certificates. In that bill we find our friend seeking one thing, having one purpose and one objective, namely, the immediate payment to the veterans of the face value of their adjusted-service certificates.

How was this payment to be made? I will not use my own language to answer this question, I will quote from section 2 of that bill, which was introduced by Mr. Patman:

"SEC. 2. The Secretary of the Treasury is hereby authorized to issue bonds in such amounts as may be needed to carry out the purpose of this act. Such bonds are to be known as 'adjusted-compensation bonds', to bear such rates of interests as the Secretary of the Treasury, in his discretion, may determine, and to be redeemable in 15 years after the passage of this act."

Not only was there a specific authority to issue bonds to provide the money for the cash payment, but the interest rate was left up to the discretion of the Secretary of the Treasury. If my memory serves me correctly, the then Secretary of the Teasury was none other than Andew Mellon, the personal object of our good friend Patman's wrath throughout a period of years. Not for one moment can I believe that my friend Patman would prefer to trust the discretion of Mr. Mellon in fixing interest rates upon bonds to the present Secretary of the Treasury, the able and distinguished Henry Morgenthau.

I cannot believe that he would be adverse to vesting Mr. Morgenthau with the same power he would have given to Mr. Mellon.

THE SECOND PATMAN BILL, H. R. 1, SEVENTY-SECOND CONGRESS

When this bill, the first H. R. 1, appeared in Congress, introduced by my friend Patman, it had only one purpose and one objective. It was "to provide for the immediate payment to the veterans of the face value of their adjusted-service certificates." This bill was introduced on December 8, 1931, in the Seventy-second Congress. There was no controlled expansion or controlled inflation in that measure. Its method of payment, as contained in the bill, was as follows:

"SEC. 2. There is authorized to be appropriated such amounts as may be necessary to carry out the provisions of sections added to title V of the World War Adjusted Compensation Act by section 1 of this Act. Amounts now or hereafter in the adjusted-service certificate fund created by section 505 of the World War Adjusted Compensation Act, as amended, are authorized to be made available for the payment of the face value of the adjusted-service certificates under section 509 or 510 of such Act, as amended."

The method of financing the payment carried in the foregoing is like the method carried in my bill. The issuance of bonds, carried in the first bill, was dropped, and in its stead there was inserted the usual, regular provision authorizing the appropriation of such amount as was necessary to pay off this debt. There was no suggestion that the debt was to be paid through any issuance of currency. There was only one objective in this bill, and that was the payment of the debt to the veterans, just as Uncle Sam pays any other debt.

No member of the American Legion or anyone else ever charged this "a double curve." It was the regular way to do the job.

THE THIRD PATMAN BILL, H. R. 7726, SEVENTY-SECOND CONGRESS

To provide for the immediate payment to veterans of the face value of their adjusted-service certificates.

On January 14, 1932, in the Seventy-second Congress, my friend Patman introduced his third bonus measure. Its stated purpose was "to provide for the immediate payment to veterans of the face value of their adjusted-service certificates." It was in this measure that Mr. Patman was endeavoring to change, in conjunction with the bonus payment, the monetary system of the United States. He desired to pay the certificates with Treasury notes. I quote section 2 of this bill:

"SEC. 2. Payments of the face value of adjusted-service certificates under section 509 or 510 of the World War Adjusted Compensation Act, as amended, shall be paid in Treasury notes. The Secretary of the Treasury of the United States is hereby authorized to have engraved and printed a sufficient amount of Treasury notes, in the denominations of $1, $2, $5, $10, $20, $25, $50, $100, $500, $1,000 each; such Treasury notes shall be full legal tender, noninterest bearing, exempt from all taxes, including Federal, State, and subdivisions thereof."

I would call your attention to the fact that this was a currency expansion, an inflation measure without brakes or control. It was, according to the testimony before our committee, uncontrolled inflation. The avowed purpose of the bill was to pay off the adjusted-service certificates. For the first time there was loaded onto the backs of the soldiers the question of inflation. There was no method suggested or devised to contract the currency if, with the issue of these Treasury notes, inflation would have gotten out of bounds. This was the bill which received consideration by the Ways and Means Committee in the Seventy-second Congress. It was the original language in section 2 that drew the fire and criticism that caused expressions of "greenbacks", "fiat", and "printing-press" money to be used and which did tremendous damage to the cash-payment cause.

THE OWEN PLAN (THE FOURTH METHOD)

It was while these hearings were progressing that ex-Senator Robert L. Owen prepared an amendment which was submitted to the committee with Mr. Patman's expressed approval. The hearings continued with the opponents still talking about the original language, and those of us who favored the cash payment supporting the Owen amendment, which, for information, I quote in full:

"SEC. 2. Payment of the face value of the adjusted-service certificates under section 509 or 510 of the World War Adjusted Compensation Act, as amended, shall be paid in Treasury notes.

"The Secretary of the Treasury is hereby authorized and directed to issue United States notes to the extent required to make the payments herein authorized. Such notes shall be legal tender for public and private debts and printed in the same size, of the same denominations, and of the same form as Treasury notes, omitting the reference to any Federal Reserve bank.

"He shall place such notes in the Federal Reserve banks, subject to the order of the Administrator of Veterans' Affairs, to be used for the purposes of this Act.

"He shall issue a like amount of United States bonds bearing 3½ percent interest, payable semiannually, with coupons attached, and such bonds shall be due and payable in twenty years from the date of issue, subject to the right of redemption after ten years.

"These bonds shall be deposited in the Federal Reserve banks, as the agents of the United States, in approximate proportion to their current assets at the date of the passage of this Act.

"In the event that the purchasing power of the dollar in the wholesale commodity markets, as ascertained by the United States Department of Labor, shall at any time fall as much as 2 percent below the average value of the year 1926, the Federal Reserve Board, by resolution in writing, may direct the sale to the public of such portions of said bonds as may from time to time be necessary to restore the purchasing power of the dollar to the normal standard of 1926.

"Such currency received for such bonds shall be exchanged for the notes hereby authorized to be issued and they shall be returned to the Secretary of the Treasury for cancelation."

At the conclusion of the hearings the Owen amendment was offered in lieu of section 2 of this bill. It was voted down, as I recall, 14 to 11. Then the majority of the committee voted to report adversely the original Patman bill, H. R. 7726, 14 favoring the adverse report and 11 voting to report it favorably, with the purpose expressed at the time of the vote that the uncontrolled inflation section would be stricken out and the Owen amendment inserted in lieu thereof. I filed the minority report which was signed by nine other members of the committee. We stated specifically in the report that—

"The so-called 'Owen plan of payment' would be proposed for adoption under the Patman bill in lieu of section 2 thereof should the bill be considered in the House."

When the bill reached the House, Hon. Heartsill Ragon, then a Representative from Arkansas and now gracing the Federal bench, offered the Owen amendment in lieu of section 2 of the bill as originally introduced. It was adopted and was in the bill when it passed the House on June 15, 1932.

Referring to the Owen amendment, it is very plain that the methods used had brakes against a runaway currency. It had specific control features. It called for the issue of bonds in an amount equal to the Treasury notes used, bearing 3½-percent interest, payable semiannually, with coupons attached. They were not to be sold unless the Federal Reserve Board might desire to prevent undue inflation.

THE FOURTH PATMAN BILL (THE FIFTH METHOD), H. R. 1, SEVENTY-THIRD CONGRESS

This bill was introduced by Mr. Patman at the beginning of the last Congress. It passed the House March 12, 1934, failed to pass in the Senate, receiving a vote of 31. The first section of this bill is identical with the second Patman bill, and the first section of the third Patman bill. The Owen amendment was not included in this bill. It had an entirely different method of payment, no hearings were ever held upon it. For the purpose of being exact, I include sections 2, 3, 4, and 5 of the bill:

"SEC. 2. (a) Payment of the face value of adjusted-service certificates under sections 509 or 510 of the World War Adjusted Compensation Act, as amended, shall be made in United States notes not bearing interest. The Secretary of the Treasury is hereby authorized and directed to issue upon such notes in such amount as may be required to make such payment, and of the same wording, form, size, and denominations as United States notes issued under existing law, except that the wording thereon shall conform to the provisions of this Act. The Administrator of Veterans' Affairs and the Secretary of the Treasury are hereby authorized and directed jointly to prescribe rules and regulations for the delivery of such notes in payment under section 509 or 510 of the World War Adjusted Compensation Act, as amended.

"(b) United States notes issued pursuant to the provisions of this Act shall be lawful money of the United States and shall be maintained at a parity of value with the standard unit of value fixed by law. Such notes shall be legal tender in payment of all debts and dues, public and private, and shall be receivable for customs, taxes, and all public dues, and when so received shall be reissued. Such notes, when held by any national-banking association or Federal Reserve bank, may be counted as a part of its lawful reserve. The provisions of sections 1 and 2 of the Act of March 14, 1900, as amended (U. S. C., title 31, secs. 314 and 408), and section 26 of the Federal Reserve Act, as amended (U. S. C., title 31, sec. 409), are hereby made applicable to such notes in the same manner and to the same extent as such provisions apply to United States notes.

"SEC. 3. (a) Whenever the index number of the wholesale all-commodity prices rises above the index number of such prices for the years 1921 to 1929, as computed by the Bureau of Labor Statistics of the Department of Labor, notwithstanding any provisions of law to the contrary, the following methods for contracting the issues of currency in the United States shall be in force and effect, in the manner and to the extent prescribed in subsection (b) of this section:

"(1) Abolishment of the circulation privilege extended to certain bonds of the United States under the provisions of section 29 of the Federal Home Loan Bank Act, and retirement of such bonds as security for circulating notes as rapidly as practicable.

"(2) Termination of the issuance and reissuance of national-bank circulating notes and the retirement of such notes from circulation as rapidly as practicable.

"(3) Termination of the issuance and reissuance of Federal Reserve notes secured by direct obligations of the United States.

"(4) Termination of the issuance and reissuance of Federal Reserve notes secured only by gold or gold certificates.

"(5) Termination of the issuance and reissuance of Federal Reserve notes secured by notes, drafts, bills of exchange, acceptances, or bankers' acceptances which are not issued in direct benefit of commerce, industry, or agriculture.

"(b) Any such method of contracting currency issues shall be applicable when the Secretary of the Treasury finds that its application is necessary in order to maintain the index number of wholesale all-commodity prices at the approximate level of the index number of such prices for the years 1921 to 1929 and issues an order setting forth such finding. Each such order shall prescribe such rules and regulations as are necessary and appropriate to carry out the provisions of this section with respect to the method of contraction made applicable in the order. The Secretary shall make such methods applicable only in the order in which they are set forth in subsection (a) of this section, but he shall make such methods applicable as rapidly as may be necessary to carry out the purposes of this section. When any such order is issued with respect to Federal Reserve notes, the Federal Reserve Board shall take such action as may be necessary to facilitate the enforcement of the order.

"SEC. 4. Section 505 (authorizing annual appropriations ending with the year 1946 for the payment of adjusted-service certificates) of the World War Adjusted Compensation Act, as amended, except the first sentence thereof, is hereby repealed. Amounts in the adjusted-service certificate fund are hereby authorized to be made available for the expenses of printing and engraving United States notes issued under this act, for paying fractional parts of a dollar which cannot be paid in United States notes issued under the provisions of this act, and for paying the principal and interest on or in respect of loans pursuant to the provisions of subsection (c) of section 509 of the World War Adjusted Compensation Act, as amended.

"SEC. 5. This act may be cited as the 'Controlled Expansion Act, 1933.'"

This bill did not have the control features set forth in the Owen plan.

I would point out to the committee that it was not until the Patman bill no. 4, which was, in many respects, different from any other bill which he had theretofore introduced, that, appearing from the language of the bill, the controlled expansion of the currency feature became predominant. As a matter of fact, I would not say, even with the language that is confronting me, that the immediate cash payment of the bonus had been subordinated to his views of currency expansion. I can say that my friend had given tremendous study to the question of money and had become quite learned in the question of money mechanics of our country, and, some might say, that in this bill controlled expansion dwarfed his first notion of immediate cash payment of the adjusted-service certificates. I will not say that. It may be that he thought it was the strategic thing to do, but the fact remains that the title of the bill was in this language:

To provide for controlled expansion of the currency and the immediate payment to veterans of the face value of their adjusted-service certificates.

Then, in the citation section, we find that the author of the bill states that "this act may be cited as the 'Controlled Expansion Act, 1933.'"

THE FIFTH PATMAN BILL (THE SIXTH METHOD), H. R. 1, SEVENTY-FOURTH CONGRESS

To provide for the immediate payment to veterans of the face value of their adjusted-service certificates and for controlled expansion of the currency.

The fifth bill sees a change in title. Instead of controlled expansion of the currency being the first objective set forth in the title, we see the first purpose to be the immediate payment to the veterans of the face value of their adjusted-service certificates and then for controlled expansion of the currency. The citation section likewise is changed.

The method of contracting currency is somewhat different from that which was carried in Patman bill no. 4.

A short analysis of the methods providing for payment contained in the five Patman bills.

In order to boil down the foregoing analyses, may I say that the original Patman bill, which we will for the purpose of convenience call the first Patman bill, expressly authorized the issuance of bonds to provide funds for the payment of the adjusted-service certificates.

The second Patman bill would have financed the payment in the exact way that my bill would finance this payment.

The third Patman bill originally would have financed the payment with Treasury notes, without any brakes on inflation, which many feared would be followed by the issuance of this so-called "printing-press money." It was to this bill that the Owen amendment, which had the control feasures, was tacked.

The fourth Patman bill, to be cited as the "Controlled Expansion Act, 1933", did not include the Owen amendment of his next prior bill, but would have contracted the currency in the various ways set forth therein.

The fifth Patman bill: While it does not follow no. 4, yet it is somewhat similar to it. However, with the Treasury order of March 11, 1935, a material change in the situation is seen.

So I submit that the statement of our friend that in the book—his Appeal to Veterans—there was a different plan; brings the total of plans to 7, the number of bills to 5, each one different, none written into law.

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

Mr. VINSON of Kentucky. Yes.

Mr. PATMAN. I invite the gentleman's attention to the fact that Senator Owen, who endorsed H. R. 7726 and subsequent bills, also endorses our bill H. R. 1.

Mr. VINSON of Kentucky. Yes; but he does not say that it is not a controlled-expansion bill. I have here in my hand a mimeographed statement which the gentleman today was kind enough to send out to Members, and in the second paragraph he says:

"It could not possibly expand unjustifiably credit and currency."

And then he gives his reasons. In other words, Senator Owen does not say that it is not an expansion measure. He says, "It could not possibly expand unjustifiably credit and currency." Others might differ relative to the degree. I say to you that unless you divorce currency expansion from cash payment you will have to go back and tell the boys, "Well, we fought a good fight; we did the best we could; but you haven't got your money yet."

STABILIZATION GOLD IS NOT A RESERVE FOR PATMAN MONEY

In this same memorandum the statement is made from the steering committee:

"Any statement to the effect that we cannot use $8,000,000,000 in gold to keep our money on a parity is absolutely ridiculous."

Who said that we could not use that gold? Who ever thought of saying we could not use the profit gold as a reserve for currency? Nobody. But we do say that H. R. 1 does not use this gold; it is not tied up; it is not used as a reserve; it is not a specific reserve for the currency that will be issued under this bill. My friends, they talk about that $2,800,000,000 as though it were a reserve behind currency. It is not. On March 11, 1935, they took $642,000,000 of it and brought it over and it will be placed behind Federal Reserve notes as a reserve; but this $2,000,000,000 stabilization fund, the rest of the gold profit, is not used as a reserve in Mr. Patman's bill.

My friend Patman would issue 28 billions of new currency.

The gentleman from Texas (Mr. Patman) made a statement before the committee that he believed all the securities of the Federal Government should be withdrawn and currency issued in lieu thereof. The gentleman attempted to do that on the floor of this House when he would have limited the interest on securities to one-half of 1 percent. Imagine $28,000,000,000 more in new currency when our present currency is $6,000,000,000. The gentleman goes the Townsend plan $4,000,000,000 better. [Laughter.]

DISCONTINUANCE OF NATIONAL-BANK NOTES

Now, I was talking a moment ago about this so-called "bankers' bill." Reference was made to Frank Belgrano, a splendid gentleman, who, in my judgment, is as sincere in this fight for the immediate cash payment of the soldiers as Mr. Patman, myself, or any other Member of this body.

Then they talked about the bankers' profit. You have not heard much about that lately, but before the Ways and Means Committee it was pointed out at that time that less than 3 percent of the securities outstanding were used by our Government as a reserve for currency. It was about $883,000,000. That was before the gold order of March 11, 1935. When that order was issued, you lifted section 3 (a) (2) from the Patman bill. I want you to understand this, please. Section 3 presumably contains the brakes that will control undue inflation; likewise, retires currency backed up by interest-bearing securities. Why have brakes, if no inflation? Section 3 (a) (2) deals with the termination of national-bank notes.

Now, they will go out of circulation in entirety by August 1, this year. When they are gone you will have $677,000,000 of securities taken from behind currency and retired. That will leave you only $186,000,000 of securities behind all our currency. These are now behind Federal Reserve notes. Ninety-five percent of the reserves for Federal Reserve notes are gold certificates. The only brake left in H. R. 1 under section 3, or any portion of it, is the withdrawal of Federal Reserve notes. The only money you will save, this coupon-clipping proposition, is the interest on $186,000,000, about 5½ millions of dollars; $28,000,000,000 of outstanding securities and $186,000,000 of securities that will be behind the currency. Two-thirds of 1 percent of all United States securities are used as reserve for currency. Where are your millions in profit for bankers? It is so ridiculous it is funny.

The CHAIRMAN. The time of the gentleman from Kentucky (Mr. Vinson) has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman from Kentucky 15 additional minutes.

Mr. PATMAN. Will the gentleman yield for a question?

Mr. VINSON of Kentucky. I yield.

Mr. PATMAN. Of course, the gentleman does not say that that is the only brake in the bill? Subsection 1 will terminate the issuance and reissuance of Federal Reserve notes.

Mr. VINSON of Kentucky. No. I was talking about sections 2 and 3.
Mr. PATMAN. That is only a small part.

PHANTOM BRAKES

Mr. VINSON of Kentucky. Now, just to show you about that—I did not want to bring this up—but in a letter from the Secretary of the Treasury which I received yesterday certain language was quoted from section 16 of the Federal Reserve Act. That is my authority, and I quote from the last two paragraphs of this letter, because it is pertinent, proving conclusively there is no added brake at all in section 3 of your bill. When you take out the national-bank notes—and the gold order does that—subsections 1, 3, and 4 give no added power to the Federal Reserve Board in regard to the control of currency. I read from this letter:

"I will say, however, that my understanding is that the authority to issue Federal Reserve notes against the security of direct obligations of the United States is an emergency power, subject to termination by the Federal Reserve Board at any time, and expiring in any event March 3, 1937, unless extended by Congress."

And, further:

"Again, the Federal Reserve Board is given the right in section 16 of the Federal Reserve Act 'to grant in whole or in part, or to reject entirely the application of any Federal Reserve bank for Federal Reserve notes.'"

Can you say now that the language in section 3 means anything?

SHOULD STABILIZATION FUND BE USED TO PAY CERTIFICATES

I saw in the press the other day where a question was submitted to Mr. Eccles and the gentleman endeavored to ask him about the validity of certain currency, to compare Federal Reserve notes with currency that was backed by this gold. Of course, Mr. Eccles said that each was equally sound and valid, but the point I make is that there is nothing done in this bill with that gold. The distinguished Members of this House from Indiana, Mr. Greenwood, asked the question:

Why can't we take the same gold and pay the certificates?

He was referring to this $2,000,000,000 stabilization fund. It is not for me to say how much, if any, of that stabilization fund should be put behind the currency. My answer to that is that if the administration wants to do it, if you pass, H. R. 3896, they can take enough of that gold to pay the bonus certificates in full without more ado.

The point is that this is a matter within their province. The stabilization fund is doing a big job; it is an insurance policy on a large scale. The mere fact that we have it makes Johnny Bull and others across the sea caution in regard to their money operations; but if the administration wants to take it and pay off the adjusted-service certificates, they can do so as soon as our bill is passed. No further authority would be needed.

HOW TO PAY IT

The question has been raised as to how this will be paid. Our friends opposing this bill hold up the question of taxes; and, of course, no legislator looks with friendly mein upon taxes. Mr. Chairman, we are going to be faced with the necessity of raising some $1,800,000,000 to pay the certificates off on January 1, 1945. You cannot pay them by hokus-pokus. Sometimes I feel that some folks think they can, but I do not believe they will be paid off by hokus-pokus, presto chango, or legerdemain. You will have to raise $1,800,000,000 by January 1, 1945, to pay them off then. A continued payment into sinking fund of $112,00,000 each year for the next 10 years would mean not an added dollar of cost. This amount of money at interest for 10 years would increase to a total of $1,350,000,000. Now, no one on this floor will say that Uncle Sam, between now and January 1, 1945, is going to permit the interest on the veterans' money to eat up the other half of the certificates. Justice there is going to cost money, because the money that was lent to the veterans was taken out of the sinking fund, where it was earning interest, and loaned to the veterans at compound interest. This interest charge is now piling up. General Hines told us in 1932 it would cost $1,000,000,000 to cancel the interest.

There are $3,500,000,000 of certificates outstanding. The veterans owe $1,700,000,000; this leaves $1,800,000,000 to be paid. Paying $112,000,000 each year for the next 10 years into a sinking fund, as we are doing now, is not adding one single dime to the backs of the taxpayers, and on January 1, 1945, you will have $1,350,000,000. In 10 years the carrying charges on $1,800,000,000 to pay the certificates at 3 percent are $540,000,000. Add the $1,000,000,000 of interest that we are going to have to cancel to the $1,350,000,000 you will have $2,350,000,000 on January 1, 1945; subtracting $1,800,000,000 cash payment leaves $550,000,000 to the good. The carrying charges on $1,800,000,000 for 10 years at 3 percent, $540,000,000. Subtracting $540,000,000 from $550,000,000 leaves $10,000,000.

Whatever you save in the relief burden will be added to this $10,000,000. If it be 20 percent, that means $360,000,000 more saved; all told, a savings of $370,000,000.

Sponsors of this measure always think about long-term bonds and taxes. While our average interest rate last year was 3 percent, some short-term securities were sold for two-thirds of 1 percent; but I want to call attention of the House to the fact that in governmental financing it is very rare that the full amount, in a case of this kind, would be raised by taxes in that amount in any one year. Generally speaking, if it were to be financed by a sale of securities, a sinking fund could well be set up that would retire the securities at such period as the administration might desire.

Assume that the regular sinking-fund payment of $112,000,000 per year would be continued. As heretofore shown, these payments would amount to $1,350,000,000 on January 1, 1945. With this sum of money on hand, without any extra cost whatever to the taxpayer, because this amount must be raised under existing law, it would be necessary to have $450,000,000 to retire $1,800,000,000, the long-term securities, the proceeds from which paid off the adjusted-service certificates. As I compute it, it would take less than $38,000,000 additional per year to amortize this sum of $450,000,000 on January 1, 1945. Assuming that 20 percent of this cash payment would be saved from the relief burden, it is apparent that there would be no added costs.

Another way of calculating it: If you subtract $400,000,000 relief payments from the $1,800,000,000 paid the soldiers, you would have a remainder of $1,400,000,000. The normal sinking fund payment of $112,000,000, per year, for 10 years comes within $50,000,000 of this sum. Carrying charges on the total cash payment amount, plus this 50 million, would be less than $600,000,000. By this computation there would be a saving of approximately $400,000,000.

In these computations we have computed carrying charges on the amount required to pay off the adjusted-service certificates when, as a matter of fact, the sum saved from the relief burden should be deducted from that amount and the actual carrying charges would be on such remainder. That would make a very considerable saving over a 10-year period.

I am not suggesting that the foregoing plan be adopted, but I am merely pointing out that it is not such a stupendous financial undertaking.

Assuming that the interest on the loans is going to be canceled, I repeat that we can save money by paying off the certificates now. But there are other ways of paying off the certificates under existing laws. Senator Thomas successfully procured the adoption of an amendment to the Agricultural Adjustment Act calling for the issuance of $3,000,000,000 of notes like those in H. R. 1. Senator Thomas, one might say, is the father of inflation in these later days. There is no question but that the certificates could be paid under H. R. 3896 with the money authorized by the Thomas amendment if the administration so desire. It could not be paid off directly with these Treasury notes, because they are to be used to retire interest-bearing obligations, but it would be a simple matter to retire such obligations with this money and thereby relieve the debt structure to the extent of $3,000,000,000. Thereupon the Treasury could float a $2,000,000,000 issue, and with the proceeds from it pay off the certificates.

Referring to Senator Thomas, a week or so ago he was reported in the New York Times with having urged monetary caution. Quoting from the press report:

"Just how much expansion will be necessary to bring about the 100-cent dollar can only be ascertained by experimenting.

"I do not think the amount would be large, and by adopting a policy of slow and gradual expansion no possible harm could be done and no severe shock would result to prices."

CASH BONUS HELD RISKY

"The payment of the bonus in cash might go too far", Mr. Thomas continued. "Likewise, the Frazier-Lemke proposal or the Wheeler Treasury note issue proposal might reduce the value of the dollar far below the 1926 level, thereby causing an undesirable increase in prices and living costs."

Now, when the distinguished Senator from Oklahoma, the chief sponsor of inflation, advocates caution when it comes to the proposed monetary changes and he says we should go slow before we change the monetary system of this country, I submit that the most rabid inflationist in this House should stop, look, and listen.

The administration, under the Dies bill, could expand the currency by issuing silver certificates to the amount of about $1,800,000,000. They could do that without additional legislation. They already have that power.

If the administration so desired, they could use the $2,000,000,000 stabilization fund—gold profit allocated for this specific purpose—and issue $5,000,000,000 of currency and pay off the soldiers' certificates. In these last three measures the administration now has the power to expand the currency $9,800,000,000, or any part of it. All these powers have been conferred since the first Patman bill passed the House; but the trouble is, so far as the Patman proposal is concerned, that the administration does not choose to exercise its powers of inflation. Patman's difficulty is that they do not choose to pay these certificates through the inflation route.

A short time ago we authorized the issue of baby bonds. I suggest that we can pay these certificates by sale of these bonds, and with their proceeds, pay off certificates in the regular way. With the soldiers' organizations, the auxiliaries, the veterans and their families, and the people who would be glad to see them paid in cash—perhaps some creditors—you could, in my opinion, put on a campaign and sell $2,00,000,000 of baby bonds, or at least a large proportion thereof.

CONCLUSION

With our present policy of spending money, determined to increase the price level, and all that sort of thing, I believe the country wants these adjusted certificates paid. I believe they recognize it is for personal services rendered. I believe they want them paid, and paid now. I believe they want them paid in the same way that the war contractors were paid $3,000,000,000, in the same way that the railroads were paid $2,000,000,000, in the same way that all current obligations of Uncle Sam are paid.

I submit in closing that the American people do not believe in repudiation of the debts owing to us by foreign countries for money and supplies received from us to save their native lands from destruction. We generally talk in angry tones about such repudiation, yet we have repudiated a debt to our very own. Practically everyone was employed during the war. Practically every civilian employee, every corporation connected with and used by the Federal Government in that war received adjusted pay in cash, except the manpower that was called to the colors in that grave crisis. It is our thought that the adjusted-service certificate is an acknowledged debt. It is adjusted pay for personal services rendered. We can't get it out of our mind that the men or women who rendered the service are the ones who should receive the benefits of this adjustment in pay.

Already 189,000 have passed to the great beyond. On January 1, 1945, more than 300,000 additional will have failed to receive adjustment in their service pay. In other words, on the technical due date, January 1, 1945, more than 500,000 World War veterans will have failed to get any personal benefit out of this adjusted-service plan. The services were rendered more than 16 years ago. Using the accepted adjusted-service pay, computing the interest in the same way that Uncle Sam has computed it against the soldier, the debt is now past due. In my opinion, the American people do not want this debt repudiated.

I respectfully submit that the Members of this House who desire to do something for the soldiers during their lifetime should take the strongest vehicle to pay that debt. It was for this purpose that I introduced H. R. 3896, and I am happy to present it to you for your serious consideration. [Applause.]

STATEMENT OF HON. HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY

The CHAIRMAN. You know the matter that is before us, Mr. Secretary. Will you please proceed?

Mr. MORGENTHAU. Your committee has under consideration a number of bills proposing plans for settlement of the World War veterans' adjusted-service certificate claims. I shall not attempt to go into the merits of any of these bills or to analyze them in detail, believing that to be a service that can best be performed by other officers of the Government. The Treasury is, however, deeply interested in any problems which involve additional or earlier expenditure of public funds than those for which careful preparation has already been made in Budget and financing plans.

I believe it is true of all the so-called "bonus settlement plans" which you have had under consideration that each one of them calls for greater or earlier payments from the Treasury than were contemplated in the original adjusted-service certificate plan and payments during the fiscal year 1936 for which no provision has been made in the Budget of that year.

All of the financial plans made by the Treasury for the coming year have been based on adherence to the President's budget. Moreover, the credit of the United States Government depends very largely, in my opinion, upon scrupulous adherence to the President's program.

Senator BAILEY. I dislike to interrupt you, but I feel that I must. We have a bill now pending in the Congress, in the Senate, authorizing a billion dollars in bonds. That is outside of the Budget, is it not?

Senator KING. The so-called "Bankhead bill."

Mr. MORGANTHAU. Are they guaranteed bonds?

Senator BAILEY. Issued by the United States Government.

Senator KING. And guaranteed by it.

Senator WALSH. Government loans, like the R. F. C.

Senator BAILEY. Issued by a corporation and fully guaranteed as to principal and interest.

Mr. MORGANTHAU. That creates a contingent liability.

Senator BAILEY. Have you looked over that bill?

Mr. MORGANTHAU. I do not believe, sir, that it has been referred to the Treasury, as far as I know.

Senator BAILEY. Would you prefer that it should be, before we vote on it?

Mr. MORGANTHAU. That is entirely up to you, but as far as I know it has not been referred to the Treasury.

May I continue?

The CHAIRMAN. Proceed.

Mr. MORGANTHAU. Moreover, the credit of the United States Government depends very largely, in my opinion, upon scrupulous adherence to the President's program. I don't think we can continue to enjoy the present favorable rates and favorable market for the sale of Government securities if new expenditures are incurred which go far beyond the limits of those which have already been outlined. A material decline in the market price of Government securities, which would be very likely to result from large expenditures outside the budget, would work a grave injustice upon all purchasers of Government securities, and would tend to slow up the whole recovery program.

The Treasury, therefore, would view with great concern the enactment of any bill which calls for large additional expenditures, without compensating additional taxes. It seems to us of the utmost importance that if any adjusted-service certificate settlement calling for increased expenditures, or for earlier expenditures than those already taken into account, should be enacted, Congress should make provision for raising revenues sufficient to cover the additional expenditures in the year or years in which they are to be incurred.

If it should be thought desirable to seek new sources of revenue for this purpose, the Treasury would be glad to offer its suggestions.

The CHAIRMAN. Thank you, Mr. Secretary.

Senator GORE. I want to ask one question of the Secretary, Mr. Chairman. Sometime ago I introduced a resolution, S. 71. Later I introduced a revised edition of it, Senate bill 2365, the point in which was authorizing the President to enter into agreements with our debtors abroad, and to readjust the indebtedness, the first condition being that they pay in cash or provide in cash approximately $2,000,000,000, an amount sufficient to liquidate and retire these certificates, the money to be applied to that used for that purpose. If you are prepared now, I would like to have your impression of it, your views. If not, I would like to ask that you submit a report to the committee on it.

Mr. MORGENTHAU. I will be glad to communicate in writing.

Senator GORE. Very well.

Senator LA FOLLETTE. Mr. Secretary, has the Treasury given any consideration to a program for raising additional revenue?

Mr. MORGENTHAU. Yes, sir.

Senator LA FOLLETTE. Would you be willing to submit that for the consideration of this committee?

Mr. MORGENTHAU. In coming up here we discussed in the Treasury various suggestions for increased revenue in case Congress did pass a bonus bill, and we feel that a method which would be absolutely not inflationary and produce the revenue would be a Federal inheritence tax, created on the same basis as the income tax, administered the same way.

Senator LA FOLLETTE. Is that in such shape that you could submit it just for the consideration of the committee?

Mr. MORGENTHAU. We could get it up here within 24 hours.

Senator CLARK. Do you mean a graduated inheritance tax with surtaxes, the same as the income-tax structure?

Mr. MORGENTHAU. Exactly. And we estimate that that would produce somewhere between, roughly, from 2 to 6 hundred million dollars a year.

Senator CONNALLY. You mean for the executive use of the committee?

Senator LA FOLLETTE. Yes.

Senator CONNALLY. You do not mean to give it out to the press?

The CHAIRMAN. Will you be ready to respond to the call of the committee?

Mr. MORGENTHAU. Yes, sir.

Senator BLACK. Do you mean with reference to raising taxes, that if we pass either one of these bonus bills, it will be necessary to raise taxes?

Mr. MORGENTHAU. That is the position as Secretary of the Treasury that I have to take.

Senator BAILEY. Why do you have to take it, Mr. Morgenthau?

Mr. MORGENTHAU. Because the President set up a budget, he has made very definite statements what he thinks the deficit will be, and the requirements for additional capital. I worked with him on that method, and, as a member of his Cabinet, I can only take that position.

Senator BAILEY. Is it your judgment that if we increase the national debt with bond issues, and with contingent liabilities, and so forth, beyond the budget, we are likely to destroy the financial structure, or seriously impair it?

Mr. MORGENTHAU. I simply feel that this Budget message went up in January. It is now the end of April. The public accepted it as the President's word. We have gone ahead and done our refunding on that basis, people have bought Government bonds on that basis, and while I realize that the President can only send his message and the final authority rests with Congress, still I feel that he and I both are definitely committed to his Budget methods.

Senator BAILEY. Let me call your attention to some very impressive words here from your statement:

> Moreover, the credit of the United States Government depends very largely, in my opinion, upon scrupulous adherence to the President's program.

Scrupulous adherence—that means absolute, does it not?

Mr. MORGENTHAU. I wrote it, and I do not say something I do not believe.

Senator BAILEY. That was the strongest word you could use, was it not?

Mr. MORGENTHAU. I think so.

Senator BAILEY. You say further:

> I don't think we can continue to enjoy the present favorable rates and favorable market for the sale of Government securities if new expenditures are incurred which go far beyond the limits of those which have already been outlined. A material decline in the market price of Government securities, which would be very likely to result from large expenditures outside the Budget, would work a grave injustice upon all purchasers of Government securities, and would tend to slow up the whole recovery program.

That is your considered opinion, given to us?

Mr. MORGENTHAU. Freely.

Senator CLARK. Mr. Secretary, the necessity for additional revenue would exist if Congress were to pass the Harrison bill as if it passed the Vinson bill or the Patman bill?

Mr. MORGENTHAU. If you do not mind, Senator, I would rather not get into the different bills.

Senator CLARK (interrupting). I understand, but if I understood your statement a moment ago, your position is that the passage of any of these bonus bills would require additional revenue?

Mr. MORGENTHAU. That is correct.

Senator GORE. Your statement is that expenditures or disbursements ought to bear some sort of relationship to income and revenue?

Mr. MORGENTHAU. Yes, sir.

The CHAIRMAN. Thank you, Mr. Secretary.

General Hines.

STATEMENT OF GEN. FRANK T. HINES, ADMINISTRATOR OF VETERANS' AFFAIRS, VETERANS' ADMINISTRATION

The CHAIRMAN. You know what is before us, General Hines. Will you please make your statement?

General HINES. Mr. Chairman and gentlemen of the committee, in appearing before you this morning, I believe that my testimony can be probably of greater value to you by giving to the committee information on these various bills and referring briefly to the past history which has been taken up somewhat by Colonel Taylor and preceding witnesses.

Senator KING. Before you do that, General, I should be very glad if you could have someone in your office, before these hearings are closed, submit to the secretary of the committee a statement showing all of the money that has been paid to the veterans since the war.

General HINES. I will refer to that as I go along.

Twelve bills have been introduced in the Senate and 37 in the House.

Senator CONNALLY. There are 435 Members of the House, are there not?

General HINES. Correct. [Laughter.]

To review the bonus just briefly, you will all recall that at the conclusion of the period of hostilities of the World War, the problem presented itself of the demobilization of those members of the military forces whose services of a temporary character were intended to embrace only the period of duration of the war. At the time of separation from the service only a few found themselves with any appreciable amount of readily available funds which could be used to defray expenses incident to the transition from a military to a civil status. In order to meet the situation the Congress enacted on February 24, 1919, a bill which provided that at the time of discharge an additional payment in the amount of $60 would be made to persons serving in the military or naval forces during the war, who were separated from active duty under honorable conditions.

Senator BAILEY. General, I wish very much to hear you, and I feel that I should apologize, but I have an amendment pending in the Senate and I must go over, but I shall be very sure to read what you have to say.

General HINES. During the year 1919 it would appear that several more proposals were made for the granting of a consideration to persons who had served in the military or naval forces during the then recent conflict. Many and various types of plans were suggested, the principal ones being: (1) Cash bonus; (2) home and farm aid; (3) land settlement aid; (4) vocational training aid; (5) issuance of service bonds. Later, a suggestion for the issuance of a paid-up insurance policy seems to have come into prominence and to have gained favor. A bill was finally passed in 1922 providing for the following different types of optional settlements which persons entitled were allowed to elect:

1. Adjusted-service pay; but the veteran could not choose this plan if the amount of adjusted-service settlement would exceed $50.
2. Paid-up endowment insurance.
3. Vocational training aid.
4. Farm or home aid.

This proposed statute did not become a law because the President, under date of September 19, 1922, vetoed the act of the Congress and such veto was sustained.

In 1924 there passed both Houses of the Congress a bill which had as its object the issuance to World War veterans as adjusted compensation certain payments of cash to a restricted group and the issuance of adjusted-service certificates in the form of paid-up 20-year endowment-insurance policies to those persons otherwise meeting the requirements of eligibility. The veto of the President of this act of the Congress was not sustained and the law was placed upon the statute books May 19, 1924. Provision was made for the granting to persons serving in the military or naval forces, within a delimited period, of adjusted compensation at the rate of $1 per day for services in the United States and $1.25 per day for services overseas. Sixty days of service were excluded for the purpose of computing the amount of adjusted compensation, as was also service in a grade above that of captain in the Army or Marine Corps and lieutenant, senior grade, in the Navy. Entitlement was not acquired by service in certain specified organizational units nor under prescribed conditions stated in the act. For a service credit of $50 or less payment was made in cash, but if the service credit exceeded $50 an adjusted-service certificate was issued. A restricted class of surviving dependents of eligible veterans were privileged to receive benefits. If the amount of the credit was $50 or less a lump sum cash settlement was authorized. If the credit exceeded $50 payments were made in 10 equal quarterly installments. The amount of the adjusted-service certificate was determined by taking the net service credit and adding thereto 25 percent and the figure thus arrived at was used as a net single premium according to the American Experience Table of Mortality with interest at the rate of 4 percent, compounded annually, to procure for the veteran a paid-up 20-year endowment policy of insurance.

The amount of insurance procurable by a fixed credit varied according to the age of the insured at the time of issuance, but in the average case the amount stated on the face of the adjusted-service certificate represents approximately two and one-half times the net credit as computed by allowing the adjustment of $1 and $1.25 per day, based upon the field of service.

The CHAIRMAN. What was that average? The basis?

General HINES. The average was approximately $400.

Senator CONNALLY. In other words, if the soldiers had been paid as of 1918, they would have gotten only 40 percent of their present face value of the certificates?

General HINES. We calculate if they had paid them in 1924 the total amount of cash——

Senator CONNALLY (interrupting). Some of them said they ought to have been paid in 1918. If they had been paid in 1918 they would only get 40 percent of the face value of the certificates?

General HINES. I will get to that as I go along, but, anyway, there was printed on the face of these certificates, not the adjusted credit which Congress voted in 1924, but the value of that credit increased by the 25 percent for the age of the veteran at 4 percent 20 years forward.

And, may I say, that we have heard arguments about the 25 percent from time to time. I believe it can safely be said from all of the hearings that I have been able to find, that the Congress added the 25 percent for the deferred payment from January 1, 1925, to 1945.

The CHAIRMAN. And not from 1918?

Senator GORE. Will you state that again, General?

General HINES. I feel that the 25 percent was added because of the deferred payment of 20 years and not for any time that had elapsed between the date of the armistice and 1924.

I base my conclusion on this fact: If the Congress had intended to add the 25 percent for any other purpose, I feel confident that they would have added it in those cases which to me are much more meritorious than any others, that of the men who died in action, because their dependents did not receive the 25 percent increase.

Senator CONNALLY. Of course, if they died in action, they died before the armistice.

General HINES. That is right.

Senator CONNALLY. There would not be any interest or deferring.

General HINES. But they paid the dependents just the straight adjusted credit.

Senator CONNALLY. That is why I think it was added for the interest.

General HINES. But, Senator, these payments to dependents in 10 quarterly installments, if the amount was over $50, were not paid until 1925, so the Congress certainly would have added it if there had been any idea of compensating for the time lost in passing the bill finally.

To the end of the last calendar year there had been issued 3,723,638 adjusted-service certificates, with a maturity or face value of $3,676,-191,304. Of these certificates 195,048 had become matured due to the death of the persons to whom they were issued, and $194,276,306 had been paid thereon, leaving 3,528,590 certificates in force with a maturity or face value of $3,481,914,998. The basic credit; that is, the adjustment at the rate of $1 and $1.25 per day, represented by the maturity value of the outstanding certificates is $1,384,650,781. That is the amount that would have been paid in cash if the Congress had settled in cash.

Senator GORE. State that again, please, General.

General HINES. $1,384,650,781. The present value of these certificates, that is, the basic value, plus the interest, for the age of the veteran, according to the table of the American Experience Table of Mortality, has at present a value of $2,101,433,300 if only the earned portion of the additional credit granted because of deferment of payment is allowed; in other words, the earned portion of the 25 percent is included in that amount. If we consider the full 25 percent, the present value would be $2,350,740,827.

The original act permitted certificates to be borrowed upon at the expiration of 2 years from the date of issuance to an amount equivalent to 90 percent of the reserve value of the certificate on the last day of the current certificate year, the reserve value to be based upon an annual level net premium for 20 years and computed according to the American Experience Table of Mortality, with interest at the rate of 4 percent per annum, compounded annually. The maximum rate of interest was fixed at 2 percent above the rediscount rate for 90-day commercial paper in the Federal Reserve district in which the loan was made. The law as first enacted provided for loans to be made only by incorporated banks and trust companies. The law was amended on March 3, 1927, in order to permit loans to be made out of the United States Government life insurance fund. This fund represents a trust administered by the Government, but the beneficial interest therein lies with the holders of United States Government life-insurance policies, so that to all purposes, loans made from this fund are in the same category as loans made by banks. On March 4, 1929, a further enactment limited the rate of interest to 6 percent per annum.

You will recall at that time that in some districts, the 2 percent above the Federal rediscount rate caused rates of interest as high as 7 percent, and Congress passed that act for the purpose of limiting it to 6 percent.

Legislation which became effective February 27, 1931, granted authority for the making of loans from the adjusted-service certificate fund. That is the fund created for the redemption of these certificates.

The CHAIRMAN. May I inquire, General, just a moment. What is the pleasure of the committee. I do not know when we are going to get to a vote in the Senate—I do not suppose anybody can—on the proposition before it.

Senator GORE. Don't you think it would be a good idea not to meet this afternoon. It will be disposed of this afternoon, undoubtedly.

The CHAIRMAN. I should prefer that the matter go over until tomorrow morning, and let the General go ahead in the morning, otherwise I would rather see us go on this afternoon. If we meet this afternoon and have to run in and out to vote——

Senator GORE (interposing). General, I introduced a resolution which I referred to a moment ago when the Secretary of the Treasury was on. If you are not prepared to discuss it now, or will not be tomorrow, I would like you to prepare a report on it.

General HINES. I am prepared to discuss it when I come to it in the bill.

The CHAIRMAN. I desire to insert in the record a brief presented by Mr. Walter P. Symonds, of Baltimore, Md., on behalf of the Veterans' Home of Maryland, Inc. We will adjourn now until tomorrow morning, at 10 o'clock.

BRIEF SUBMITTED BY THE VETERANS' HOME OF MARYLAND, INC., BALTIMORE, MD.

VOICE OF THE NEEDY VETERAN ON THE "BONUS"

Our friend—first permit an expression of appreciation. It is not practicable to place a hidden microphone in a "veterans' gathering place" that our National Senators might be enabled to listen in on the informal discussions of destitute veterans, so the facilities of Station WCBM have been besought and cheerfully granted a representative needy veteran from the Veterans' Home of Maryland, that he might disclose some of the most commonly held views of this group of Baltimore and Maryland.

So—coming from ones who are classed as failures, voiced by one who has never achieved distinction—if this message is poorly rendered, if it adds not one bit of information to what you already know regarding the "bonus" issue, if it gives utterance to thoughts and reasoning and to conclusions identical with those you have already formed, then bear with this voice for expressing them in the hope that their truth, coming from this humble source, may make evident to some Senators the fact that the average American citizen, no matter how humble his estate, can and does think—has average intelligence and the ability to use it.

If some of the language used in this talk is crude, it is only because the one talking is himself one of the residents of the home. The views he expressed are not his alone but are a composite expression of the needy veterans whose voice he represents.

That the patriotic intent of this message may not be questioned, allow the reading of the preamble to the bylaws of the veterans' home:

"The Veterans' Home of Maryland, Inc., is chartered for the furtherance of patriotic endeavors and ideals and to promote mutual assistance in the way of furnishing a home and other necessities for worthy veterans with honorable discharge from war forces of the United States of America.

"It shall also be the purpose of this institution to enlist the active cooperation of all persons in sympathy with these aims, as associates for their accomplishment.

"To alleviate suffering, to increase self-respect, to encourage men to engage only in legitimate pursuits, to improve morale, to devote men's interest to high purpose, we solemnly declare it the duty of all to work for the achievement of the principles set forth in this preamble."

Now, our friend, if you subscribe to the principles just enunciated, you will do something. This concerns you who are not veterans as well as you veterans. You will write to our two Maryland Senators to vote for the Patman bill to pay the veterans. Why the Patman bill? For one reason, you have a son, or a brother, or a father, or an uncle who served in the war; or you have no relative at all who served, but have the interest to try to see that justice is done. This veteran in whom you are interested was obliged to draw half on his $1,000 certificate. Under the Patman bill he will now draw the remaining $500.

Under the Harrison bill what would this same veteran receive? Here, we'll see what authorities say. According to the Veterans' Administration—"The vast majority of veterans have borrowed up to 50 percent of the maturity value of their certificates. On a $1,000 adjusted-service certificate, which is the average value of outstanding certificates, their cases would work out about like this: Conversion now would bring them bonds and cash in the amount of about $175."

With all due respect for Senator Harrison, personally this Harrison proposition would "gyp" the veteran and malign our President and insult the intelligence of every patriotic American citizen and impugn the good faith of our Government. This toadying to the President would not gain our President's respect for the Senators who would do it, nor would it gain the public respect. President Roosevelt does not want himself represented as a "tin god", to be eternally kotowed to; nor would any other American with a single red corpuscle pulsing through his veins. Under this compromise bill—this Harrison bill—this President-pampering proposal that would cudgel the veteran to coddle the President and subject him to ridicule—this veteran in whom you are interested would receive but $175. After all these years of waiting for the half loaf of bread (stale as it is) that was promised us, for which we sacrificed, and which we so badly need now, we are not so far reduced in spirit as to be appreciative of a musty heel. This is the voice of the destitute veteran.

Now let it be distinctly understood by our Senators that we know as well as they do that whether or not President Roosevelt is personally favorable to payment, he will positively veto any "bonus"-payment plan, now or at any time. And why? For the simple reason that our country might, at some future time, be at war again. In such a deplorable event our country might want to get off as cheaply again on soldier hire as $1 or $2 a day. Remember that no President—Harding, or Coolidge, or Hoover, or Roosevelt—has ever "officially recognized" that the soldiers were underpaid in the World War by signing any bonus-payment measure. For President Roosevelt to sign any at all would render improbable that he or any other President could effectively veto any future proposal of pay increase for the soldier that might at some subsequent time succeed in passing Congress.

Friend, if this veteran in whom you are interested is to receive as much as $500 at this time, when he so greatly needs it, 64 votes in the Senate for the Patman bill will get it for him. Our two Senators' votes are needed. A letter from you is urgent. Right now—while you are listening—will you take pen and paper and write to them?

Why does fairness demand $500 instead of $175? Well, this veteran put in a total of 400 days of service, 300 of these overseas. While serving he received pay amounting to $475, and upon discharge $60, in all $535. Now add the full face amount of his certificate, $1,000, as though it were paid to him when he served instead of delayed 18 years, until 1935. See how the entire $1,535 stacks up beside the $4,000 drawn by this veteran's cousin, working only 8 hours a day for the identical 400 days at unskilled labor in the shipyards, with our same Uncle Sam as his paymaster. Certainly the veterans are reasonable in having waited this long and only asking the face of the certificate which should have been paid in 1918 and the remission of interest on loans that should never have been considered to be loans when it was simply drawing on back pay owed us.

You elected the Honorable George L. Radcliffe as our Senator chiefly because you knew him to be an intimate personal friend of President Roosevelt. Frankly, perhaps you did hope thereby to gain for Maryland a little inside advantage with the administration. At any rate, now is the time for Senator Radcliffe to prove that he is not just an administraion "rubber stamp." He can also fulfill the obligation of his friendship for Franklin D. Roosevelt by helping to mitigate bitterness toward our President by passing the Patman bill over a veto. When sufficient strength was mustered last year to override a veto of a worthy veterans' measure which could benefit relatively few, then certainly, when payment of the adjusted-service certificates will benefit all veterans and all merchants, and the whole mass of the population as well, it should be relatively a simple matter to overcome a veto. Take paper and pen now and write to Senator Radcliffe and to Senator Tydings. Address them at Washington. Tell them to vote for the Patman bill—"no compromise."

Now, let us consider what the aggregate cost—the total expense—of paying off the "bonus" now will be to our Government.

In the first place, in their zeal to repudiate equitable payment to the veteran, opponents of the Patman measure have laid their barrage with such a scattering and poorly aimed effect as to devastate their own forces. A few projectiles well directed by us should compel their retreat and turn their retreat into a rout.

Suppose we first explode their "ammunition dumps." Exaggeration, misrepresentation, vilification, distorted figures, are poor ammunition for any combatant to use. When an adversary must resort to such, a terribly weak condition is manifest in their S. O. S.—their service of supplies.

Senator Harrison's contentions are futile simply because he has only defective ammunition to use. By using figures furnished him, three billion six hundred million, as the cost of the Patman plan, he is giving actually the sum total of the 1945 matured values of all of the certificates belonging to the 3,725,174 veterans possessing them. Probably quite inadvertently, these figures ignore the billion and a half that over three million veterans have already received. So two billion one hundred million is what will be paid in this year of 1935, with passage of the Patman measure.

Inconsistencies, even absurdities, of argument have been persistently aimed at the invincible Patman forces but have just as continuously passed over harmlessly, landing as "duds." Professor Kammerer, of Princeton, would-be sniper of some derelict outpost or outfit calling itself the A. P. A. or the A. V. A., or something of the kind, used such inconsistencies and absurdities as his ammunition, with the effect that premature explosion rendered his position untenable. He appealed to the owners of bank accounts and of insurance policies and to bondholders and to taxpayers. He tried to imply that passage of the Patman measure would raise prices and cheapen the value of money. He totally ignored the fact that in the years prior to 1929 we had inflation in a fairly big way, and any "bonus" currency certainly didn't cause it, because we had no "bonus" payment in those years. And then when half of the "bonus" was paid, in 1931, no inflation resulted. Were not prices at their very lowest in 1932 when President Roosevelt took office?

"Tink bombs" used as ammunition assuredly cannot avail against the Patman measure. And what are they but "stink bombs"—these delirious warnings that two billions of issued currency is going a long way toward a million billions, or the professor's quintillion inflation Germany had? You probably have $2 in the house right now, but you hardly feel that that is anything like a million.

What will the payment of the "bonus" in full cost our Government? Well, Senator Harrison says that under his plan one billion three hundred million would be the outlay. Brisbane says to add six hundred millions of interest to that, making the Harrison bond plan cost the Government one billion nine hundred million in taxes.

Under the Patman plan, $2,100,000,000 of currency will be issued. But this money will not come from you as a taxpayer; will not be taken from the banks; and will not come out of thin air. It will come off from a Government printing press, just as any Federal Reserve notes do. It will deprive the privately-owned Federal Reserve banks of $1,260,000,000 in velvet or profit were those banks permitted to issue $2,100,000,000 of currency on the base of $840,000,000 of gold certificates. That is, good United States currency will be made available to our Government instead of being reserved for rank inflation in the way of unadulterated subsidy for those banks. Loss of that much "gilt" to them of course accounts for the desperate attempts toward annihilating the Patman bill. They'll never do it with their defective ammunition, though, if you, the taxpayer, are half way alert.

This statement is substantiated if you but witness the official report that 675 millions of gold certificates have been ear-marked for redemption of an equal amount of consols and Panama Canal bonds, scheduled to take place in June. And was not the report very careful to announce that the Federal Reerve banks will not be likely to avail themselves of their authority to issue $2.50 of currency for each dollar of gold certificates, for the reason that these banks are bursting with idle money?

Are we to be kidded into the belief that these banks will not issue $1,700,000,000 of currency based on these $675,000,000 in gold certificates, and will deprive themselves of $1,000,000,000 of velvet?

Our friend, if you are alert and one of us who is not so easily kidded, you will write to Senator Tydings and to Senator Radcliffe requesting their votes for the Patman measure. Passing that bill will save you considerable in taxes. These Senators' votes for the Patman bill will definitely dismiss any misgivings we, as voters, might have concerning the possibility of either of them being subsidized to the league of big bankers.

These Senators already know that 85 percent of all veterans have had to draw on their certificates and naturally want to cash the remainder before interest shall have practically consumed it. Your letters will prove to these Senators that you do not begrudge these men the payment of this back pay they have awaited so long.

One vote in the Senate may mean—will mean—even as much as life or death in families of veterans throughout our Nation—the performance of an operation on a loved one before it is too late—the change in climate for ones whose bodies have so suffered from privation and the rigors of these depression years that they are now in the first stages of consumption—such distressing cases as these are in every community. And you, our friend, can help to alleviate them. Please write to your Senators.

130434—35——10

Also, I desire to offer for the record a telegram, signed by Mr. Godfrey Von Hofe, and others, of New York City, relative to the question now under consideration by the committee:

NEW YORK, N. Y., *April 23, 1935.*

Senator PAT HARRISON,
Chairman and other Members of Senate Finance Committee,
Washington, D. C.:

The signers of this telegram are both veterans and nonveterans, and may we ask that this telegram be incorporated in the record of the hearing of your committee on payment of the bonus or adjusted-compensation certificates. In the interest of the veterans, and especially in the interest of our country, we heartily endorse payment of the bonus according to the Patman plan, by actual currency to be issued against the billions of sterile gold and silver under Treasury control. We and the overwhelming majority of the people are unalterably opposed to payment of the bonus through any interest-bearing bond-compromise plan that will add to the existing impossible and destructive taxes and thus only prolong the depression and suffering of our people. It has been demonstrated that the Agricultural Adjustment Administration and National Recovery Administration crop reductions regimentation processing taxes and a policy of making things scarce to try to make them high cannot restore prosperity, and it is becoming apparent that our fundamental trouble is simply a debt tax and money problem and that what is vitally needed is currency expansion and an adequate medium of exchange to restore prices and increase consumption in a natural way. It seems unbelievable, but our people are actually being taxed to carry billions of sterile gold and silver under Treasury control. There is approximately $9,500,000,000 of sterile gold and silver under Treasury control, and there is outstanding only approximately $5,400,000,000 of actual currency; therefore it is evident there is enough sterile gold and silver to pay the bonus and expand the currency many billions of dollars and still have ample backing for those who are worried or fetish about metallic backing. Therefore, in interest of veterans and our country, we urge that the bonus be promptly paid through currency and not crush our people with additional taxes by paying the bonus with interest-bearing bonds.

Godfrey Von Hofe, C. H. Hensel, James Martin, Robert Harriss, F. P. Keelon, Ronald Andrus, E. Kinsky, David Goodman, Joseph McCaffrey, John Schleagal, George Schuler, E. Edwards, James Murname, F. Murphy, R. C. Moore, John Fisk.

(Whereupon, at 12 o'clock noon, a recess was taken until 10 o'clock of Wednesday, Apr. 24, 1935.)

PAYMENT OF ADJUSTED SERVICE CERTIFICATES

WEDNESDAY, APRIL 24, 1935

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

The committee met, pursuant to call, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), King, Walsh, Connally, Gore, Costigan, Bailey, Clark, Lonergan, Black, Gerry, Guffey, Couzens, Keyes, La Follette, Metcalf, Capper.

The CHAIRMAN. The committee will be in order.

Mr. E. H. Everson, who represents the National Farmers Educational and Cooperative Union is present and desires a statement to be put into the record with reference to the views of his organization.

STATEMENT OF E. H. EVERSON, NATIONAL PRESIDENT OF THE FARMERS EDUCATIONAL AND COOPERATIVE UNION OF AMERICA, OF ST. CHARLES, S. DAK.

Mr. EVERSON. I am the national president of the Farmers Educational and Cooperative Union of America, a strictly farmer-class organization with organizations in 36 of the United States.

The Farmers Union at its national convention for a number of years has gone on record in favor of the payment of the soldiers' adjusted-compensation certificates through the issuance of non-interest-bearing United States currency. The Farmers' Union is opposed to the payment of Government obligations through the issuance of interest-bearing tax-exempt bonds, thereby creating tax exemption for that particular class of society who are best able to pay taxes and passing the burden on to those less able to pay, together with the interest thereon.

The Farmers Union further believes that the issuance of this new money will help to make up the huge deficit in our medium of exchange.

We are told that under normal conditions bank checks constitute approximately 90 percent of our medium of exchange for carrying on the business of the country. The closing of banks and the bank moratorium has canceled out of existence billions of dollars of this medium of exchange and this must be replaced in order to make recovery possible. We believe that following the war the boys who offered up their lives, if needed, in defense of our country should have been the first ones to have been paid when the war ended, whereas it seems the policy of our Government determined largely through the influence of special-privileged interests, has been to put them off till the last.

The payment of this obligation now in money on which we pay no interest will not be an added burden to the taxpayers but will affect a very substantial saving to the taxpayers in interest, while at the same time it would stimulate business of all kinds, providing a market for products of the farm and factory and the employment of labor.

We believe it will go far toward restoring values of property, farms, and homes which is so necessary to insure the credit stability of the Nation.

The following is the resolution passed unanimously by our last national convention held at Sioux Falls, S. Dak., November 21. 1934, which was the largest convention our organization has ever held. I may say here, that our membership increased nearly 50 percent last year.

I am now quoting the resolution:

During the war, American boys from farm and factory served their country in France in the mud and rain of the trenches for the pittance of $1.25 a day, while the millionaires at home were piling more millions on top of their already swollen fortunes—coining money out of the blood of the "Flower of our American youth."

The Government is taxing the people to pile up a sinking fund to pay these ex-service boys an adjusted compensation in 1945. This is a very expensive way of paying the acknowledged debt owing to our ex-service men.

Business languishes—people go naked and starve for lack of a medium of exchange with which to transact business.

Therefore be it resolved that the Farmers Union is in favor of the Government issuing full legal tender noninterest-bearing currency and paying this debt to the ex-service boys at once. Such a method will cost the Government much less than the sinking-fund plan and will furnish two and a quarter billion dollars of real medium of exchange over which the bankers will have no control.

The CHAIRMAN. General Hines, will you continue, please.

STATEMENT OF GEN. FRANK T. HINES, ADMINISTRATOR OF VETERANS' AFFAIRS, VETERANS' ADMINISTRATION—Resumed

General HINES. Mr. Chairman and gentlemen of the committee, I had reached and was speaking, when I left off, of the adjusted-service-certificate fund.

This is the fund which was created for the purpose of accumulating the necessary reserve in order to meet the maturity values on the certificates. This amendment also discarded the actuarial basis upon which loans had formerly been computed and fixed the loan value at 50 percent of the maturity values of the certificates, as well as reducing the maximum rate of interest which could be charged on loans to 4½ percent. On July 21, 1932, a further change in the rate of interest on loans was made, reducing the maximum rate to 3½ percent, and the provision requiring that a 2-year period elapse from the date of issuance of the certificate before a loan could be secured thereon was eliminated. This amendment had the effect of permitting veterans to borrow at a rate of interest the maximum of which was one-half of 1 percent less than that allowed on the adjusted-service credit in accumulating the maturity value. On December 31, 1934, 3,015,614 certificates had been borrowed upon and the liens against these certificates aggregated $1,707,298,516.23.

There would appear to be five plans for the payment of the adjusted-service certificates which have gained the most prominence and I will hereafter outline a general analysis of the bills embodying these proposals.

I might say at this point that the principles covered by the five plans which I will analyze will practically cover all of the plans. There may be some slight variations in the different bills, but generally the final result, both as to the amount of money required to be appropriated and to carry them out, or the additional cost to the Government is approximately the same, so in taking these plans, I hope if I do not mention a particular bill introduced by either a Member of the House or the Senate, he will understand that I have taken these as the types of bills rather than to give any preference in talking about any particular bill.

The Patman plan, which passed the House of Representatives as H. R. 3896, is entitled "An act to provide for the immediate payment to veterans of the face value of their adjusted-service certificates, for controlled expansion of the currency, and to extend the time for filing applications for benefits under the World War Adjusted Compensation Act, and for other purposes." This act provides for the payment upon application and the surrender to the Administrator of Veterans' Affairs of an adjusted-service certificate of the face value thereof after deduction has been made therefrom of the principal sum of any liens thereagainst and interest, if any, accrued prior to October 1, 1931. Interest accrued or paid subsequent to October 1, 1931, is to be refunded or forgiven. Payment shall be made to the designated beneficiary if death occurs after the filing of an applica-cation but before receipt by the veteran of payments due under the provisions of this act.

Any veteran entitled to receive an adjusted-service certificate who has not made application therefor shall be entitled, upon application, to receive at his option either a certificate or the payment of the amount of the face value thereof.

The proposed act provides that effective as of December 31, 1934, the existing act will be amended by extending the time for application to January 2, 1940, and authorizes the substitution of January 2, 1940, for January 2, 1935, wherever it appears in the existing law as the closing date for the filing of applications.

The Administrator of Veterans' Affairs is authorized to make regulations which shall to the fullest extent practicable provide a method by which veterans may present their applications and receive payment in close proximity to the places of their residence.

Amounts in the adjusted-service certificate fund are made available for the expenses of printing and engraving United States notes issued under this act, for paying fractional parts of a dollar which cannot be paid in United States notes issued under the provisions of this act, and for paying the principal and interest on or in respect of loans on certificates held by banks to make the certificates available for payment under the provisions of the proposed act.

Sections 2 and 3 of the proposed act provide for an issue of United States notes to be used to make payment of the amounts due to holders of adjusted-service certificates and for regulation of the currency and of contracting currency issues. The Secretary of the Treasury is authorized to regulate the volume of currency in circulation on the basis of the index number of wholesale all-commodity prices prepared by the Bureau of Labor Statistics of the Department of Labor.

The maturity value of outstanding adjusted-service certificates on February 28, 1935, was $3,479,802,408, and the amount of interest to be remitted or forgiven would total $182,132,302, or an aggregate of $3,661,934,710. As the adjusted-service certificate fund, which represents the reserve accumulated to pay the maturity value of adjusted-service certificates, has a worth of $1,356,381,760 and $100,000,000 additional will be available on July 1, 1935, under the provisions of the independent offices bill the additional amount required to place in effect the provisions of this bill is estimated to be $2,205,552,950.

Senator KING. If, however, that fund which has been accumulated had gone into the general fund of the Treasury and been expended according to the appropriations for Federal purposes, then we would have to raise the entire amount?

General HINES. Yes, sir. It is our understanding that the fund is intact and that it has not as yet been utilized up to this date except for the loans to veterans under certificates and payment of certificates matured by death.

The Vinson plan is contained in a proposal entitled "A bill to provide for the immediate payment of World War adjusted-service certificates, to extend the time for filing applications for benefits under the World War Adjusted Compensation Act, and for other purposes." The bill, identified as H. R. 3896, was introduced in the House of Representatives on January 14, 1935, by Mr. Vinson of Kentucky. It was reported with an amendment on March 13, 1935.

This bill provides for the payment immediately, upon application and the surrender of the certificates, of the face value of adjusted-service certificates after deduction has been made therefrom of the principal sum of any liens thereagainst. Interest paid or accrued is to be refunded or forgiven. Payment shall be made to the designated beneficiary if death of the veteran occurs after the filing of an application but before receipt by the veteran of payments due under the provisions of this act.

Any veteran entitled to receive an adjusted-service certificate who has not made application therefor shall be entitled, upon application, to receive at his option either a certificate or the payment of the face value thereof.

The proposed act provides that effective as of December 31, 1934, the existing act will be amended by extending the time for application to January 2, 1940, and authorized the substitution of January 2, 1940, for January 2, 1935, wherever it appears in the existing act as the closing date for the filing of applications.

The Administrator of Veterans' Affairs is authorized to discharge any interest that may be due to any bank or trust company holding certificates as security for loans in order to make the certificates available for payment to the veterans under the provisions of this act.

The maturity value of the outstanding certificates as of February 28, 1935, is $3,479,802,408, and the interest to be refunded or forgiven under the terms of this bill amounts to $243,743,276, making a total of $3,723,545,684. As the worth of the adjusted-service certificate fund is $1,356,381,760, and $100,000,000 additional will be available on July 1, 1935, under the provisions of the independent offices bill, the amount required to be appropriated in order to place in effect the provisions of this bill would be $2,267,163,924.

The Tydings plan is embodied in the Senate bill no. 2277, which bill is entitled "A bill to provide for the payment of veterans' adjusted-service certificates in bonds of the United States." It provides for amending section 507 of the World War Adjusted Compensation Act, as amended, and for the addition of a new section to title V of the World War Adjusted Compensation Act, as amended, to be known as "section 509."

The amendment to section 507 of the existing act provides for the expenditure of all amounts in the fund for the purposes of the proposed act.

The benefits under this bill may be secured by a certificate holder by filing an application with the Administrator of Veterans' Affairs and the surrender to the Administrator of the adjusted-service certificate and all rights thereunder. Settlement of the amount due under the provisions of this measure shall be made to the veteran or his authorized representative if the veteran be incompetent and to the estate of the veteran if the veteran dies after application has been filed.

When the application and certificate are in the possession of the Administrator of Veterans' Affairs he shall discount, at true discount, the amount shown as the maturity value on the face of the certificate surrendered from January 1, 1945, at the rate of interest of 3 percent per annum compounded semiannually to the first day of January or July, whichever is the earlier date, next succeeding the date of the filing of the application with the Administrator of Veterans' Affairs. From the present value of the maturity value shown on the face of the certificate, determined by the deduction therefrom of the amount of true discount, the Administrator of Veterans' Affairs shall deduct the amount of lien, if any, outstanding against the certificate with interest, if any, accrued to the date of the filing of the application for benefits under this act. On and after January 1, 1932, the amount of interest charged on loans shall be 3 percent per annum compounded annually. In other words, there is a reduction of one-half of 1 percent on the present rate.

The Administrator of Veterans' Affairs shall certify to the Secretary of the Treasury upon a form to be prescribed by the Secretary of the Treasury a statement of the amount due each veteran. Upon receipt of this statement the Secretary of the Treasury is authorized and directed to issue in settlement of the amount certified to be due negotiable bonds of the United States, with coupons attached bearing interest at the rate of 3 percent per annum payable semiannually, in a value equal to the highest multiple of $50 represented by the amount certified. The difference between the net amount certified as due and the amount represented by the face value of bonds issued shall be paid to the veteran by the Secretary of the Treasury by check drawn upon the Treasurer of the United States.

The bonds issued shall be redeemable in lawful money of the United States on January 1, 1945. The bonds shall be dated from the 1st day of January or July, whichever is the earlier date, next succeeding the date of the filing with the Administrator of Veterans' Affairs of an application for benefits under the provisions of this act. Veterans to whom bonds have been issued are protected from exploitation by a provision in section 509 (h) of the act which prevents the negotiability of the bond for 6 months after the date of issue for any consideration less than the amount shown on the face of the bond as the redemption value. Violation of this provision of the law is made a fraud and punishment is prescribed of a fine of not more than $10,000 or imprisonment of not more than 2 years, or both.

The Secretary of the Treasury is authorized and directed to redeem from the United States Government life-insurance fund all adjusted-service certificates held by that fund on account of loans made thereon and to pay to the United States Government life-insurance fund the amount of outstanding liens against such certificates, including all interest due or accrued together with such amounts as may be due under subdivision (m) of section 502, as amended.

That is the fund set up to cover the converted insurance policies issued for the veterans who have retained their insurance, converting it from the old war-risk insurance. It is a trust fund in the hands of the Treasury, and expenditures controlled therefrom by the Veterans' Administration.

The CHAIRMAN. What is the amount of that fund?

General HINES. The net worth of the fund is about $750,000,000.

The CHAIRMAN. In what form is it?

General HINES. It is in the form of Government securities. The law requires that they be Government securities, and the bonds are either Treasury certificates, Government bonds, or farm-loan bonds, or loans on the security of adjusted service certificates.

Senator KING. Then, in addition to the obligations created by the adjusted-service certificates, there is the obligation of substantially $700,000,000 to which you have constantly received accretions to take care of insurance?

General HINES. No, Senator. The converted insurance fund is built upon the principles of sound insurance, and is self-liquidating and self-sustaining. As far as we can tell now, outside of the extra hazards of war, for which we are permitted to reimburse that fund from annual appropriations, the fund will work itself out. The policies are in straight commercial form, and the only contingency that should require the Government to make appropriations to that fund would be in the event of the feature of total and permanent disability, which is a very liberal provision introduced under those policies, and which might exceed the reserves set up in that fund.

Senator CONNALLY. Those funds are invested in Government bonds, are they not?

General HINES. All in Government bonds and adjusted-service certificate loans.

Senator CONNALLY. So they are bearing interest all the time and accumulating interest?

General HINES. A little over 4 percent. We feel that 4½ percent is the right amount to earn to keep it in good shape.

The Secretary of the Treasury in making redemption of adjusted-service certificates from the United States Government life-insurance fund is authorized and directed to make payment therefor by issuing to the United States Government life-insurance fund bonds of the United States which shall bear interest at the rate of 4½ percent per annum, to be callable at a date not earlier than 10 years subsequent to the date of issue.

Under this proposal, bonds aggregating $833,702,400 will be issued and cash payments will be made aggregating $88,214,766 to veterans. Cash payments estimated to be approximately $60,000,000 will have to be made to banks in order to redeem loans made by them, and bonds in the amount of $470,800,370 will have to be issued to the United States Government life-insurance fund to redeem notes held by that fund.

The Gore plan, identified as S. 2365, is a bill—

To authorize the President to enter into agreements with foreign governments to readjust the obligations of such governments held by the United States, and to secure payments on such readjusted obligations to retire the adjusted-service certificates now outstanding, and to authorize the President to make payment of the adjusted-service certificates whenever he shall find it not incompatible with the public interest, and for other purposes.

Section 1 provides for the President entering into agreements with the several foreign governments which are indebted to the United States, for the purpose of the immediate payment of a portion of the indebtedness.

Section 2 states a method for apportioning the collections and makes the sums so collected available for the payment of adjusted-service certificates.

Section 3 provides alternate methods for settling balances due from foreign governments.

Section 4 has to do with providing supplies of tin and rubber to the United States in repayment of debts.

Section 5 authorizes the President to suspend under certain prescribed conditions the so-called "Johnson Act", which has to do with the making of loans to foreign governments.

The Harrison plan is contained in S. 2605 and is entitled "a bill, declaring a policy relative to benefits for veterans of the World War, and providing for the optional conversion of adjusted-service certificates." The declaration of policy stated in the first section of Senator Harrison's bill is one of paramount import and deserving of most serious deliberation. Its effects will reach far into the future and will concern multitudes, so that its importance makes it warrant grave consideration.

Senator COUZENS. Do you mean to imply by that, General, that that declaration is important for succeeding Congresses?

General HINES. I would not understand that it would bind succeeding Congresses, but I think that a matter of sound policy in dealing with benefits for veterans and particularly in dealing with the pension problem, is important.

Senator CONNALLY. You heard the gentlemen before us who said yesterday, "Oh, yes; we will take that, too; it won't amount to anything."

General HINES. I heard that.

Senator CONNALLY. If they take it in that attitude, there is no use putting it in.

General HINES. You gentlemen can better guess at the effect of that. But, from the administrative standpoint, and from the standpoint of expenditures in the future, looking to the possible load of the World War group, if we follow what has happened heretofore in the way of pensions, it does appear to me to be of considerable importance.

This bill provides for amending section 507 of the World War Adjusted Compensation Act, as amended, and for a new section to title V of the same act, to be known as "section 509."

The amendment to section 507 of the existing act makes available for expenditure all amounts in the fund for the purposes of the proposed act.

The benefits under this bill may be secured at the option of a certificate holder by filing an application with the Administrator of Veterans' Affairs and the surrender to the Administrator of the adjusted-service certificate and all rights thereunder. Settlement of the amount due under the provisions of this measure shall be made to the veteran or to his authorized representative if the veteran be incompetent, or to the estate of the veteran if the veteran dies after application has been filed.

When the application and the certificate are in the possession of the Administrator of Veterans' Affairs he shall compute the amount of the adjusted-service credit and interest at 4 percent per annum compounded annually from November 11, 1918, to the date of settlement. The Administrator of Veterans' Affairs shall deduct from the amount determined to be due under the provisions of this measure the amount of lien, if any, outstanding against the certificate.

The Administrator of Veterans' Affairs shall certify to the Secretary of the Treasury on a form to be prescribed by the Secretary of the Treasury a statement of the amount due each veteran. Upon receipt of this statement the Secretary of the Treasury is authorized and directed to issue in settlement of the amount certified to be due bonds of the United States with coupons attached bearing interest at the rate of 3 percent per annum payable semiannually in a value equal to the highest multiple of $50 represented by the amount certified. The difference between the amount certified as due and the amount represented by the face value of bonds issued shall be paid to the veteran by the Secretary of the Treasury by a check drawn upon the Treasurer of the United States.

The bonds issued shall be redeemable in lawful money of the United States at a date to be determined by the Secretary of the Treasury. Veterans to whom bonds have been issued are protected from exploitation by a provision of the act which prevents the negotiation of the bonds for 6 months after the date of issue for any consideration less than the amount shown on the face of the bond as the redemption value. A violator of this provision of the law shall be guilty of fraud and shall be punished by a fine of not more than $10,000 or by imprisonment for not more than 2 years, or both.

The Secretary of the Treasury is authorized and directed to issue bonds of the United States in making payment to the United States

Government life insurance fund in redemption of adjusted-service certificates held by that fund as security for loans made therefrom.

Under this proposal bonds aggregating $833,090,000 will be issued and cash payments will be made aggregating $88,214,772 to veterans. Cash payments estimated to be approximately $60,000,000 will have to be made to banks in order to redeem loans made by them and bonds in the amount of $470,800,370 will have to be issued to the United States Government life-insurance fund to redeem notes held by that fund.

Senator CONNALLY. You have described Senator Harrison's bill for the issuance of bonds. How would it do to put in an optional clause there, that he could either take the bond or he could get cash? I do not see how it could hurt the Government's interests, because if he takes the bond and sells it, it is going to be put out as an obligation against the Government, and the Government could probably sell it more advantageously than the veteran.

General HINES. There is no difference.

Senator CONNALLY. In by and large, it would not change the situation?

General HINES. I do not know how the Secretary of the Treasury would feel about it, but it would seem to me, as far as the obligation is concerned, it would be more satisfactory to the veteran, probably, to get cash.

Senator CONNALLY. My idea would be, if they say, "We do not want bonds, but we want cash", if he had an option to come up and get the cash or taking his bond and keeping it, it would be all to his advantage and would not cost the Government another cent.

General HINES. He has one option here, which I intended to refer to, in this bill, which is a very good option to those who do not desire cash at this time, and that is, it becomes apparent, I am sure, that the face value worked out on this plan of the certificates will be reached earlier than 1945, therefore the bill provides that if a veteran holds on to his certificate from the date the cash surrender value equals the face value, he obtains 4 percent compound interest to date of surrender or maturity. For example, if a veteran who has a $1,000 certificate has not borrowed under the provisions of existing law and permitted his certificate to run to January 1, 1945, instead of receiving the face value of the certificate, $1,000, he would receive $1,115; in other words, the premium is placed upon retaining the certificate.

Senator GORE. That is under the Harrison bill?

General HINES. Yes, sir.

A great many other plans have been introduced——

The CHAIRMAN (interrupting). Before you get away from that. In answer to Senator Connally's question, you see no particular objection to putting in an optional proposition, of the veteran getting cash or getting a bond?

General HINES. Not at all.

The CHAIRMAN. The Government itself would have to sell the bond in any event or have to redeem it.

General HINES. The only possible difference it would make to the Government, and it would apply to the Treasury solely, would be the matter of financing the amount of cash called for. The obligation would be the same.

Senator GORE. If they sold the bonds, they would have to find a purchaser in the market, which would be different from delivering them to the soldiers as such.

Senator CONNALLY. But would it not have the advantage of protecting the veteran who did not know about bonds? Some of them are not in the bond business. [Laughter.]

It would protect them from having someone fleece them out of the bond and buy it for less than it was worth.

General HINES. From the standpoint of administration, it would be a simpler proposition to issue checks and give them cash than to give them bonds and attempt to get the bonds into the hands of the veteran.

Senator GORE. The Government could sell them better than the individual soldier; there is no doubt about that.

General HINES. I think if the soldiers had their choice, they would take cash.

Senator GORE. And there would be the same charge against the taxpayer? That would be the same?

General HINES. The same.

The CHAIRMAN. As a matter of fact, those 3-percent Government bonds are selling between 103 and 104.

General HINES. Yes; they are at a premium.

The CHAIRMAN. So that if the veteran took the bonds he would get the 3 or 4 percent, if the market maintained the level at which it is now.

General HINES. Yes.

The CHAIRMAN. More than he would if he got the cash?

General HINES. That is correct. He would receive a premium in the present market, and the amount of the premium would depend entirely upon what effect this large issue would have on the market.

Senator GORE. This $470,000,000 that they owe the United States life-insurance fund—that is counted in the $2,100,000,000 when you say it required that amount to pay off these adjusted-service certificates?

General HINES. Yes, sir.

Senator GORE. If the Government would deliver $470,000,000 worth of bonds to the United States life-insurance fund, that would cut down the amount required to be raised from $2,100,000,000 to $1,600,000,000?

General HINES. That is correct. I intend to analyze these plans along just that line, Senator.

Senator GORE. I beg your pardon.

General HINES. A great many other plans have been introduced in both the House of Representatives and the Senate, but as the above five appear to have been the most widely discussed ones I have restricted my presentation to you to these plans; however, if you desire an analysis furnished of any of the other plans which have been introduced I will gladly do so.

Up to February 28, 1935, 3,726,569 adjusted-service certificates had been issued, with the maturity value of $3,677,808,710. Of these certificates 199,031 had matured, leaving 3,527,538 certificates in force with a maturity value of $3,479,802,408; 3,019,449 certificates had been borrowed upon and the liens against these certificates aggregated $1,718,344,944.

Senator KING. Does that include the amount borrowed from the insurance company?

General HINES. Yes, sir; that includes all liens.

The worth of the adjusted-service-certificate fund is $1,356,381,760; however, this will be augmented by an additional $100,000,000 made available July 1, 1935, under the independent offices appropriation bill. The net basic credit represented in outstanding certificates, that is, the $1 and $1.25 a day adjustment, totals $1,384,650,781. The present value of outstanding certificates computed on the basis of allowing only the earned portion of the additional credit—that is, the proportional part of the 25 percent then was added for the 20 years of deferred payment would make that credit $2,101,433,300. If, however, the full additional credit is allowed, that is, the full 25 percent allowed, the present value would be $2,350,740,827.

The CHAIRMAN. Have you other figures that will show, for instance, the Patman bill, the Vinson bill, and the bill that I introduced, if you take it on the theory of the present value of the payment, what would be the total of each one?

General HINES. I have it. I would first like to call attention to this point: There is undoubtedly a great misunderstanding about this whole bonus issue, not only in the minds of the veterans, but in the minds of the public, I am quite sure, because of the inquiries that come, and because of the statements you see.

In considering any of these plans, I would suggest that you keep in mind that there are two things which are involved here. One is the appropriation required to pay the obligation under any of the plans, and the other is the additional cost to the Government over and above the adjustment which was made in 1924.

It is quite evident that if we proceed upon any plan of paying these certificates before the due date in 1945 or later—mind you, we have issued certificates each year since January 1, 1925, so those certificates would mature always 20 years from the date of issue, but any plan that so matures those certificates ahead of their maturity date necessarily increases the cost of the original settlement. So it may be said of most of these bills—all of them as a matter of fact that I have seen—that you are revising the agreement, or if there was no agreement, and, mind you, the legislation went on the books over a Presidential veto—you are revising the original settlement to the extent that I have outlined somewhat and which I will point out later. So, it seems to me that in this whole issue, the main point is, Was the adjustment which was made in 1924 a fair adjustment? If it was not a fair adjustment and the Congress now believes that another adjustment should be made, then you have many plans before you which will do that.

Senator CONNALLY. Right there. You spoke about the misapprehension of the public. I think you are entirely correct. When I have been out home, I have had people approach me and say, "Why don't you pay this soldiers' bonus?" When I have explained to them that they desire the payment as of 1945, and want full amount now, they said, "I did not know that; of course I am not for that. I thought they were asking only what was due."

General HINES. There has been a great deal said about this obligation being due. Of course, it depends entirely on how Congress feels as to what adjustment should have been made when this settlement was made, but this settlement which was made in 1924 is not due until 1945. But there are good arguments to indicate that the men were probably entitled to readjustment when they came out of the service. Mr. Patman feels that the adjustment as should be of another date—in other words, he does not forgive all of the interest but starts on October 1, 1931. So that the Congress has the problem, as I see it, of first determining whether the adjustment that was made in 1924 was a fair one, and whether it was made at the right time.

If you had taken in 1924 and put into the adjusted-service certificate fund the total for all of the credits and added to those credits the 25 percent that was agreed to be added for deferred payment, as I understand it——

Senator KING (interrupting). For sweetening.

General HINES. They called it that, Senator. There is evidence in the hearings that it was called "sweetening" by adding the 25 percent.

Senator GORE. A sort of rose leaf on the brimming bumper?

General HINES. At that time there was a feeling on the part of some of the representatives of the service organizations, at least, that it would be desirable that these men not receive cash, that they receive something that would be valuable a little later on. You will find that in the hearings, and I think that some of them may feel the same way at this time.

Senator GORE. Don't you think the insurance feature had an appeal to those that looked at it seriously?

General HINES. Undoubtedly it did. That is one feature that I intended to point out, and I will mention it right here. We must remember that we have in these certificates a paid-up endowment policy lacking just one feature, and that is the cash surrender value. No table was worked out and put in those certificates to determine a value other than the loan value which is outlined there, in case the certificate was surrendered ahead of time. Senator Harrison's bill, and those bills that contemplate working out this cash surrender value in effect worked out the other element that was not included in that certificate by taking the basic credit, paying 4 percent on it from November 11, 1918, up to any date that the veteran surrenders the certificate.

That, naturally, changes the settlement. Naturally, it will cost some more money. How much additional cost to the Government would be involved can be estimated now, but it may not prove to be correct, for this reason: We have at the present time 500,000 veterans who have not borrowed the 50 percent on their certificates.

Senator KING. They have not borrowed anything?

General HINES. They have not borrowed at all. Those men undoubtedly are holding the certificate as a paid-up insurance policy for the protection of either their estate or their families, and, might I say here, that a large percentage of the married veterans who die leave as the only asset for their widows and children, the balance due on the adjusted-service certificate.

Senator GORE. That is the pathetic part of the whole business.

General HINES. Naturally, if these are cashed in, those men who surrender for either bonds or cash will lose whatever protection goes with the insurance features of the certificate.

Senator KING. Are you advocating a proposition which would compel a settlement as against the wishes of the one who is holding that certificate for the insurance value?

General HINES. I am not, Senator. I am trying to explain to this committee the advantages or disadvantages of the various plans without attempting to in any way indicate except to give this committee information which may be helpful to them to reach a proper conclusion.

The CHAIRMAN. Is there any optional feature in the Patman bill?

General HINES. None.

The CHAIRMAN. Is there an optional feature in the Vinson bill?

General HINES. Not as I understand it.

The CHAIRMAN. There is an optional feature in the proposal which I have made?

General HINES. Let me make this straight. There is this feature, that no man has to cash in on the certificate either under the Vinson bill or the Patman bill.

Senator CLARK. He can hold it if he wants to?

General HINES. Yes.

The CHAIRMAN. Then to that extent there is an optional feature there?

General HINES. Yes. The optional feature in your bill is that you give a premium for retaining it until 1945.

Senator GERRY. And then there is the insurance provision in there also? A man can get his insurance at 1945?

General HINES. If he retains it; yes. If he cashes in and takes bonds, or if another selection should be given to take cash, he would lose the insurance feature.

Senator BLACK. May I ask you a question there? That is very interesting. As I understand it, under the Patman and Vinson bills, if a veteran should desire to hold his policy or his certificate until his death or until maturity, he would lose the advantage that would accrue to him if he would cash it now, while under the Harrison bill, he is left the option to let the certificate continue to maturity and receive at the same time the benefit of the cash settlement to the extent that he would draw interest on that from now on?

General HINES. He would draw interest on an amount above the original face of the certificate——

Senator BLACK (interrupting). In other words, that would treat them all the same whether they cashed it or not?

Senator GORE. It is the same rate of interest but on a little larger amount.

General HINES. Take this example: Under the Harrison plan the cash surrender value will reach the face value of the certificates before 1945. On an average it would reach it in 1942. From the time that the cash surrender value equals the face value of the certificate, there is really no more insurance protection because he could cash in at any time and get the amount of cash just the same as though he had died and the widow or the estate received the cash, but if he retains it to January 1, 1945, he will receive 4-percent interest on the certificate up to January 1, 1945, and from whatever date the cash surrender value equals the face value of the certificate.

Senator BLACK. You have pointed out that this is really a revision of the original agreement.

General HINES. That is correct.

Senator BLACK. Which would give veterans a larger amount, each of these bills would give them a larger amount than that contemplated under the original legislation?

General HINES. That is correct.

Senator BLACK. But if we should happen to pass the Vinson bill or the Patman bill, and a veteran desired to have continued the benefit that he would receive until his death or maturity, he could not do that without surrendering the benefit he would get from the revision?

General HINES. I do not quite understand you, Senator.

Senator BLACK. I mean this: We will say that here is a contract which is, on the original basis, for $1,000 in 1945. We revise it so that it can be settled now for $1,000.

General HINES. Yes.

Senator BLACK. If he continued to hold it until 1945, under the Vinson bill or the Patman bill, I understand that he would still receive only $1,000?

General HINES. That is correct.

Senator BLACK. But if he settled it today, he could get $1,000?

General HINES. That is correct.

Senator BLACK. And under the Harrison bill he would have the option of continuing to hold it from now until 1945, but would get interest on $1,000 from now until that time?

General HINES. Oh, no. He would only get interest on that amount from the date the surrender value reached the maturity value; that is, the 4 percent on basic credit up to then, but when that reaches the face value of the certificate he would get additional interest from that date on. In other words, he holds a certificate which has reached the face value. From that date on to whatever date would be the ending date of the 20-year period, he receives 4 percent.

Senator BLACK. Then, whatever bill we pass, it would be your idea, as I gather it, that even if we pass the Vinson bill or the Patman bill, that the veterans who should desire to hold this as an endowment policy should be during that time in exactly the same position as those who collected it now?

General HINES. Exactly.

Senator BLACK. And therefore if they were passed, either one of them, it would require an amendment to them in order to give that advantage to the veteran if he retained it?

General HINES. I feel most strongly that the veteran should have the option of either holding his certificate or acting under whatever plan you pass.

Senator BLACK. I agree with that viewpoint.

Senator GORE. Under the Harrison bill, does the soldier have to hold his certificate to the date of maturity and collect at maturity in order to get this additional advantage?

General HINES. No, sir; he can cash in at any time under this plan. If he does that he gets the cash surrender value that is worked out on the basis that I have outlined.

Senator GORE. Measured by the time?

General HINES. Measured by the time.

The CHAIRMAN. In other words, if the certificate has a face value in 1939, he could go in and get his face value of $1,000?

General HINES. That is correct.

The CHAIRMAN. But if he desired to exercise the option of holding that as an investment to draw the 4 percent compound interest from the Government, he could do it until 1945?

General HINES. Until January 1, 1945.

Senator BLACK. Would there be much difficulty for you to suggest an amendment to be offered to either one of the other bills which would give that option to the veterans in case one of those bills should be passed?

General HINES. I would be glad to work with the legislative counsel and draw any amendment you desire on that.

Now, keeping in mind the statement I made relative to the two propositions, one, the appropriation or bond issue, whichever one you wish to consider, that has to be made as against the increased cost to the Government, I would like to review these plans just a little.

The maturity value under the Patman plan of the outstanding certificates is $3,479,802,408. The interest to be refunded or forgiven is $182,132,302.

Senator GORE. Refunded or forgiven?

General HINES. Yes. In other words, some interest may have been collected; that would be refunded. And that which has been charged as a lien would be forgiven.

Senator GORE. Have you expressed any opinion on that proposition of refunding this interest?

General HINES. No; I have not, Senator. I would like to say this, in order that we may have a picture of the administrative problem involved. If we were to attempt to refund interest paid the banks it would be a very difficult administrative task. Some thousands of banks would be involved; many of them have been closed and are in the hands of receivers.

Senator GORE. I think Mr. Patman himself indicated that he was not pressing that proposition to refund interest.

General HINES. And so we would have probably thirty-five million calculations of interest, and almost an impossible task of getting in touch with many of the banks.

Senator KING. Suppose that I were an ex-service man and had borrowed 50 percent say 2 or 3 or 4 years ago——

Senator GORE (interposing). That is the question I was going to ask.

Senator KING. And suppose that I had had the benefit of its use. Do you think that it is just and proper that I should have that advantage over my associates who had not had the benefit of the 50-percent loan during that period?

General HINES. No, Senator; I would feel that whatever is done, it should be done equally for all of the veterans involved.

Senator GORE. And to forgive interest to one as contrasted with a soldier who had not borrowed, would operate as a distinction or discrimination between them in that sense?

General HINES. Yes. Take an average $1,000 certificate borrowed upon immediately following the passage of the act of February 27, 1931—that was the 50-percent loan law—the veterans who had borrowed the full 50 percent under the Patman plan would receive now $487.

Under the Vinson plan, $500.

Under the Harrison plan, $180.

That is, the veteran who has not borrowed would receive under the Patman plan, $1,000; under the Vinson plan, $1,000; and under the Harrison plan, $768.

Senator GORE. That is, you took the cash surrender value in the Harrison plan?

General HINES. The amount of appropriation required under the Patman plan, or the amount of currency to be issued, would be $2,201,934,710.

Senator KING. Would that take care of loans made by banks and insurance companies?

General HINES. Yes, sir; that is the total amount.

Senator GORE. That is new money?

General HINES. Yes, sir. The Vinson bill would be $2,263,545,684.

Senator CONNALLY. And in addition, of course, interest on that up to——

General HINES (interrupting). This is based on January 1, 1935.

Senator CONNALLY. What I mean is, its total cost is more than that if you figure you have to pay interest on these bonds until 1945, whereas with Patman, if you issue new money, you would not pay the interest?

General HINES. That is true, but these are the amounts required to be appropriated or issued in bonds. I have not come to the question of additional cost.

Senator CONNALLY. Why does the Vinson bill cost more?

General HINES. It is made up entirely of the difference in interest. The interest forgiven in the Vinson bill is greater than that under the Patman bill.

Senator GORE. One forgives more interest than the other?

General HINES. Yes; Mr. Patman forgives interest from October 1, 1931, and the Vinson bill forgives all interested collected or accrued.

Senator CONNALLY. It provides for the refund to the banks of interest?

General HINES. Yes; that is what I mean. It provides for refund to veterans of interest collected by banks.

The Harrison bill would require $1,199,686,958. That means either currency or bonds, or whichever you wish.

Now, looking at the question of the revision of the settlement and the additional cost to the Government under various plans:

Under the Patman plan, taking the same date of settlement or calculation, February 28, 1935, the gross settlement as I have indicated would be $3,661,934,710. The present value of the certificates, giving the earned portion of the 25 percent would be $2,101,433,300, so the additional cost, just crediting the earned portion would be $1,560,501,410 additional. In other words, that would be the additional amount of the increased obligation, to the Government.

Senator KING. Making a total of over $3,000,000,000?

General HINES. That is right; yes sir. If you credited them the full 25 percent which was added, the cost would be less, in other words, the present worth including the entire credit would be $2,350,740,827, making the increased cost to the Government eventually of $1,311,193,883.

Senator BAILEY. Do you mean to say that that would be an increase over what was contemplated in the certificates?

General HINES. It is the amount over and above the amount of adjustment that you made in 1924.

Senator BAILEY. That is over the matured value?

General HINES. Not over the matured value. If we look at it in this way—suppose in 1924 we had paid them all in cash, the cost at that time would have been $1,400,000,000 in round numbers. If we had placed also that amount of money increased by 25 percent in a fund at 4 percent, it would mature the face value of the outstanding certificates.

Senator CONNALLY. What you meant a minute ago is that the difference between the present cash surrender value and the other plan would make this difference?

General HINES. That is right.

Senator BLACK. I do not quite understand that. What was the total 25 percent added?

General HINES. About $350,000,000. The total amount to be invested would have been about $1,750,000,000.

Senator BLACK. If you take $350,000,000 off of $1,560,000,000, it does not leave $1,311,000,000?

General HINES. No; but this is the way you have to work it, Senator. You have outstanding the face value of these certificates due commencing January 1——

Senator BLACK (interrupting). You take the present value?

General HINES. Yes; we work the present value and deduct that.

Senator KING. Let me see if I understand it. The difference between the present face value or the present value as against the matured value in 1945 is considerably more than a billion dollars?

General HINES. That is correct.

Senator BAILEY. Now, can you tell me whether the Harrison plan adds to or takes from the total amount of matured value, of the amount of the present certificates?

General HINES. I will come to that in just a second, Senator. I was going to take the different plans.

The gross value of the settlement under the Vinson plan, that is, the outstanding certificates plus the interest to be refunded or forgiven, would amount to $3,723,545,684. The present value of the certificates on the same basis as the other, taking first the earned portion of the credit, would cost additionally $1,622,112,384.

Senator KING. That is the difference between the present value and the maturing value in 1945?

General HINES. That is right. But that takes only the earned portion of the 25 percent. Taking the full 25 percent, the present value would be $2,350,740,827, which would leave an additional cost of $1,372,804,857.

Now, the Harrison plan. The gross value of the settlement would be $2,659,686,958. That, of course, contemplates that all certificates would be surrendered either for cash or for bonds—under the plan as it is now it would be for bonds—the present value of the certificates with the earned portion of the 25 percent is $2,101,433,300, which would cost additionally $558,253,658.

Senator BAILEY. Do you mean to say that that adds that much value to the original certificates?

General HINES. No; it does not add that much value. It adds that much cost to the Government to liquidate the settlement made in 1924.

Senator BAILEY. It costs that much more to the Government, but the veterans would get in the ultimate the face value upon maturity of their present certificates?

General HINES. No; not all of them. If they all held them to the end of the 20 years, they would; but the face value of the certificates would be matured much earlier. They would be matured depending upon when they were issued, of course; but taking the basic credit at 4 percent from November 11, 1918, up to any day is the present value we are speaking of here. In the average $1,000 certificate with a basic credit of $400 in 1918, it would reach the face value of the present certificate in 1942 on an average. If the veteran wished to cash in, he could cash in before. If he desired to hold it longer, he would get 4 percent on his certificate from that date to January 1945.

Senator CLARK. On the cash value of the certificate?

General HINES. On the face value of the certificate.

Senator GORE. Wouldn't they all have to hold until 1945 in order to add this $500,000,000 to the total additional cost under the Harrison plan?

General HINES. No; they would not all have to hold; no, sir.

The CHAIRMAN. This additional cost is due largely to the fact that you are giving to them the compound interest from November 11, 1918, to 1925?

General HINES. In other words, we are carrying the obligation back to the date of the armistice, which is approximately 6 years earlier than the original bonus was voted. Part of the additional cost comes in there.

Senator BAILEY. The additional cost on the Harrison plan over the existing certificate plan, upon the Government is about $500,000,000.

General HINES. $500,000,000 if they all surrender.

Senator BAILEY. All will not surrender; I am satisfied of that.

General HINES. I am satisfied of that, too, Senator. And of course this is the feature that would change the cost somewhat. As soon as a man surrenders his certificate, the insurance protection ends. Whatever cost to the Government that might incur is ended, but he in addition gets a bond paying 3 percent, which he may hold, and we cannot tell how long. So it is rather difficult to estimate the cost except on the total cost as against the present value.

Senator BAILEY. It would add $550,000,000 under the Harrison plan to the present obligations of the Government?

General HINES. That is correct.

Senator BAILEY. It would be equal to an increase in the national debt to that extent.

Senator GORE. Is that automatic under this plan or does it depend on circumstances?

General HINES. I am not sure that I got your question.

Senator GORE. If we pass the Harrison plan, does that automatically on that date add this $550,000,000?

General HINES. It increases the present obligation by that amount.

Senator GORE. I did not think so.

General HINES. As a matter of fact, I am not entirely certain—the Treasury could advise you—but it is my understanding that this total obligation is not set up. In other words, we know that we have a liability here of $3,500,000,000 that will eventually have to be paid.

Senator BAILEY. Is that a liability that is actual? It is offset by the loans that have been made?

General HINES. It is offset to the extent that the loans have been made. In other words, we have advanced both, both the adjusted-service certificate fund and the Government life-insurance fund, $1,700,000,000.

Senator BAILEY. You deduct that then?

General HINES. Yes.

Senator GERRY. With the number of veterans cashing in, in 1942, would that make a difference in the amount of money?

General HINES. If they all took bonds?

Senator GERRY. Yes.

General HINES. Yes, sir. If they all took bonds it would make the obligation less.

The CHAIRMAN. Now, General, will you state to us just what would be the difference in the cost to the Government under the present law, of the three plans?

Senator CONNALLY. When you say "the present law", you mean the present cash-surrender value, do you not?

General HINES. Do you wish that as giving the present earned value and——

The CHAIRMAN (interrupting). Give it to us both ways. You stated that under the plan that I introduced, it would cost about $550,000,000 more than the present law?

General HINES. That is correct.

The CHAIRMAN. Under the Patman bill, it would cost about what?

General HINES. I will give it first with the earned portion of the 25 percent, would be $1,560,501,410. The Vinson bill, $1,622,112,384. Under the Harrison plan, $558,253,658.

The CHAIRMAN. There is about a billion dollars difference?

General HINES. That is correct.

Senator BAILEY. They are the same in that it would be added to the obligations of the Government?

General HINES. Added to the liability that now exists under the adjusted-service certificates.

Senator BAILEY. Over and above the present liability under those certificates?

General HINES. As I understand it, as soon as you issue bonds, or under these plans, they immediately add to the existing Government obligations outstanding and increase the public debt to that extent?

Senator GORE. The taxpayer's burden?

Senator BAILEY. That is potential, of course. There will be some adjustment for failure to cash in and take advantage?

General HINES. Oh, yes. There are always a certain number of adjustments that will be made, but I believe that these amounts will work out substantially as I have given.

Senator BAILEY. And it would be safe to say that the demand of the Patman bill is a demand for $1,500,000,000 more than the certificates now outstanding?

General HINES. Yes, sir; added to the liability that now exists.

Senator BAILEY. Is that right?

General HINES. That is correct.

Senator BAILEY. And the demand for the payment of the Vinson bill is a demand for an addition of $1,600,000,000 to the present certificates?

General HINES. That is correct, added to the present liability of the Government.

Senator BAILEY. And the demand for the Harrison bill is a demand for $550,000,000 more than the present certificates?

General HINES. I think it is well brought out when you consider the amounts that would go to each veteran, as I have indicated.

The CHAIRMAN. General, may I ask you, under the bill that I introduced, dating it back to the date of the armistice, when would be the earliest possible date for any certificate that had been issued, to reach its full face value?

General HINES. The factor that would enter into and control that, which would change it from the average date of maturity that I gave you, would be the age factor. In other words, an older man's certificate would mature earlier, so that some of them would probably fall due in 1938 and 1939. Mr. Breining says he thinks some right now, but they would be very few.

The CHAIRMAN. The average would be 1942?

General HINES. Yes. We did have some veterans that were away out of line on age, some of them as old as 60 or 70.

Senator CLARK. Under any of these plans, approximately $470,000,000 of bonds would be turned over to the United States Government life insurance fund?

General HINES. That is right.

Senator CLARK. Can you tell us, under the various plans, the three plans which have been under discussion, how much cash or bonds would actually have to be turned over to the veterans?

General HINES. Yes, sir.

Senator KING. Assuming, Senator, that all of the veterans availed themselves. The testimony indicates that 570,000 veterans have not done it?

Senator CONNALLY. There would be a few that would keep their certificates and not exercise their option. As to those, there would be no increase in the obligation.

General HINES. There is no way of telling except, under the Harrison bill, if the 500,000 that have not borrowed held their certificates until January 1, 1945, that is about a 10-percent increase there, that would cost $50,000,000.

The CHAIRMAN. Would you mind giving us your opinion under the proposal I have introduced, knowing what amounts you have in these funds to which you have alluded, do you believe it could be financed without any addition on our taxes?

General HINES. The committee heard the Secretary of the Treasury say yesterday that he did not believe that it could.

The CHAIRMAN. Yes; we heard that.

General HINES. I can only say that is a matter which the Treasury would have to handle. His judgment certainly would be better than mine. I would feel that so far as the cash outlay under your plan is concerned, that the adjusted-service certificate fund could cover it. I have no way of telling and I must take the Secretary's statement that to issue bonds or to pay in lieu of bonds, to pay cash, would require additional taxes.

The CHAIRMAN. You have got to provide for the interest and sinking fund to redeem your bonds?

General HINES. Yes, sir. I should say that the Secretary's opinion on that is the one that should stand from the administration standpoint.

Senator CLARK. You say in your statement that this figure in the certificate was arrived at, in taking the amount determined upon as a single, net premium?

General HINES. That is right.

Senator CLARK. But that practice has not actually been followed by the Government?

General HINES. The Government has appropriated annually, and, of course, the investment have been made as we got the appropriation, so it has not been taken as a net single premium, but as an annual proposition.

Senator CLARK. There is a very material difference between the size of the fund over what it would have been between taking it as a net single premium and taking it as an annual premium?

General HINES. Mr. Breining tells me, and he has been going over this, that the law provides an annual premium. If we had taken a single premium, there would have been a larger fund.

Senator CLARK. Then if the law provides an annual premium, I call your attention to your statement:

> If the credit exceeded $50 payments were made in 10 equal quarterly installments. The amount of the adjusted-service certificate was determined by taking the net service credit and adding thereto 25 percent and the figure thus arrived at was used as a net single premium according to the American Experience Table of Mortality with interest at the rate of 4 percent, compounded annually, to procure for the veteran a paid-up 20-year endowment policy of insurance.

General HINES. That statement is correct.

Senator CLARK. Is there not a very material difference between the net premium system and the annual premium system?

General HINES. Yes; there is a difference, but the amount that is in the fund at this time, as against what we should have to meet the reserve value of that fund is very slight. Part of it is made up by earnings in the loans made on certificates, and by appropriations. It seems to me that the appropriation for this year, which would have brought the fund actuarially up to the amount that it should have been, was about $50,000,000 short, but the fund as it would be under the straight investment single premium lacks about $800,000,000.

Senator CLARK. How much is in that fund?

General HINES. The net worth of the fund is $1,357,786,128.84 and $100,000,000 more will be available July 1, 1935.

Senator CLARK. What would it have been—can you give us the information—if the single-premium system was not followed?

General HINES. It would have been $2,101,433,300. So the difference between those two amounts is the difference between what the fund would have been and what it is now.

Senator CLARK. Does not that computation enter into the figures you have just given us as to the cost of these various plans?

General HINES. Yes, sir.

Senator GERRY. General, I want to get these plans clear in my mind. As I understand your statement, the Harrison bill will cost about $500,000,000 more?

General HINES. $558,000,000.

Senator GERRY. More than the present law?

General HINES. Yes, sir.

Senator GERRY. That is a general estimate on the amount of bonds that will be taken up before 1945?

General HINES. That includes the additional cost, and it is exactly on the same basis as the Vinson and the Patman plan. Giving the full credit of the fund as it should have been.

Senator GERRY. If all the bonds were taken by 1942, as I understand your statement, that would lower that something like $50,000,000?

General HINES. No, sir. The $558,000,000 is the present value of the additional cost and is all inclusive.

Senator GERRY. The more bonds that the veterans take, or the greater number of veterans who take bonds, would reduce the cost under the Harrison plan, is that correct?

General HINES. Up to a certain point.

Senator GERRY. That begins about 1942?

General HINES. 1942 is the average. The surrender value reaches the maturity value.

Senator KING. What is the difference between borrowing money——

Senator GERRY (interrupting). May I get an answer to my question, Senator, please?

Senator KING. Yes.

General HINES. My answer is if on an average the certificate is worth $1,000, this face value will reach $1,000 in 1942. If he continues to hold his certificate to January 1, 1945, he will receive in addition $115 over and above the face value. If all of the 500,000 veterans that have not borrowed should hold those, it would cost the Government between $50,000,000 and $55,000,000.

Senator GERRY. If many of the veterans, for example, take the face value of their certificate and take bonds, say, in 1938, would that lower the total cost?

General HINES. We would save whatever interest that would be, but we figure on a present value right straight through, so it would remain constant until the face value of the certificate was reached.

Senator CLARK. General, if this original single-premium system had been followed, the original single premium would have been about $1,775,000,000, would it not?

General HINES. Yes.

Senator CLARK. And at 4 percent from 1925 to 1935, 10 years, 40 percent should have accrued in interest, should it not?

General HINES. That is right.

Senator CLARK. So that the amount at this time on the single premium plan would be $2,485,000,000, would it not?

General HINES. There is only one difference between your calculation and the actual value of the fund, and that is the insurance feature, which is taken out, the protection that goes for the insurance.

Senator CLARK. How much is that?

General HINES. Approximately $130,000,000. So it would vary that straight interest as you have taken the single premium.

Senator CLARK. The cost of the insurance would be deducted from the figures I have read?

General HINES. Yes.

Senator CONNALLY. Is it not a fact that part of the added cost of the Harrison plan is in the fact that he is disregarding the amount charged for carrying this insurance?

General HINES. Yes.

Senator CONNALLY. And that amounts to how much?

General HINES. $130,000,000.

Senator CONNALLY. So there is $130,000,000 of his $500,000,000?

General HINES. Yes. There is no insurance feature if they take bonds.

Senator CONNALLY. What I mean is that under the original set up, you had to deduct enough money to mature this policy in 1945?

General HINES. That is right. The cost of the insurance was considered.

Senator CONNALLY. And the carrying of that insurance amounted in the long run to $130,000,000?

General HINES. On all certificates to date.

Senator CONNALLY. To all the certificates due?

General HINES. That is right. On all certificates to date.

Senator CONNALLY. Senator Harrison's plan disregards that and say that we won't charge them anything for carrying this insurance, that we will go back to 1918 and charge them 4-percent straight compound interest from November 11, 1918, to the day they cash the certificate?

General HINES. That is right. We take nothing out for that.

Senator CONNALLY. So that his plan in that respect would add something to every certificate holder's value, would it not?

General HINES. Yes; if we cash in all of them, about $130,000,000.

Senator CONNALLY. If he cashed in or not he would have gotten the remission of what had been charged him for the insurance feature?

General HINES. Yes.

Senator CONNALLY. The other $240,000,000 which Senator Harrison's bill increases would be the added charge of the man who holds the bond after it is matured and gets the 4 percent for the 3 years from 1924 to 1945, would it not?

General HINES. That is part of it, and the other part is made up in going back to 1918; the additional interest.

Senator CONNALLY. That is true, but if you went back to 1918 and disregarded the insurance, it would be the same thing?

General HINES. Yes. The insurance and the interest are the governing factors.

Senator GORE. Tell me this, General: Do all of these different estimates resulting from the single premium and the annual premium, d[illegible] that not come to this, like the head of a family giving his wife a[illegible] several children the money with which to buy Christmas gifts for himself?

General HINES. I do not quite get the question.

Senator GORE. Does it all come out of the Treasury and the taxpayers in the long run, anyhow?

General HINES. Yes; it does.

Senator GORE. I do not see much point in it, because it looks like juggling with words.

General HINES. Whatever the additional cost is, of course, we will eventually have to collect it in some way.

Senator CLARK. It makes a great deal of difference in what the ultimate cost of the plan is, does it not, General?

General HINES. There is no ultimate difference in the cost between the single and the annual when we finally get down to it.

Senator GORE. That is the point.

Senator CLARK. Do you mean that the cost of the plan to the Government is no more under the single-premium plan than under the annual plan?

General HINES. No.

Senator CLARK. As far as the actual cost to the Government, the amount raised in taxation and expended will be essentially different under the two plans, would it not? I am not talking about what veterans get; I am talking about what the Government actually puts out—will be much more under the annual-premium plan than under the single-premium plan?

General HINES. We have a mathematical equivalent of what is necessary to clear up the liability.

Senator GORE. I am a little misty on this. Under this annual-premium business, would not the Government be paying on that?

General HINES. The Government has to as long as it borrows money; yes, sir.

Senator GORE. That is the point; and whether it calls it one single premium and pays interest on the whole amount for the current period or calls it an annual premium and pays only on that, it has to come out in the long run from the same place.

General HINES. These costs, as we analyze them, is the difference between the original settlement and the settlement we are talking about now.

Senator BLACK. It comes down as to a question of whether or not it was fair at the outset to tell the veterans that they would be paid a certain amount additional for their service in the war, and then to make that payment as of a date 7 or 8 years after the service was performed. That is what it gets down to.

General HINES. That is the problem. I think probably the Senator was not here when I said that the whole question, in my judgment, comes down to whether the settlement was a right settlement in 1924 and whether you wish to revise it.

Senator BLACK. And in all of the figures you have given as to additional cost, that the additional cost really in the final analysis rests on the difference between making the payment as of the date the service was performed and as of 7 or 8 years thereafter?

General HINES. Well, it is 20 years thereafter. It is a 20-year endowment policy, but you must, of course, take into account whatever protection has been accorded by the insurance feature of the policy.

Senator BLACK. Certainly. But what I am getting at is that the additional cost that you have given on each plan simply represents the amount of dollars that is the difference between the payment of the agreed amount at the date the service was performed and at various dates provided in these new bills.

General HINES. That is right except the factor of the 25 percent added.

Senator BLACK. Yes. But assuming that the original amount was due the veterans, an additional amount per day, and of the additional 25 percent, assuming that to be correct and a just and legitimate payment to be made to these men who served in the war—assuming that—the different figures you have given as to the additional cost represents nothing more or less than the difference in the dating of payment at the time they performed the service in the war, and paying it 7 or 8 or 10 or 20 years thereafter?

General HINES. I think I understand. I would not say it exactly the same way, Senator, but it means this: It means that if you had paid the original amount, $1 a day and $1.25 a day in 1924 in cash, you would have paid $1,400,000,000. In lieu of that, however, you have added to that amount 25 percent, which I think is fair to say was for the deferred payment which was going to be made 20 years hence, so the additional costs are involved in the earnings of that amount put into a fund to redeem these certificates.

Senator BLACK. As I understood you in the beginning, and as I understand you now, the 25 percent was not given in lieu of the payment of the interest between 1918 or 1917, when the men actually worked, and 1924?

General HINES. No; in my judgment it was not.

Senator BLACK. So that under the plan as originally provided, according to your interpretation of the agreed payment, the veteran has never had $1 included in this payment to repay the interest on the amount between the date that he actually served in the war and 1924 and 1925?

General HINES. Yes, Senator; the veteran has had 4 percent interest paid on not only a basic credit, but the 25 percent.

Senator BLACK. That is from 1924?

General HINES. From 1925; yes. Those that had borrowed, of course, have paid various rates of interest. They are paying 3½ percent now on the amount that they borrowed. This additional cost that I have given here on the various plans is the additional cost of this form of settlement made now as against the one that was made in 1924.

Senator BLACK. Let us take one soldier, a private soldier that enlisted, we will say, or was called into service in 1917. He served in 1917. In 1925 he obtained a certificate to represent an additional payment to him. Did that additional payment include, in your interpretation, any interest on what he would have been paid in 1917, to 1925?

General HINES. No.

Senator BLACK. It did not?

General HINES. That is right.

Senator BLACK. So that the settlement that was made then on the bonus controversy in 1925 did not place him in the same position that he would have been in if that private soldier had received that payment at the time he was serving either here or abroad?

General HINES. That is correct.

Senator BLACK. So that when you talk about the difference in the cost and what we are considering today is whether we will pay that soldier what was agreed to be paid him in 1925, not as of 1925 but as of the date when he actually wore the uniform?

General HINES. Of course, that is a matter for the Congress to decide.

Senator BLACK. That is the difference though, is it not? That is what makes up the additional cost in each plan?

General HINES. No. What makes up the additional cost, Senator, has nothing to do with the delay from 1917 to 1925. The additional cost is made up in paying this obligation 10 years before it is now due.

Senator BLACK. I know that, but we are talking about, and you say it is wholly a question of revising the original contract?

General HINES. That is right.

Senator BLACK. The revision in the long run and the additional money that has been figured out in these bills is figured out on the basis, is it not, that these soldiers were entitled to have this money on the day they performed their services?

General HINES. The Congress decided in 1924 it would be dated from January 1, 1925.

Senator BLACK. That is right.

General HINES. And if the Congress decides that the money was due back in 1917 and 1918, you have an entirely different proposition.

Senator BLACK. That is what I am getting at. We have an entirely different thing. And that additional money that is proposed to be paid here according to what you say, would be on the theory that the Congress decided that the men should be paid not as of 1925 but as of the date they actually worked, is it not?

General HINES. Senator, the costs that I have given are the difference between the settlements proposed now and the original settlement in 1924. If you are going to take an obligation and say that it was due back in 1917 and allow the men interest on it, it would take up a large part of that additioanl cost.

Senator BLACK. It takes up practically all of it, does it not?

Senator GORE. That largely accounts for the increase, does it not?

General HINES. No; the increase, Senator, is made up in the difference in plans. In other words, this fund is supposed to earn a certain amount. If the fund is stopped and the money does not earn it, necessarily the additional cost has to be made up in some way, because you are paying the face value of a certificate now——

Senator GORE (interrupting). I thought you said a moment ago in answer to Senator Black, that the increase under this plan was because you set the date back from 1925 to 1918?

General HINES. You misunderstood me. I did not say we set the date back. Senator Harrison's plan carries the basic credit back to 1918 and pays 4 percent interest on it.

Senator GORE. That accounts for the increase, does it not?

General HINES. That is only one factor. That accounts for part of the increase, but there is no insurance charge there.

Senator GORE. These other plans—do they not take it back, too?

General HINES. Mr. Patman's plan takes it back to October 1, 1931, as being the date when interest will be remitted, and that is the date that he feels that the amount is due.

Senator GORE. He does not shift computing interest back from 1925?

General HINES. No; he only remits it.

Senator GORE. But he does add 2 percent to the rate, does he not?

General HINES. And he adds another thing which makes a difference. He does not deduct the $60 which are deducted in our calculations.

Senator GORE. He computes interest on the cash that they got?

General HINES. And I believe the Patman plan involves 6 percent.

Senator GORE. One more question. The Vinson plan—what is that?

General HINES. That contemplates the certificates are due now and should be paid now, and the interest should be remitted.

Senator GORE. And that accounts for the added value on his scheme?

General HINES. That is right [illegible] and maturity face value that is due in 1945, 10 years ahead [illegible] time.

Senator GORE. And the point you make is, if Congress thinks the original settlement was not fair and wants to make a new settlement, it could make it on that basis as well as it made the first one?

General HINES. Yes.

Senator GORE. If Congress should decide that they should pay them $2 a day, that would make still a different result or contract?

General HINES. Naturally, still a different problem.

Senator CLARK. Can you tell us what it would have cost the Government to have paid in cash in 1918 as of November 11, 1918, the amount actually set up in the present law less 25 percent?

General HINES. About $1,400,000,000.

Senator CONNALLY. That is on the straight $1.25 a day?

General HINES. On the certificates now issued.

Senator CONNALLY. Disregarding the 25 percent?

General HINES. Yes.

Senator CLARK. So that all this additional cost is due to the fact that the Government did not pay that man when it was actually due, if it was due at all, and spreading it over 30 years?

General HINES. I would not attempt to say when Congress considers the amount due, but Congress has a right to change it if it wishes to.

Senator BLACK. You have given us the additional cost on the three plans?

General HINES. Right.

Senator BLACK. Can you give us, and let us assume that Congress intended to pay that $1.25 and the 25 percent, can you give us what it would cost in addition now to date these payments back to the actual time the service was performed?

General HINES. To what date?

Senator BLACK. Go back to October or November. November would not take it to the date that they performed the service.

General HINES. I could work that out for you, but we haven't it available for you here.

Senator BLACK. As a matter of fact, is it not true that if you worked that out and went back to the date the service was actually performed, that the Government would not be paying any appreciable amount in addition to what they originally agreed to pay?

General HINES. Do I understand that we are to pay interest on this amount, or just assume the amount is due?

Senator BLACK. Of course, you charge the veteran interest if he comes and gets some of it, but I assume that fairness and justice would require that if you deprived the man the payment of what he earned, from the time he wore the uniform, that the Government ought to pay interest too. They would do that on the contracts made with private individuals for munitions.

Senator CLARK. And on tax refunds.

Senator BLACK. What I am getting at is this, that it is purely a difference in the plan. What I am sure is, if you figure it out, that it will cost the Government a certain amount more than there is included in the original bill. What I am sure of is that this is based almost entirely on the difference between figuring on what we would have paid at the time the service was performed, and how much we would give them now.

General HINES. I would not agree that the amount would be the same. It could probably be worked out by taking the basic rate and say it was due in 1918 and adding interest up to now.

Senator BLACK. That is what I am getting at.

General HINES. But the difference in the plan——

Senator BLACK (interposing). The difference in the plan is the difference in figuring out that you will figure it as paying the man when he did the work, like we paid the men that supplied munitions, and the difference of paying him 7 or 8 years after, is that correct?

General HINES. That is correct, but if you take that, Senator, you, of course, are bringing about a new plan.

Senator BLACK. We are bringing about a new plan, and the new plan would be on paying the man at the time he performed the services instead of paying it years afterward.

General HINES. Yes; if you suggest a date I will be glad to work it out.

Senator BLACK. May I ask you if there were any munition manufacturers from whom purchases were made, or any contractors who performed services for the Government, who were compelled to wait 8 or 10 years or 7 years or 20 years to get their payment from the Government?

General HINES. I have no direct information——

Senator CLARK (interposing). They were paid in advance.

General HINES. I have no direct information, but it is my understanding that settlements were made.

Senator BLACK. Do you know whether or not a single contractor for a contract in civilian life which the Government made, men who were not wearing the uniform, but who were supplying munitions, if they had to wait 7 or 8 or 10 years for their pay, and if they did not get interest at the rate of 6 percent?

General HINES. It is my understanding that interest was paid, but I have no direct information on what it was or the rate.

Senator BLACK. So that in reality, if we actually owed these people this money, these people who were performing a service, and it was a just obligation, what this new plan would be doing in addition to recognizing that we owed the money is to recognize the fact that we ought to place them in equally the same situation as they would have been placed if they had received pay at the time they performed the services. That is the difference, is it not?

General HINES. That is the difference, Senator.

Senator CLARK. If the present plan were not changed, it would be necessary for the Government to raise $2,130,000,000 between now and 1945, taking the face value of the certificates as about $3,500,000,000 and deducting the certificate fund, which I believe you said was $1,350,000,000, and leaves a difference of $2,130,000,000 that under the present law must be raised in some way between now and 1945.

General HINES. That is right. Part of that will be raised by earnings in the event——

Senator CLARK (interrupting). It must be raised in some way between now and 1945?

General HINES. Certainly.

Senator CLARK. A little while ago I asked you for some figures as to the actual amount of cash and bonds that would have to be paid out to veterans under the three different plans. Can you give them to me?

General HINES. Yes. Under the Patman plan——

Senator CLARK (interrupting). Under any of these three plans, that $470,000,000 has to be paid to the insurance fund in bonds?

General HINES. Of course, the Patman plan, if they issue currency, the currency would pay off the loans on the certificates in the insurance fund, so there would be no bonds there.

Under the Harrison plan, it contemplates giving to the insurance fund Treasury bonds at 4½ percent. As I understand your question, what you wanted was, what was the additional amount——

Senater CLARK (interrupting). What I want to know is, What was the amount of cash or bonds actually paid out to veterans, not to the insurance fund? Under these three different plans.

General HINES. Under the Patman plan, the amount to be paid out to veterans would be $1,954,000,000. Under the Vinson plan, $2,016,500,000. Under the Harrison plan, $950,000,000.

Senator GORE. A moment ago you said that this fund was increased by earnings from the fund. That merely means that the Government pays interest on its bonds and it is credited to these funds?

General HINES. We have made loans to veterans on their certificates out of this adjustment-service-certificate fund for money appropriated to the fund to build it up. That interest, of course, is an interest earning. In addition to that, we have some Government securities in the fund that are earning interest.

Senator GORE. Is not practically the entire fund invested in Government bonds?

General HINES. It is all invested in Government bonds and loans on adjusted-service certificates, and, of course, if the Government is borrowing money, the Government is paying interest.

Senator GORE. It just takes money out of one hand and puts it into the other? From one fund to the other?

General HINES. That is right.

Senator GORE. You referred to the bill that I had introduced?

General HINES. Yes.

Senator GORE. I introduced that before Senator Harrison introduced his bill.

The CHAIRMAN. I may say that I have had a communication from the Secretary of State and he is making a report on your proposition.

Senator GORE. I want to suggest this to the General: I do not have in mind at this time offering a substitute for Senator's Harrison's plan. I might consider the advisability of offering it as an amendment. Do you know of any serious objection to the adoption of that plan? I do not see how it could do any harm. It authorizes the President to enter into agreements with debtor nations to readjust their debts, one condition being that they pay in cash a sufficient amount to pay these adjusted-service certificates. I figure that if they will pay anything, they will pay that, and if they won't pay that, they won't pay anything, and the sooner we know that, the better.

General HINES. The question you put to me is a rather difficult one to answer because it involves a department which I have nothing to do with, the Department of State.

Senator GORE. That is the reason I asked you if you see any special objection to the plan. I did not ask you for an affirmative answer or recommendation.

General HINES. If I understand you correctly, you would add another provision or another option to the Harrison plan?

Senator GORE. That is what it would do. That the President is given the power and the option as I stated.

General HINES. I can see no objection to giving the President the right to do anything of that kind if it meets with the approval of the State Department and the President.

Senator GORE. We are going to obtain their views on the subject, and it would be an alternative proposition, simply giving the President that discretion.

The CHAIRMAN. Are there any other questions?

Senator BLACK. A few moments ago you said you could supply the cost to the Government of these certificates as of the date, we will say, the average date, that the service was rendered, if the amount agreed to be paid in the bill of 1924 had been paid as of that date. I would like to have that computed on the basis of 6-percent interest, 5-percent interest, and 4-percent interest, and then I would like to know whether or not after those figures are reached, the Vinson bill would require the payment of any amount in excess of that, and if so, how much and why?

General HINES. As I understand it, you want as of January 1, 1925, the amount of the basic credit, which was $1,400,000,000, carried back to 1918, at 6 percent, 5 percent, and 4 percent, to see what additional cost then the present plan or the Vinson plan would have——

Senator BLACK (interposing). If it actually has any. And if so, what that additional cost is. In other words, what I am getting at is this: That my belief is that if it is figured back on that basis, that the Government will not have to pay an additional dollar more than it owed in all justice.

General HINES. I would be glad to work that out. There is one question in connection with that. Do you wish to increase the basic credit by 25 percent or not?

Senator BLACK. I want the agreement that the Government made to pay these people. That is what it was. They agreed to pay them this, and it is your interpretation, and I think you are right, that that was not given to compensate for back interest, and therefore that should not be included.

General HINES. That will be done.

Senator WALSH. You want the same certificate dated back to the time of service?

Senator BLACK. And give credit for the $60, which of course should not have been included in the adjusted-service certificates.

General HINES. You do not wish that deducted?

Senator BLACK. I want it deducted, because that was quite a different thing.

Senator CLARK. You do not want it charged to the veterans?

Senator BLACK. No.

Senator CLARK. Just to enable them to get a suit of clothes, that is what that $60 was for.

Senator BLACK. That is an entirely different thing, of course. I do not want that included.

The CHAIRMAN. Before the committee recesses, I may say to Mr. Hickerson and Mr. Stephens, who were on the calendar last Monday and who were not there, that they will be permitted to put into the record their statement, confining it to this subject matter.

Senator CONNALLY. Will this close the hearings now?

The CHAIRMAN. I was in hope that tomorrow we could meet in executive session and go into the matter.

Senator CONNALLY. Congressman Patman wanted 10 minutes, I believe he said, to sum up.

The CHAIRMAN. All right, Mr. Patman.

Senator CONNALLY. Before we do that, I want to file for the record here a letter addressed to me from the legislative committee of the Veterans of Foreign Wars of my State. He demands that I call this to the attention of the committee.

(And the same is as follows:)

APRIL 22, 1935.

HON. TOM CONNALLY,
Member Finance Committee, United States Senate,
Washington, D. C.

DEAR SENATOR CONNALLY: The preamble of the Harrison bill presupposes that the "veterans" of the World War have been generously accorded benefits by the Government. The "benefits" have been fully described; and for the ex-enlisted, inducted, drafted, and "emergency commissioned", they have been very generous indeed.

The question arises as to what kind of service was rendered to entitle a man to the designation "veteran". Therein comes the injustice put into effect by nonveteran influences in Congress.

I will take the enumerated benefits in order and show how the veteran has not been generously dealt with in any degree comparable to his stay-at-home short-term brother-soldier of the World War:

Insurance.—Most of our overseas veterans of the World War were forced to lapse their insurance due to the pressing need of their families; and to being unable to establish service-connection for disability, for reasons explained under the heading "Compensation." The money already paid in as premiums reverted to the Government.

Compensation—Most Senators will remember section 206 of the original Sweet bill. This provision was aimed directly at the overseas men of the World War. Adjutant General Office records must prevail in establishing service-connection for disability. No Adjutant General's Office record of hospitalization or treatment—no compensation. The Veterans' Bureau officials even went so far as to state that "medical evidence only was acceptable." In one case a letter was sent over the personal signature of the Director in an appealed case reading substantially as follows: "Any new evidence you may wish to submit, to receive consideration, must be in the nature of reports of examinations or treatments, under oath." Lay evidence, the only kind obtainable by the overseas men, was not worth the paper upon which it was written, under the provisions of section 206. The Senators will therefore remember well the fight of the Veterans of Foreign Wars for its repeal. The act of 1930 gave the repeal, and also made mandatory, in no uncertain terms, the acceptance of "lay" evidence.

In 1930 it was too late for a great many of our overseas veterans to obtain even "lay" evidence in order to substantiate their claims. Jokers, like section 206, placed in the law, gave every advantage to the home soldier whose hospital record was complete, and thousands who had not been in the service long enough to have worn the uniform received huge sums in benefits. Service-connection and medical record during service or in the year following discharge were the determining factors for benefits.

Disability allowances—Home soldiers preferred.

Hospitalization—Depending upon service connection.

Vocational rehabilitation—This depended entirely upon the establishment of service connection.

Adjusted compensation—As liberalized by this act: There is only one that may be considered as fair by the veteran and that is payment in cash, or in any kind of money that will buy bread. The veteran of 1917–18, had a rather bitter experience with bonds. Liberty bonds he was forced to buy from his small pay as a soldier, he was again forced to hypothecate, usually at a big discount, to provide necessities for his family. The banker became profiteer. Why should the Congress try to pass another banker bill?

Among the "benefits" listed we fail to recognize the "disabled emergency officers retirement." Did Senator Harrison forget that there might be some veterans among the beneficiaries of that act? Or, does he too realize that it was not designed for the veteran soldier? At the date of the passing of that act, a so-called "emergency officer" must have 30 percent service-connected disability. I will cite a case showing how that was worked out. A man was commissioned 2 days before the armistice and was discharged early in 1919. Was never out of the United States during that time. He was employed as chief medical officer in the regional office of the Veterans' Bureau, and learned veterans' regulations. He was able to prove service connection—30 percent and was placed upon the emergency officers retired list. Who examined him, and who rated his case? Was it his subordinates in office? He has since, however, been able to qualify physically, and mentally, for a commission in the Reserve Corps of the Army as major. He just happens to have been "Chief-Whoop-de-Gurry" of the Forty and Eight. This man could receive the benefits, Senator; but on the other hand I can show you men who were gassed and shell-shocked in the front-line trenches, who were unable to qualify for retirement through lack of medical evidence.

The national headquarters of a strong organization of the legions of home soldiers has, since 1921, consistently fought legislation for the veteran soldier. For that reason the veterans today are demanding justice in how the adjusted-service compensation shall be paid regardless of the wishes of those who have little coming to them on account of lack of service during the war.

Senator Connally, we demand that the contents of this letter be placed before the Senate Finance Committee for its decision as to the merits of the veterans' case.

Respectfully yours,

ARTHUR W. PIGOTT,
Chairman Legislative Committee.

STATEMENT OF HON. WRIGHT PATMAN—Resumed

Mr. PATMAN. I hold in my hand a copy of the Gold Reserve Act of 1934 approved January 30 of that year. That Gold Reserve Act places all title to all gold in the United States Government; that is, section 2 of the act, and section 6 of the act provide that a reserve for United States notes shall be maintained in gold bullion equal to the dollar amounts required by law. Therefore, all of the gold in the Treasury, Mr. Chairman, is behind United States notes, and instead of a 40-percent reserve, it occurs to me this makes a 100-percent reserve, and as further evidence that this construction is the correct interpretation, it says in section 15 of the act, "including United States notes, the reserve"—it says—

wherever reference is made in this act to equivalence between dollars and currency, to United States notes and gold, one $1 or $1 face amount in currency of the United States equals such a number of grains of gold nine-tenths fine as of the time referred to are contained in the standard unit of value.

Therefore the money we propose to issue, Mr. Chairman, will be backed not by 100 cents in gold, but by $1.30 in gold for every dollar issued, and about 20 cents in silver. So it cannot be fiat money, but will be backed by more than a 100-percent gold reserve. I just want to bring that out.

Senator WALSH. Does the Treasury Department agree with that construction?

Mr. PATMAN. They would not take the opposite view, I will state to the gentleman from Massachusetts. In other words, it is so plain I do not think they would question it. (If it should be questioned we have an argument equally strong that they cannot possibly question. It is the duty of the Treasury to keep all money on a parity with all coins and currency issued by the Government. The Government having title to all this $8,600,000,000 in gold will be obligated to use it for that purpose. This amount of gold is more than sufficient to redeem all outstanding money and in addition the money we propose to issue.)

The statement made by Mr. Morgenthau does not affect our bill that came here from the House, because our bill does not affect the Budget. It will not cause an increase in the taxes and it will not cause additional taxes to be issued, therefore the statement would not touch our bill.

Some reference was made as to when these certificates are due. If you date the certificates back and say that each veteran was entitled to that money as of the average date between the beginning and the ending of the average man's service and give it to him as of that time and not deduct that $60, and with 6 percent interest, compounded annually, the whole amount was due October 1, 1931.

Remember, Mr. Chairman, while we are putting the $60 back, we are releasing that 25 percent which Congress acknowledged was compensation for waiting 20 years, and they have waited 17 years. We are releasing that entirely. The accumulation of that to date would amount to $85. That is the only bonus in the act, and we are releasing it, and we are asking you to give back the $60, because it should have never been deducted. That $60 was paid to every man irrespective of the length of his service, and it does not take into consideration the varying term of the service, some of them having served only a short time, a few days. The $8,000 a year officer kept his and was not required to pay it back. Therefore it was due October 1, 1931, computing it as I have just outlined.

Senator CONNALLY. The $8,000 officer did not get it.

Mr. PATMAN. Yes; and neither did the 3-day serviceman. In other words, some were in the service 1 day and got their $60.

This bond feature of the chairman's bill—I suggest that no bill should carry that provision limiting the disposition of the bond as contained therein. I appreciate the fact that the chairman is trying to protect the veterans by making it a violation of the law to sell these certificates below par, but in practice I believe that will be meaningless. You take a case of barter or trade, you could not make a case against anybody for accepting what he sold, for less money. Suppose, for instance, a veteran wanted to buy a Ford car and the dealer really would sell it for $300, but if he had to take a certificate he would make him pay $400 if he took the certificate.

The CHAIRMAN. Do you think if Congress should pass the bill, that they would propose that that provision should be stricken out?

Mr. PATMAN. I think it should be fixed so that the veteran will get the money.

The CHAIRMAN. That proceeds on the theory that whoever purchases these bonds from the veteran shall not pay him less than par value, so it would not be the veteran that would be prosecuted but it would be the other fellow.

Mr. PATMAN. I think it would be meaningless, Mr. Chairman.

The CHAIRMAN. It is in several other acts.

Mr. PATMAN. Yes, sir; I appreciate the fact that the intentions are good. I do not think it will be effective, and why should the Government force three and a half million veterans to make independent transactions when the Government can make one transaction and satisfy all of them, and the Government is in a better position to do it? I think the Government should not scatter the bonds all over the country. You will recall that after the World War, with the vast number of Liberty bonds in everybody's hands, the bond market went down. We don't know what kind of trades they might want to make in barter, and so forth.

Senator WALSH. If your bill failed of passage, would you favor the Vinson bill?

Mr. PATMAN. Of course, I would. I am for the bill that passed the House. I am for that first, because it is no increase in the national debt, no new taxes, no new bonds, but if I could not get that bill, I would certainly favor the Vinson bill or any other bill that is a 100-percent cash payment.

Senator CONNALLY. The Vinson bill would increase the national debt?

Mr. PATMAN. It would.

Senator CONNALLY. It would increase it to the amount of the interest for 10 years?

Mr. PATMAN. At least that much. Although I do not want to do that, I will state to the gentleman from Texas, I am not in favor of it and I would not want to vote that way, but at the same time I would do that if I could not get anything better.

The gentleman from Texas suggested awhile ago when you explained to a person that these certificates are not due until 1945, it is true the average person will say, " I probably had not considered that, and maybe it should not be paid until then ", but when you answer him and say, " But did you know that the veterans were deprived of between 6½ and 7 years' interest, and all they are asking for now is to pay these certificates back and pay them this money as of the time they rendered the service, with a fair adjustment as to interest that all others received ", then he would say that he would favor that. That has been my experience, and I have talked to lots of people over the country about it, and I believe the people generally are in favor of the proposal.

General Hines made a statement that attracted attention. He said that about the only asset that is left by many of these veterans is the adjusted-service certificate. I do not doubt that for a moment. But the question is, Are you going to compel 3,000,000 to lose the remainder of their certificates by paying compound interest on the first half, and interest paid to the Government and the banks will eat up the remaining half of the 3,000,000 in order to let the families of 200,000 between now and 1945 get the remainder, instead of the men themselves? That is placing too much of a penalty on 3,000,000 men in order to benefit the families of 200,000 estimated to die between now and 1945. Besides, the money was not intended for the widows and children, much as we would like to see them get it. The money was intended for the men.

Mr. Chairman, we appreciate the careful consideration that you are showing this proposal, all of the bills, your own bill and all the other proposals, and we really believe that when careful consideration is given, that the committee will decide that the veterans should have this money as of the time they rendered the services, with a fair adjustment of interest, and that all of it is past due.

Senator Connally. I do not want to do anybody an injustice. The other day when I examined Mr. Van Zandt, he approached me afterward and said he wanted to correct his testimony. So I want to ask that he be allowed to do that.

The Chairman. Mr. Van Zandt will be permitted to do so. You can get a copy of it and make a correction, Mr. Van Zandt.

Senator Connally. I do not want the original record corrected. Let him state it now, Mr. Chairman.

STATEMENT OF JAMES E. VAN ZANDT—Resumed

Mr. James E. Van Zandt (commander in chief of the Veterans of Foreign Wars). I misunderstood the question put to me by the Senator from Texas, and I wish to change my reply from " exactly ", I believe is the word that I used, to " no."

Senator Connally. The question was, you said it was due in 1918 and I asked you if you contended that in 1918 the full face value of the certificate should be paid, $1,585 as the maximum, and you said, " yes."

Mr. Van Zandt. Yes.

The Chairman. You want to say, " no."

Mr. Van Zandt. I want to say, " no "; exactly.

STATEMENT OF HAROLD HICKERSON, REPRESENTING THE VETERANS' NATIONAL RANK AND FILE COMMITTEE

I am here representing the Veterans' National Rank and File Committee, of which I am secretary. This committee was elected at Fort Hunt, Va., in May 1934 by 1,500 veterans from 48 States, many of them showing membership in the American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, local Rank and File committees, and the Workers Ex-Service Men's League, now the American League of Ex-Service Men.

These veterans came to attend the Rank and File Convention in answer to a call issued by the Veterans National Rank and File Committee, elected at Fort Hunt, Va., in May 1933 by 3,300 veterans. That convention had been called by the Veterans National Liaison Committee, elected by 600 veterans in Washington in December 1932.

A three-point program was adopted at each of the three meetings. In December 1932 the program was: (1) Immediate payment of the balance due on the Adjusted Compensation Certificates; (2) no cuts in compensation or allowances; (3) relief for the unemployed and farmers. In 1933 the second and third points of the program were changed, to meet changing conditions, to: (2) Repeal of the Economy Act, and (3) adequate remedial relief for the unemployed and farmers. At the last convention the third point became: (3) Workers unemployment and social insurance, H. R. 2827.

I submit this program for the record in order to show that the various rank and file committees which originated among groups of the B. E. F. of 1932 have followed an unalterable and consistent course, with reference to the payment of the adjusted-compensation certificates, and opposition to cuts in pensions. At the last convention, as well as at the convention of 1933 the resolution on the adjusted-service certificate included the demand for return of all interest charges on amounts borrowed and cancelation of interest. And in December 1932 the rank and file group then convening in Washington, presented, together with a resolution demanding full payment, a resolution to both Houses of Congress calling for no cuts in disability compensations or allowances, hospital or domiciliary care, actually naming the figure, $450,000,000, later adopted into the vicious legislation known as the economy act, the first frontal attack by the "new deal" administration against the masses.

In addition, the rank and file attending our conventions, through the adoption of the third point, workers unemployment and social insurance, gave evidence of the growing recognition on the part of an increasing number of veterans that, though we have special claims upon the Federal Government, our former employer in the most hazardous and lowest paid of all industries—war, the problems of the veterans are not to be considered basically separate from those of the rest of the masses.

The increasing interest and support on the part of nonveterans for the rank and file veterans in their fight for their back wages indicates that this viewpoint, as embodied in the third point of our program, was correct.

On the controversial question of the full cash payment of the back wages to World War veterans by the present Congress, the committee in November 1934, issued a warning to thousands of veterans throughout the United States on the danger of the forces advocating payment being split wide open on the issue of the method of payment, and pointed out the necessity for uniting, regardless of organizational or political affiliation, race, color, or creed, against the enemies of the veteran. I should like to quote from that statement:

The Roosevelt administration is preparing all the tricks from gag rule to veto, every scheme of compromise and sell-out for national legislative lobbyists and king-makers to pick from, to defeat the rank and file demands for the immediate payment of our back wages (bonus). Driven into the open by rank and file determination, as the "leaders" of the American Legion were driven in Miami, Fla., and no longer able to fool the veterans with his assurances, the President, now frankly the spokesman of the United States Chamber of Commerce, the American Bankers Association, and the National Economy League, has already succeeded in dividing Congress into opposing factions set for a sham battle. At Warm Springs, Ga., Roosevelt, of "forgotten-man" fame, declared that if a bonus bill was passed, Congress would have to provide the methods of payment. This order, implying the use of the veto if not obeyed, immediately gave the cue to inflationists, currency expansionists, fiat-money advocates, and all phoney-money champions to make their own preparations to sidetrack the issue by staging a long debate in Congress beginning January 3. What this means concretely to us rank and file veterans is that the bonus is not "in the bag."

This vast majority of the rank and file World War veterans know what they want. They know that this debt long overdue represents a just and immediate obligation, and they are fast becoming conscious that the splits in their forces are created by differences among the leaders of the several service organizations.

The bill under consideration at present, the Harrison bill, represents an attempt to utilize the differences existing among the leaders of the veterans' organizations at a time when there was never greater need nor greater unity among the rank and file veterans for the payment of their back wages. Hon. Pat Harrison, chairman of this committee, admitted as much in a radio address delivered on April 18, when he said:

It has been my experience that most controversies are occasioned because the separate opinions are constructed upon different foundations and that persons on opposite sides of issues could most times reconcile their opinions were the basic facts carefully ascertained, studied, and evaluated.

This situation and its child, the proposed so-called "compromise" Harrison bill, are tragic echoes of events in the past. The Adjusted Compensation Act passed on May 19, 1934, was itself a compromise, following upon a series of attempts by the World War veterans to obtain adjustments in pay, a principle established not by the veterans but by the Government when it returned billions of dollars to the munition makers, corporations, railroads, and banks after the war.

In 1920 a cash-payment bill passed the lower house, the money to be raised through taxation. The Finance Committee of the Senate struck out all tax provisions and the bill died. In 1922, a so-called "bonus bill" was passed by both Houses but was vetoed by President Harding. On the second time around in Congress the Senate sustained the President. But the demand persisted, a demand for adjustment in wages.

The Adjusted Compensation Act, the so-called "bonus bill" which does not include the word bonus in any of its provisions, was passed over President Coolidge's veto, but it was not the bill that the rank and file of World War veterans wanted. It started out by being an adjusted-compensation act and ended up by being an endowment policy. This was the joker. But this joker had the force of law, as so many jokers have, and all arguments since against payment have depended not upon the real situation as it existed with reference to the needs and the demands of the veterans after the war, but upon this compromise joker.

No amount of juggling of how a $1,000 certificate becomes a $1,000 certificate in 1945 on the basis of the dollar-a-day or dollar-and-a-quarter-a-day adjustment in wages plus the 25 percent, plus the interest compounded at 4 percent annually will convince the rank and file of veterans that this amount, the face value, is not due now, or, for that matter, was not due in 1918. The force of legalism must give way before the force of the traditional needs of the veterans.

It was the crisis that brought this question to a head. In 1931, as a result of the growing demand, the loan value was increased from 22½ percent to 50 percent. On July 21, 1932, the 2-year clause was repealed and the interest charge on amounts borrowed was reduced to 3½ percent, but by this time 35,000 rank and file veterans, who had been farmers and workers and small shopkeepers and professionals, had almost "stormed the heavens." This great manifestation of mass action, though marred by division among the leaders and broken up by a brutal and bloody attack on July 28, 1932, was one of the dramatic events of that time that focused the attention of the masses as a whole upon their plight, swept the Hoover-Mellon-Mills administration out of office and ushered in the alleged "new deal" with its alphabet strung together by the "new deal" lexicographers, but really spelling Wall Street and monopolies.

Now for this "new deal" compromise. What is it? The Honorable Pat Harrison says, "It will, if passed, enable the country to be rid of this vexatious and constantly recurring question and at the same time will cause no great shock to the Government's fiscal program." No rank and file veteran will agree that the passage of this bill will rid the country of any problem whatsoever, but on the contrary will intensify the rank and file campaign for payment of the World War veterans' back wages. Furthermore, the Congress of the United States might as well attempt to legislate the sun off its course as to attempt to establish the principle embodied in section 1 of the bill, namely, that henceforward there will not be any general pension laws or further veteran legislation calling for increase of so-called "benefits."

Concretely, the Harrison bill makes option (1) retention of certificates until 1945—A $1,000 certificate under the present law will be worth $1,115, the $1,000 value being reached in 1942; (2) the exchange of the certificates for 3-percent bonds. An unencumbered certificate with face value of $1,000, the average certificate, could be exchanged for a bond worth $750 and $25 in cash, this $25 in cash representing what is left over after the value of the bond is computed in multiples of $50. An encumbered certificate with a face value of $1,000 may be exchanged for a bond worth $150 and $25 in cash. If held, this encumbered certificate would be worth $300 in 1945.

The disposition of this $25 must have caused the author of the bill no end of difficulty. Or did he consider that this $25 in cash might be a bait for the hundreds of thousands of needy World War veterans?

On January 31, 1935, there were 3,725,174 certificates outstanding, issued to three-quarters of the 4,700,000 men who were in service and nine-tenths of those eligible for the certificates. Loans amounting to $1,653,000,000 had been paid to 2,898,000 veterans; 192,944 certificates had matured by death. This means that 6 out of 7 veterans holding adjusted-compensation certificates have found it necessary through need to take advantage of the loan provisions, though knowing full well that the interest charges would all but eat up the balance due. Again the majority will be forced to accept a swindle if the Harrison bill is passed.

The Honorable Elmer Thomas, of Oklahoma, was correct when he said in a news-reel address last week:

> The Harrison bill just introduced in the Senate is a studied effort to postpone payment for the present. This bill penalizes the soldier in distress and favors those not in want. It proposes to give all soldiers a new printing-press bond payable in 1945.

This discrimination against needy veterans is not new. Interest charges of 6, 7, and 8 percent were made on the first loans to veterans on their certificates, while they obtained only 4 percent on their own back wages. After the World War the lobbyists of the corporations, banks, and railroads obtained billions for their clients for the asking, but the veterans did not even get an endowment policy until 1925.

Another side of the picture, unemployment among the World War veterans, further shows the increasing need for cash payment in full with interest charges refunded and canceled. Though there is no systematic and comprehensive set of unemployment figures available anywhere, either as regards unemployment as a whole or unemployment among the veterans, there are certain statistics available which allow of an approximation of the total. In answer to a communication addressed by the rank and file committee to the United States Employment Service, United States Department of Labor, asking for such information, Mr. Hugh A. Kerwin stated that on December 31, 1934, there were 474,252 veteran registrations in the active files of public employment offices throughout the country. The United States Employment Service makes no pretense of covering the field of unemployment among veterans. Mr. Kerwin wrote:

> We have no complete information concerning the actual number of unemployed veterans in the United States.

A figure coming closer to the truth is that arrived at on the basis of a survey made in Ohio of unemployment among World War veterans. This study disclosed that 5 percent of all World War veterans are unemployable, 21 percent of employable World War veterans are unemployed. Applying this ratio to the whole country, it means that approximately one quarter of the 4,500,000 World War veterans, or 1,125,000, are unemployed. This is a conservative estimate. The rate of unemployment is undoubtedly exceeded in other parts of the country, especially in the South where the great majority of the 500,000 Negro World War veterans live. However, it gives an indication of the extent to which the blows of the crisis have fallen upon the veteran population, as the total number of veterans drawing compensation and pensions from the Federal Government was 581,225 in 1934. This belies the claim made by President Roosevelt at Roanoke, Va., last fall, that World War veterans are better off than any other section of the people.

It also shows the extent to which the great need of the veterans and their dependents would force them to accept the $25 in cash, and the bonds. Only the veterans of the American Veterans' Association, some of whom contributed the loans made on their certificates to fight the payment of the bonus, and veterans in the National Economy League, would benefit, being in a position to wait without hardship until 1945.

On the question of method of payment, I wish to point out that three methods are generally mentioned in the debates in Congress: (1) Currency expansion, (2) a bond issue, (3) taxation, though this last method has not been discussed for some time. There are a number of virtually untapped sources of taxation for social legislation. We propose taxation on incomes over $5,000 a year, individual and corporate, on estates, on inheritances, on gifts, on tax-exempt securities.

If the same rate of income taxation had obtained in the United States as obtained in England in the year 1929, on incomes, the amount collected would have been $5,750,000,000 instead of $1,000,000,000. In 1932, instead of $324,000,000, it would have been $1,128,000,000. A 25-percent corporation tax on $5,000 a year or more would have netted in the year 1928 $2,600,000,000 as against $1,200,000,000; in 1933, $75,000,000 instead of $353,000,000. Taxes on inheritance and estates are practically negligible in the United States. In 1928, $3,500,000,000 in total gross estates netted only $42,000,000, or approximately 1 percent. In 1932 it was less than 1 percent. A 25-percent flat tax in 1928 would have netted $880,000,000. The net corporate surplus in 1928 was $47,000,000,000, in 1933, $36,000,000,000, this representing amounts set aside to meet capital claims in times of exigency. As regards interest charges and funded debt there was a variation of only 5 percent in amounts paid out through the years 1929 to 1933, this at a time when the income of labor decreased 60 percent. These sources, with taxation imposed upon now tax-exempt securities, would afford the most logical method of raising the money to pay off this debt to the World War veterans.

Some of these data are to be found in Senate Document 124, Seventy-third Congress, and referred to the Committee on Finance in response to Resolution 220.

Though the veterans' national rank and file committee does not oppose any bill calling for immediate cash payment with refund and cancelation of interest charges, we cannot subscribe to the claim that payment through currency expansion provided for in the Patman bill, will not cost the country anything. Now, money does not grow on trees. Somebody has to pay. We are unalterably opposed to payment probably resulting in a rise in prices of the commodities. Payment in our opinion must be exacted directly from those who can pay. Billions are now being raised for a new war. Billions have been and continue to be appropriated for big business, for monopolies, to pump into banks. Taxation raised in the categories mentioned above is the only logical method not only for raising the money necessary for the payment of the veterans' back wages, but for all social legislation such as social insurance, unemployment insurance, old age pensions, and so forth.

Therefore, we demand an Adjusted-Service Certificate Act with the following provisions:

(1) Full cash payment of the balance due on the basis of the face value.

(2) Refund and cancelation of interest charges.

(3) Extension of time for the application for certificates.

(4) Money to be raised by a tax levy on incomes of $5,000 a year or over, individual and corporate; on capital surpluses; on inheritances; on gifts; on tax-exempt securities.

(5) No veteran or dependent shall be removed from the relief rolls.

The CHAIRMAN. I offer for the record a brief submitted by Mr. Royal C. Stephens, of Philadelphia, Pa.:

BRIEF SUBMITTED BY ROYAL C. STEPHENS, PHILADELPHIA, PA.

PHILADELPHIA, PA., *April 24, 1935.*

Senator PAT HARRISON,

Chairman Committee on Finance, Washington, D. C.

HONORABLE SIR: Due to a serious automobile accident last Friday morning, in which I injured my right shoulder and right side, I was unable to be present at Monday's session of your committee's hearing on the bonus bills and at the conclusion of General Hines' testimony this morning you advised me that I would be permitted to submit a brief on the bonus bills, which I now do for the consideration of your committee.

For your information, I enlisted in the Navy April 30, 1917, at Minneapolis, Minn., and was discharged from the naval hospital at Portsmouth, Va., October 11, 1918.

I took up many matters in behalf of the boys in the service during the war. I never joined any of the veterans' organizations.

I shal lendeavor to cooperate with the members of your committe by setting forth some thoughts that will help you to decide what is the best thing to do on these various bonus bills.

1. I suggest your committee draw up a new bill containing at least the following provisions:

(*a*) In the same spirit in which the United States Treasury has refunded money on taxes collected when they say they had erred in their figures as to the amount of money due on taxes to the Government, your committee change the World War Adjusted Compensation Act to date back to the date America entered the World War in 1917, when the service was rendered by the boys in the armed forces of the United States.

2. In the same spirit as the Government paid during the World War the money due contractors, ammunition manufacturers, also paid 6 percent back interest on all money refunded on taxes collected by the Government, your committee cancel all interest charged against the veteran for whatever the veteran borrowed on his bonus certificate under the present law.

3. Insert a provision in the committee's bill that before the bonus certficate can be paid on its full face value the United States Treasury shall deduct from the amunt due the veteran the amount of any loan borrowed, plus a proper amount of interest per year for the loan.

4. Insert a provision in the bill allowing the veteran to choose any one of the following plans: (1) Accept cash for full amount of face value of bonus due at once; (2) accept part of bonus due in cash and balance in Federal Treasury bonds that will pay the same interest as other issues of Treasury bonds for 5 or 10 years; and (3) accept full amount of bonus due in Federal Treasury bonds for 5 or 10 years to draw the same interest as other issues of Federal Treasury bonds.

5. I am sure both the Members of Congress and President Franklin D. Roosevelt know that the taxpayers who are also voters are getting stirred up over taxes now and you fully realize that when election time comes around next year millions of taxpayers will be on the warpath against public officials high and low on account of increased taxes, therefore I suggest that your

committee insert a provision in the bill to do as President Abraham Lincoln did during the Civil War, namely, pay the face value of the bonus certificates in United States notes not bearing interest, and thus show the taxpayers back home that you are also thinking of their welfare.

6. Extend time to the 500,000 veterans to file application for the bonus certificate from January 2, 1935, to January 2, 1940.

7. Your committee can render a great service to thousands of World War veterans and at the same time see that some real American justice is done by appointing a subcommittee of your committee to investigate the following:

(*a*) Why did the Government allow the trust companies to handle the first and second Liberty bonds and allow them to charge the boys in the service interest on their payment on the Liberty bonds.

(*b*) Charge said subcommittee with the duty of requesting that those trust companies that handled the first and second Liberty bonds to the boys in the service to file with the committee at once the names of all those in the armed forces of United States who made from one or more payments on either of those Liberty-bond drives that never finished paying for their bonds nor did not write to, or call for, or receive from the trust company to get their money back they had paid toward their Liberty bond.

8. Your committee, Members of Congress, the Secretary of the Treasury, and President Franklin D. Roosevelt can show to the American World War veterans, the American citizens, and taxpayers, who are the voters who elect their public official to serve the best interest of the American citizens first and aliens second have wronged the American citizens in allowing aliens to draw a bonus by retaining jobs that should go to American citizens first, also have without destroying the once sacred Budget or lowering any confidence in Government bonds appropriated money to pay a dole to, as estimated, over a million aliens now on welfare relief compels me, as a real friend of all public officials, to advice you that your present standing in the minds of the American people is that you are representatives of aliens instead of Americans, and I advise you to not only pay this bonus without delay but also act to discharge all aliens now holding jobs and replace them by American citizens, and at once arrange to deport all aliens who are destitute to their home countries, if you desire to remain in public office.

We had a Boston Tea Party in 1776, and the following elections there will be a "taxpayers' party" held at every polling place in which votes will be cast for public office only candidates who will stand for retaining America for Americans.

Trusting your committee will accept these suggestions in the same spirit in which they are made, namely, to help you decide the best thing to do at this time.

Truly,

ROYAL C. STEPHENS.

(Whereupon, at 12 noon, the committee concluded its hearings and a recess was taken until 10 a. m., Thursday, Apr. 25, 1935.)

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