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EXECUTIVE SESSION - CONFIDENTIAL

TO MAINTAIN THE CREDIT OF THE UNITED STATES
GOVERNMENT

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SATURDAY, MARCH 23, 1933.

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

The committee met at 10 o'clock a.m., pursuant to adjournment on yesterday, in its hearing room in the Senate Office Building, Senator Pat Harrison presiding.

PRESENT: Senators Harrison (Chairman), King, George, Walsh, Barkley, Connally, Gore, Bailey, Clark, McAdoo, Lonergan, Reed, Cousins, Metcalf and La Follette.

The Chairman. Several members of the committee have asked me to record them as being present, and I am sure they will be here in a few minutes, so we will proceed with the hearing. The committee will come to order. We will follow the same lines as on yesterday, hearing these gentlemen briefly this morning. And I want to say that they have shown a very fine spirit of cooperation. They are going to be brief, and the committee will appreciate brevity because we want to go into a consideration of this bill, in executive session, as soon as the hearings are closed.

The committee will now hear Mr. Green, of the American Federation of Labor. He is outside and the clerk will call him in.

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Senator Connally. Mr. Chairman, are you going to limit him?

The Chairman. All who are to appear will be limited.

Mr. Green, you may have a seat and proceed.

STATEMENT OF WILLIAM GREEN, PRESIDENT,
AMERICAN FEDERATION OF LABOR, WASHINGTON,
D. C.

Mr. Green. Mr. Chairman and members of the committee: I came over this morning to just briefly present to you what I am sure is the heart and mind and judgment of labor regarding the proposal which you are considering, to depress the wages of Government employes still further.

I appreciate that these are very trying times, that we are facing a grave emergency, but I am confident it is neither the desire nor the purpose of members of Congress to take such action at any time as would seem to add to our difficulties.

There are, as you well know, almost 15 million unemployed people in the United States, totally unemployed. There must be added to that number perhaps 8 or 10 million more partially unemployed.

Now, we may be very certain that we can never bring those unemployed people back into active service until there is given to all classes an opportunity to buy and consume goods.

It is inconceivable that improvement in economic conditions can be brought about by further depressing the very limited buying-power of the people. That very limited buying-power of the people exists at the present time, and it seems to me that condition will be accentuated if this proposed 15 per cent reduction in wages is to be imposed upon government employes.

It is my belief that it would gain by

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As I stated in a conversation I held with the President on yesterday, I sincerely hope we can find ways and means by

which we can reduce government expenses without striking at the wage structure.

I understand perfectly well the necessity for finding ways and means through which we can reduce government expenses, but 125 million dollars taken from the buying-power of government employes will in my opinion injure economic conditions to a far greater extent than it could possibly do good to the government.

Now, gentlemen of the committee, I feel it my duty to come and tell you that this morning, because, as it seems to me, you would like to know the heart and mind of labor at the present time.

Senator Barkley. Mr. Green, you realize that this proposed 15 per cent reduction means a maximum, do you not?

Mr. Green: Yes, sir; but you understand --

Senator Barkley (Continuing). And that it includes the 8-2/3 per cent represented by the cut which has already been made.

Mr. Green. Yes, sir; but --

Senator Barkley (Continuing). So that it is a net reduction of less than 7 per cent.

Mr. Green. Something between 6 and 7 per cent.

Senator Barkley. A little over 6 per cent below what

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Senator Barkley(Continuing). So that it is a net reduction of less than 7 per cent.

Mr. Green. Something between 6 and 7 per cent.

Senator Barkley. A little over 6 per cent below what the Government employees are now receiving.

Mr. Green. Yes; but the trouble with that is this: That it will not only depress the buying-power to that extent, but, in addition, will encourage employers in private industry to cut wages still further, and instead of your moving forward we will simply be moving back again. Furthermore I feel quite

sure that we all understand what is meant by the reorganization plan that is bound to follow, that there will be a very large number of dismissals from the Federal service, because I cannot conceive of any reorganization plan that will not so result. That will mean an addition to the army of unemployed.

I want you gentlemen to understand that I am speaking in a sympathetic tone, because I appreciate the difficulties of the President and of the nation. I want to be helpful in every way I can. But I cannot see where economic recovery will be promoted through a further curtailment of the very limited buying power of the people.

Senator Barkley. Mr. Green, let me ask you this, and I have great respect, as you know, for all your views.

Mr. Green. I know that you do, Senator.

Senator Barkley. The situation presents itself to me in this light: If we have got to balance our budget and make income and outgo somewhat approximate each other, we have either got to do it by reduction in government expenditures or by levying additional taxes. Which would have the more depressing effect upon industry and upon the employment of labor and upon public psychology, to reduce the expenditures of the government or to put additional taxes on the people at this time?

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Mr. Green. Well, I think it would be, of course, unfortunate if it seemed necessary to increase taxes. But if it resolves itself into the question of promoting economic recovery and saving the nation, then it appears to me it would be far better for us to find some way to increase taxes than to decrease the buying power of the people. Senator Barkley, it

is contradictory to add to our economic difficulties through a reduction in the buying-power of the people and then appropriate funds to take care of the unemployed. And yet that is just what we are facing.

Senator Barkley. Of course, I do not know whether anybody has the key to this situation to turn us uphill. We have been holding hearings in this committee for two or three weeks and nobody has yet offered the magic wand which is going to do this thing. But it seems to me that to pass a bill increasing the taxes on the people of the country enough to anywhere near balance the budget now, would produce such a paroxysm of fear in the minds of the people as to almost induce a collapse. That is the fear I have although I may be exaggerating it.

Mr. Green. Well, Mr. Chairman, that was all that I had to say except that I have a letter --

The Chairman(Interposing). We thank you very much, Mr. Green.

Senator Gore. One question.

Mr. Green. I have a letter that I sent to the President on this subject.

The Chairman. Do you want to put it in the record?

Mr. Green. Yes.

The Chairman. Give it to the committee reporter and it will be made a part of the record at this point.

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The Chairman(Interposing). We thank you very much, Mr. Green.

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AMERICAN FEDERATION OF LABOR

Washington, D.C. March 10, 1933.

To The President,

The White House,

Washington, D. C.

Dear Mr. President:

After spending a most delightful short visit with you today, my mind has centered directly and analytically upon the several matters regarding which you gave me most interesting information, but particularly upon your proposal to reduce the wages and salaries of government employes to an amount approximating fifteen per cent.

I fully appreciate the tremendous difficulties which you are meeting and your earnest desire and sincere purpose to overcome these difficulties through the use of constructive and practical methods. It seems to me, however, that economic recovery is of transcendent importance, and in order to reach this commendable objective we should do all that lies within our power to restore confidence, to increase and enlarge buying power and consuming power, and to create work opportunities for those who are unemployed. The pursuit of such a policy offers, in my opinion, the only solution to our existing economic and industrial difficulties.

As stated in the conversation I held with you today, I earnestly hoped that a reduction in wages and salaries of government employes could be avoided. I still entertain such a hope because I am certain that a reduction in the wages and salaries of government employes will serve to retard economic recovery through a curtailment of buying power far in excess of the actual amount saved to the government through the imposition of any percentage of wage reductions which might be

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The buying power of wage earners, caused by reductions in wages, is \$22,729,000,000 less than it was in 1929. It totals

this amount after having made allowance for a reduction in the cost of living amounting to 22.7 %. Obviously, it would seem unwise, in the midst of the great national emergency which now exists, to depress the limited buying power of the masses of the people still further. Furthermore, I am very apprehensive over the effect which a reduction in the salaries and wages of government employes at this time will have upon the management and ownership of private industry. I fear that a reduction in wages and salaries of government employes will be followed by an imposition of further wage reductions upon already impoverished employes associated with private industry. Such action, in my opinion, will serve to add to the social unrest and industrial discontent which now exists in the industrial sections of the Nation.

The cost of living plan which you explained to me was being considered as a sort of a wage-rate barometer, would, I fear, create a disturbed state of mind among government employes and as a result further limit the buying power. A stable, standardized wage is far more acceptable to all classes of wage earners and salaried employes than a changing wage based upon the cost of living. When those who work for wages or salaries are not certain as to whether the wages and salaries they receive will be reduced or lowered corresponding

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opinion all classes of workers favor the establishment and maintenance of a standardized wage. They look generally with disfavor upon a wage fixed upon a cost of living basis.

I sincerely hope, Mr. President, after calm reflection, and after giving consideration to the distressing economic and industrial condition which prevails throughout the Nation, that you will find practical ways and means to reduce the cost of government without imposing a reduction in the wages and salaries of government employes and without changing the existing standardized wage policy to a cost of living basis.

I hope you will accept this communication in the friendly, sympathetic spirit in which it is transmitted. I am writing you in this vein and in this manner because, as one of your loyal friends I want to assist and help you, and I most earnestly pray and hope that you may succeed in the trying situation in which you have been placed.

Very sincerely yours,

William . Green,

President,

American Federation of Labor.

Senator Gore. Mr. Green, I inferred that your theory was that if we reduced pensions and compensation allowances it would diminish the buying power of the people?

Mr. Green. But I am now talking about Labor, Senator.

Senator Gore. Oh. I beg pardon.

The Chairman. Mr. Green was only discussing this proposal from the standpoint of Labor.

Senator Gore. But won't you grant this proposition, Mr. Green: If we reduce salaries while it diminishes their pur-

chasing power it increases the purchasing power of the taxpayers who pay the taxes that are used to pay salaries. So it is just a question of who will use the purchasing power, those who earn it in the first instance, or these Federal employes who get it in the second instance. Isn't that so?

Mr. Green. A reduction of 125 or 130 million dollars in salaries of government employes will in my opinion affect very little the amount the taxpayers of the nation are called upon to pay.

Senator Gore. That is true in one way of looking at it, but if you apply that argument to everything you will never reduce any taxes anywhere.

Mr. Green. I am not applying it to everything. I am sticking to my subject, Labor, because we have an unemployed situation which, as I see it, is very serious. Social unrest is developing in every center. Almost 13 million people are idle.

Senator Gore. Yes.

Mr. Green. Now, it seems to me a bit inconsistent to reduce the buying power of those who are at work and then appropriate money from the Federal Treasury to take care of the unemployed.

Senator Gore. There is no doubt about that. But where the wages paid or the compensation paid is so much out of proportion, it is a matter which must be taken into consideration. You say we have 13 million people not getting anything at all by way of wages, and yet you do not want to diminish the pay of those who are receiving compensation.

Mr. Green. Well, you will never be able to bring those

13 million people back into employment until you create a market for goods, and you cannot create a market for goods or commodities by destroying the buying-power of the country.

Senator Gore. What about the farmers, who are selling their corn at ten cents a bushel, and their cotton at five cents a pound?

Mr. Green. Well, they have some food at least.

Senator Gore. But they are not able to pay taxes on their homes and on their farms on which they grow their products. And yet you do not think that the Federal employes' salaries should be reduced.

Mr. Green. I think it would retard economic recovery if you should engage upon a reduction in wages of Federal employes at this time.

Senator Gore. And yet you think the producers, who are selling their products for less than cost of production, ought to continue to pay taxes in order that the government may get money with which to pay the salaries of people who have life tenure and retirement privileges at given ages.

Mr. Green. Well, I contend that we cannot help them by injuring other persons. What we need to do is to try to help the farmer in other directions.

Senator Gore. If you leave purchasing power in the pockets of any people of course it will help them, and I think the government should be a model employer, but I do not think it lies in the mouth of the Federal employes to resist a reduction in their salaries that would correspond with the reduced cost of living. I think to contend otherwise weakens the cause of labor.

Mr. Green. Senator Gore, time and opportunity will not permit me to go into a discussion of that subject as I should like to do, because I think I could convince you of the unwisdom of this wage-cutting policy.

The Chairman. Senator Gore, might I suggest that Mr. Green was very courteous in agreeing to limit his statement to four minutes. I imagine he did that on the theory that we would not go into a lot of other propositions. I do not want to attempt to restrict any questions by members of the committee, but in fairness to Mr. Green I might say that he was trying to be as brief as possible.

Senator Gore. I was not aware of that. I am sorry.

The Chairman. Is there anything more?

Senator Gore. Mr. Green, I was going to ask you about wages of all a day being paid to carpenters here in Washington, and carpenters are insisting upon such wages at a time when the government is appropriating 600 million dollars to feed the unemployed. In spite of that situation here carpenters are demanding all a day. Do you justify that?

Mr. Green. Senator Gore, I wish you might know the small number of days in a year that a carpenter works.

Senator Gore. I do know that.

Mr. Green. And his annual income even at that rate is very small, because there is no building going on.

Senator Gore. I realize that, but wouldn't it better to have two carpenters working at, say, \$5.50 a day than for one carpenter to be working at \$11 a day?

Mr. Green. Well, there isn't one working scarcely at all a day now, and you could not find room for two to be work-

Senator Gore. But that does not have anything to do with the stand you have taken, when some of the labor people here are asking all a day.

Mr. Green. Senator Gore, some day I will be very glad to come over to your office, if you will permit me, and we will sit down and talk the matter over.

Senator Gore. I will be very glad to have you do that.

The Chairman. All right. We thank you, Mr. Green.

(Mr. Green left the committee table.)

The Chairman. Here is the statement of Mr. Luther C. Steward, President of the National Federation of Federal Employees, which he merely desires to present for the record. It is very brief and will be made a part of the record.

STATEMENT OF LUTHER C. STEWARD, PRESIDENT
OF THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES,
WASHINGTON, D.C.

Mr. Steward. Federal employees, now as always, have the best interests of their Country at heart. In times of national stress in the past they have amply proved their patriotism and their unselfish devotion to duty. Today they are equally ready and willing to cooperate to the fullest possible extent to bring about better conditions of life and living.

The National Federation of Federal Employees has felt strongly that the reduction of mass consuming power delays return to economic health. It continues to hold that belief. Nevertheless, in the present acute crisis Federal employees will cheerfully do their part to assist in restoring confidence and stability.

However, the National Federation of Federal Employees does not believe that even an admittedly temporary expedient justi-

fies favoritism, discrimination, lowering of employment standards, or the undermining of the merit system, and it shall be the purpose of the organization to cooperate in the administration of the extraordinary powers granted to President Roosevelt in connection with Federal personnel to obviate these potential dangers.

The Chairman. The committee will now hear from Mr. Edward J. Gainor, President of the National Association of Letter Carriers.

STATEMENT OF EDWARD J. GAINOR, PRESIDENT,
NATIONAL ASSOCIATION OF LETTER CARRIERS,
WASHINGTON, D.C.

Mr. Gainor. Gentlemen of the committee, I am President of the National Association of Letter Carriers, which is an association of persons in the employment of the Federal Government, with 60,000 members. In the 20 years I have been President of the Association I have repeatedly, in and out of season, expressed the view to our membership that no organization or group of men had any right to seek legislation unless it was based upon the ground of public welfare. That is what we have done in the past. That is what I am doing now.

Therefore, Gentlemen of the committee, I want to submit -- and I confess a great fondness for the present Chief Executive -- that for the past 10 years in foreign countries and for the past three years in this country, the policy of attempting to restore prosperity by reducing wages has proved a colossal failure, I would say the colossal failure of all time. It is a deflation policy that has persisted until our present difficulties must be attributed to it.

In 30 seconds I will summarize the statement I submitted in a

letter to the chairman of the House Post Office Committee regarding wage reductions; It has done none of the things the proponents claimed it would do. It has caused a decline in annual wealth production from a normal amount of 90 billion dollars to 45 billion of dollars. And these figures are Senator Barkley's. It has dried up our sources of revenue until income tax payments have dropped from 3 billion dollars to 1 billion of dollars annually. It has caused vast expenditures for unemployment relief, which are certain to expand. It has unbalanced our national budget to a degree beyond precedent in our history.

Therefore I submit, Gentlemen of the committee, that for Congress to institute a policy based primarily upon a desire for a restoration of prosperity, but which seeks to restore prosperity by reducing wages, is fundamentally an error; and for the government on its own account and as an example to others, to stand for such a policy will defeat the desire that is in the minds of those who propose it.

Senator Barkley. If we are confronted with the alternative of reducing government expenditures or increasing taxes, which do you think would have the more depressing effect upon the country?

Mr. Gainer. I contend that neither one is necessary. I quote your own statement made in the Senate, Senator Barkley, wherein you directed attention to the decline in national income from 90 billion dollars to 45 billion dollars.

Senator Barkley. Yes, but you must remember --

Mr. Gainer (interposing). Therefore the prime purpose of the administration is to sti- ne economic processes of

the government so as to expand production, whereby you may have more money from production out of which taxes in the last analysis have to be paid. The difficulty now is -- and, according to recent reports, that figure has dropped to 38 billion dollars -- you are confronted with the anomaly that for every dollar in every governmental subdivision you have attempted to save by cutting expenses, you have expended two dollars in unemployment relief. And there is no escape from it.

Senator Barkley. The question which you commented upon, quoting from figures that I gave on the floor of the Senate, calling attention to a reduction in national income from 85 billion dollars to 40 billion of dollars, raises this question: whether that entire loss shall be borne by those who are not employed by the government, and those who are employed by the government shall occupy an island of safety so that they may not share in this decline in income.

Mr. Gainer. When you confess that situation are you also going to confess your inability to restore business, to restore production to 90 billion dollars a year, or to 150 billion dollars a year which it seems might be possible in improved mass production?

Senator Connally. Mr. Gainer, I take it you are on a salary with your association?

Mr. Gainer. Yes, sir.

Senator Connally. And have been for the past 20 years?

Mr. Gainer. Yes, sir.

Senator Connally. Has your salary been reduced?

Mr. Gainer. No, sir.

Senator Gore. How much is your salary?

Mr. Gainor. It is \$6,000 a year.

Senator Connally. Don't you feel you ought to make some sacrifice along with everybody else in this time of depression?

Mr. Gainor. Speaking from a personal standpoint I would be willing to do it. But as an example I abhor it.

Senator Connally. You have not reduced your salary any, have you?

Mr. Gainor. Well, I of course have the shining example of the Supreme Court Judges.

Senator Connally. Well, you understand that we have reduced our own salaries as Senators and members of the House?

Mr. Gainor. Yes. And when we meet at our next convention they may do it. However, my opinion is that our organization, or our membership will be opposed to it because of the example it would set. We have not reduced the salaries of our employes in the office here, and we have eight of them.

Senator Connally. Well, you will not do it if you can prevent it, will you?

Mr. Gainor. Oh, yes. If we could recognize it as a sound economic policy we would do it. As I have said, I personally would be perfectly willing to do it, but as an example I am opposed to it.

Senator Connally. Has not all other labor besides government employes had their salaries reduced?

Mr. Gainor. Substantially, yes.

Senator Connally. Including carpenters and boilermakers, and so on?

Mr. Gainor. Yes, sir.

Senator Connally. Why should Federal employes be the

only people in the world that do not take any reduction during these hard times?

Mr. Gainer. Because I think you ought to be convinced by now that the wage reduction policy is, as it has proven, a dangerous if not a fatal blunder, and you will have to reverse your policy before you can have any chance of starting prosperity again.

Senator Connally. Then I take it you would rather have a few people drawing full wages and a large number out on the bread line?

Mr. Gainer. No, sir. What we need is food and clothing and shelter. And we must expand into luxuries, and produce and sell automobiles, and get the country once more into a condition of enjoying purchasing power and using it. You cannot restore prosperity by going back to the essential requirements of the crude tool days.

Senator Gore. Then you think the farmers of this country ought to produce and sell corn at ten cents a bushel and cotton at five cents a pound in order to maintain the government employes?

Mr. Gainer. The farmer is a manufacturer. He retains his individualism, and consequently he must take the vicissitudes that come from an individualistic business.

Senator Connally. That is about all he has left, isn't it, individualism?

Mr. Gainer. Yes, sir.

Senator Barkley. How do you compare, if you have to make the comparison, between the condition of the man delivering letters on the street at his original salary, with the

scores and hundreds of men, just as worthy, who have no employment at all, or only partial employment of two or three days a week? How can you make a comparison between the condition of those men and say that the man who delivers mail to the unemployed ought not to suffer any reduction, in spite of the fact that scores of people on his route are not having any income at all.

Mr. Gainor. Let me answer that question. As I stated before --

Senator Markley (interposing). That bothers me.

Mr. Gainor. As I stated before, our convention remembered this fact: That the man who does not work must be kept by the man who does work. I further told the Letter Carriers that they could not expect to be prosperous when the rest of the country was prostrate. Now, the man who does not work is living off the Letter Carrier, and if I could tell you the full story of what that sort of relief means it might prove quite important. Now, the question at hand is that of national prosperity and the welfare of the people. It is upon that which I predicate all my views. Will it be restored by reducing wages at the present time? And, furthermore, if it is restored will any man here say to me that you can prevent inflation? And then, on the one hand, we will find our wages cut by Congressional enactment, and, on the other hand, will be paid by a 50 cent dollar. That has happened in various countries.

The Chairman. Any other questions of Mr. Gainor?

Senator Gore. You get a salary of \$6,000 a year?

Mr. Gainor. Yes, sir.

Senator Gore. It is estimated I believe by the Department of Labor that the cost of living has declined from 22 to 30 per cent.

Mr. Gainor. Yes, sir.

Senator Gore. Don't you think you ought to be willing to take a reduction corresponding with the fall in the cost of living?

Mr. Gainor. If you want me to answer that question let me say --

Senator Gore (Interposing). Yes, I want you to answer it.

Mr. Gainor. I am going to answer it, but please don't make me answer it categorically.

Senator Gore. All right.

Mr. Gainor. In talking to a number of our members recently in Indiana, my home state, who had been listening to an address of Father Coughlan, they said that believing there could be no restoration of prosperity until the prices of farm products are increased, they would ~~never~~ be paid in a cheaper dollar than to have a wage reduction because they knew a wage reduction would make for confusion worse confounded.

Senator Gore. But you have not answered my question, whether you think your salary ought to be cut from 20 to 30 per cent to correspond with the reduced cost of living.

Mr. Gainor. On a basis of equality?

Senator Gore. Yes.

Mr. Gainor. Yes, sir, I will answer that by saying certainly. But on the basis of the public welfare I say certainly not.

Senator Gore. Well, that means nothing. That means an

answer of yes and no.

Mr. Gainor. It means everything to me.

Senator Gore. Yes, it means \$6,000 a year to you.

Mr. Gainor. Because after all we are going to be judged ultimately by the way we restore prosperity.

Senator Gore. Then you think the salaries of Federal employes ought not to be reduced 20 to 30 per cent to correspond with the reduced cost of living?

Mr. Gainor. I certainly do. And it might be well to say in this connection that we have taken substantially a ten per cent cut already.

Senator Gore. Do you think if the salaries of government employes were cut from 20 to 30 per cent that a single one of them would resign?

Mr. Gainor. No -- well, I don't know whether they would resign or not, but I would like to say --

Senator Gore (Interposing). Don't you think there are several million Americans who would be willing to take their places if they did resign?

Mr. Gainor. Are you going to confine your observation as a Senator to the immediate effect of a wage cut?

Senator Gore. I am asking you some questions in order to get your views, if you do not object, and I would be glad to have an answer to them.

Mr. Gainor. All right.

Senator Gore. Now, then, Mr. Green made this point, and it was well taken, that the employment of carpenters is capricious and not constant, and that that ought to be taken into account. That is undoubtedly true. But the employment of

these Federal employes is constant. It is a matter of life tenure, with retirement pay when they pass the age limit, and they have comfortable quarters the year round. There isn't any uncertainty about their employment. Now, don't you think they could well take a cut to correspond with the fall in the price of living?

Mr. Cainor. Let me answer that question briefly.

Senator Gore. Well, can't you answer it yes or no?

Mr. Cainor. Are you going to insist upon an answer yes or no?

Senator Gore. Yes.

Mr. Cainor. Well, I don't feel that I can properly answer it in that way.

Senator Gore. There is no need for you to make a speech about that, because I am asking you the simple question whether you will take a cut or not.

Mr. Cainor. I stated that I was predicating everything I said on the ground of the public welfare. On that ground I answer no.

Senator Gore. Isn't it really on the ground of private welfare? Do you feel ^{free} to advocate a cut in salaries when your own salary depends upon the good will of those people whose salaries are about to be cut? In other words, you are not free to give me an opinion on that point, are you?

Mr. Cainor. You say I am not?

Senator Gore. No.

Mr. Cainore. I say we have stood up to every emergency, and we stand at attention now, to our country's call.

Senator Gore. I believe as strongly as you do in the

philosophy of high wages, but I think that matter ought to be administered with some judgment and application to existing circumstances and conditions.

The Chairman. All right. We thank you, Mr. Gainer.

(Mr. Gainer left the committee table.)

The Chairman. Mr. Flaherty wants to say one word for the National Federation of Post Office Clerks.

Senator Connally. Mr. Chairman, I do not see any use in the committee taking up a lot of time on generalities about the philosophy of wage reductions. If these gentlemen have any particular matters to present it seems to me we ought to hear them, but we are all familiar with all that the last witness has said. I do not see how we can get anything new out of statements of that kind.

The Chairman. I am sure that the members of the committee agree with what the Senator from Texas has said.

Senator Gore. There is no use of having these statements from the paid representatives of these various organizations of government employes.

The Chairman. The committee will now hear Mr. Flaherty.

STATEMENT OF THOMAS P. FLAHERTY,
SECRETARY-TREASURER, NATIONAL
FEDERATION OF POST OFFICE CLERKS,
WASHINGTON, D.C.

Mr. Flaherty. Mr. Chairman and Gentlemen of the committee: In view of Senator Connally's statement there is probably nothing I could say that would be of value to you in this matter, because I was going to discuss the general philosophy of it, just along the lines of the preceding witness. I feel as he does about it, that the committee and the Congress is proceeding in the wrong direction, that you cannot economize

successfully by reducing wages.

Senator King. Then your philosophy is that if high wages are the sole cause of prosperity we better increase wages?

Mr. Flaherty. Yes. I would go in that direction rather than in the other direction.

Senator King. And you would tax the farmers and other people in order to pay those wages to you?

Mr. Flaherty. On the other hand, reducing wages merely dries up the sources of taxation.

Senator La Follette. Whom do you represent?

Mr. Flaherty. The National Federation of Post Office Clerks, 50,000, post office clerks in first and second class offices.

Senator Gore. Do you think that private industry should not cut wages?

Mr. Flaherty. No.

Senator Gore. Do you think that private industry ought to have let out employees they could not use?

Mr. Flaherty. They could have used them if they had not started on this policy of deflating wages.

Senator Gore. You think that private industry ought to have retained these 10 or 12 million unemployed and paid them salaries and wages, although there was not an opportunity for them to earn salaries and wages?

Mr. Flaherty. They would have had opportunity to earn them if this policy of deflating wages had not been entered upon, because it is only natural that when you start cutting off the purchasing power of the people it leads to a vicious circle downward.

Senator Gore. Didn't that start because of the diminished demand for output?

Mr. Flaherty. Yes, which in turn I think was stimulated originally by decreasing wages, which quite naturally brought about the situation that you have mentioned.

Senator Gore. Oh, I think you have the cart before the horse.

The Chairman. Very well, Mr. Flaherty. We thank you.

(Thereupon, Mr. Flaherty left the committee table.)

The Chairman. Before you go, Mr. Flaherty, let me ask you: Does the committee understand that you are opposing this legislation?

Mr. Flaherty: Absolutely.

The Chairman. All right. Your position is understood. I am requested to make a part of the record a letter by Mr. Kunkle, President of the Brotherhood of Railway Clerks, Anchorage, Alaska. It will be made a part of the record at this point.

**BROTHERHOOD OF RAILWAY AND STEAMSHIP
CLERKS, FREIGHT HANDLERS, EXPRESS AND
STATION EMPLOYEES.**

Hon. A. J. Dimond,
Delegate for Alaska,
Washington, D. C.

February 24, 1933.

My Dear Mr. Dimond:

With reference to a meeting recently had with you while in Anchorage we again wish to restate the matters brought up at that time and respectfully solicit your able support in the enactment of whatever legislation possible affecting the employes of the Alaska Railroad.

The matters in question follow:

1. In the event that Congress enacts legislation, making further deductions in compensation to Federal employees, it is our desire that steps be taken to have the Alaska Railroad exempted from these deductions.

As provided by the present Economy Act H.R. No. 11267 (Public No. 212, 72nd Congress), the employees of the Alaska Railroad have taken a reduction of eight and one third per cent (8-1/3%) from their base rate prior to July 1, 1932.

Due to the high costs of living in the Territory of Alaska brought about by high freight rates, long transportation hauls and limited turnover by Alaska merchants, it is our contention that no further deduction in compensation should be made.

The living costs for the bare necessities of life are approximately one hundred and fifty per cent (150%) higher than Seattle, Washington. The minor luxuries enjoyed by Federal employees in the States, are, when obtainable in Alaska considerable higher in cost. (Comparative list of prices furnished you.)

The matter of wages has been submitted to our Grand Lodge and we are sure your cooperation would be very much appreciated by our Grand President, Mr. Geo. M. Harrison, of Vine and Court Streets, Cincinnati, Ohio.

2. Prior to the enactment of the Economy Act, employees of the Alaska Railroad, as listed under Section Three of the attached General Circular No. 276, dated May 1, 1930, were granted accumulative leave with pay in accordance with Circular No. 293, dated October 22, 1931, a copy of which is also attached, namely, thirty days per year, accumulating for three years when the Economy Act went into effect all leave was sun-

cordance with Section 215 only fifteen days leave per annum will be granted hereafter.

Pro.

no doubt when this act was up for consideration before Congress the fact that employees of the Alaska Railroad were on a different basis regarding leave than the Federal Employees in the States was overlooked and no separate provisions were made for employees of the Alaska Railroad.

(a) The restriction of leave to fifteen days should be removed and leave granted at the rate of thirty days per annum as heretofore. As you know, when employees can avail themselves of leave outside the Territory at least fifteen days is taken in traveling back and forth to Seattle and it is only on rare occasions that they would be able to make connections at Seattle so as to return in two weeks as the north bound boat sails prior to arrival of south bound boat. Even in the Territory very little travel can be accomplished in fifteen days. We have not gone into the matter fully but are of the opinion that employees of the Panama Canal are granted the thirty days per year.

(b) When the Economy Act went into effect many of the employees had accumulative leave to their credit and no provision is made for them to take this leave at a later date. Accumulated leave should be made available for employees at the end of this fiscal year. Also when the Economy Act went into effect most of the Federal Employees in the States were on the thirty days leave per calendar year basis, not accumulative, so that if they have not taken fifteen days leave earned between January 1, 1932 and June 30, 1932, the leave was not available during the balance of the calendar year. In some cases it is granted to them

and taken before it is earned and even if they had not availed themselves of it the most they would lose would be fifteen days. On the other hand employees of the Alaska Railroad who come within the provisions of annual leave are in the habit of letting their leave accrue in accordance with regulations so that they will have as close to ninety days as possible to their credit, so that it will be available in case they desire to take an extended trip or vacation.

(c) On November 5, 1930, Ray Lyman Wilbur, Secretary of the Interior, issued Order No. 465, concerning annual leave as affecting Alaska Railroad employees which reads as follows:

'Annual leave granted to employees stationed in Alaska may be accumulated in the discretion of the head of the Bureau or Office at the rate of two and one-half days per month for not more than three years and to total of not more than ninety days, exclusive of Sundays and national holidays, provided that such leave of absence is taken away from the Territory. Leave taken during the three years will be deducted from the total accrued leave.'

It is urged that the proviso restricting the leave being taken in the Territory be removed.

3. By Executive Order No. 5625, issued by President Hoover, dated May 18, 1931, employees of the Interior Department were granted Saturday half holidays the year round. The clerical employees of the Alaska Railroad are granted this privilege seven months of the year, October

to May, inclusive. As payroll deductions and furlough time are based on a five and a half day working week in accordance with the Economy Act H. R. No. 11267, we feel that the Saturday half holiday privilege should be granted the entire year instead of seven months. The adjustment of this last question could no doubt be handled through the Secretary of Interior.

Anything that it is possible for you to accomplish along the lines mentioned above will certainly be appreciated.

Respectfully,

(Signed) E. W. Kunkle

E. W. Kunkle, President.

Brotherhood of Railway Clerks.

Anchorage Lodge No. 1435.

cc: Geo. M. Harrison."

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The Chairman. Now the committee will hear representatives of some groups, very briefly, touching soldiers' legislation.

Senator Connally. Mr. Chairman, the reason I suggested what I did a while ago was not prompted by any intention to reflect upon any witness. But it was to make plain that the Congress is already committed to a reduction of wages in the Economy Bill, and therefore that question is behind us. My idea was that we should hear any particular thing relating to this bill aside from the general philosophy of the matter.

The Chairman. The committee will now hear a representative of the American Legion, Colonel John Thomas Taylor.

STATEMENT OF JOHN THOMAS TAYLOR,
VICE CHAIRMAN, NATIONAL LEGISLATIVE COMMITTEE,
THE AMERICAN LEGION, WASHINGTON, D. C.

Mr. Taylor. I think you gentlemen should consider that you are not dealing with the question of Federal finances alone. You are dealing with human lives and human happiness. You are also dealing with millions of home-owners and farm-owners throughout the nation. For, if you cast these veterans off as Federal beneficiaries, you will make countless thousands of them the charge of small home-owners and farm-owners throughout the land -- citizens now struggling to save their small properties from tax foreclosure.

S.233, is entitled "A Bill to Maintain Credit of the United States Government." In spite of assertions to the contrary, a true index of the credit of our Government is shown by the desire of financiers to purchase its obligations. These are invariably over-subscribed by billions of dollars, at low interest rates, when offered on the market. The stability and solidity of our Federal credit is the one outstanding fact in the financial crisis we have been undergoing.

It has been stated that the drastic veterans' cuts proposed will increase the confidence of our citizens in our Government. I take issue with the statement. The great majority of the Congressmen and Senators do not understand the full effect of the proposed veterans' bill. The American Legion only partly understands it. Printed copies of the measure have not been available until this morning. I think the Senate should know that instead of increasing public confidence, immediate action upon a bill of this character will destroy the confidence of hundreds of thousands of veterans throughout the land.

The Federal Government cannot carry on its rightful obligations to the disabled veterans and reduce their benefits by \$400,000,000.

Veterans' benefits can be reduced by a much less amount with justice to both the veteran and the citizens of the United States who pay the bills. Before long The Legion will itself make recommendations toward this end based upon months of careful study. The amount which veterans' benefits can be justifiably cut, can be determined only after thorough study by those familiar with veterans' problems.

No emergency requiring instant action confronts the Congress in the case of veterans' costs, such as has been met by you in connection with the bank crisis. You acted promptly in this latter connection, and properly so. But you would do wrong to rush through a measure of such devastating effect upon disabled veterans without giving it proper consideration.

The founders of this nation vested the responsibility in the Congress for the enactment of laws. This bill would place this power in the Chief Executive so far as veterans' legislation is concerned. Members of the Congress may thus transfer their Constitutional authority, but they cannot transfer their responsibility for the results of such action.

The American Legion has pledged its support to President Roosevelt in restoring better times -- and will patriotically assist in every way.

The Congress should recognize, however, that the bank crisis is not related to veterans' Federal costs. On the contrary thousands of small banks in the West and the South have been and are now materially aided by disabled veterans'

Government checks. These checks average \$35.50 a month for 1,025,000 veterans of all wars and are a sure source of money to thousands of small communities in distress. To withdraw them now would leave both community and veteran dependent upon state aid.

This is the time of unparalleled distress for home-owners and farm-owners who are suffering from local and state property taxes. The disabled soldiers fought for the Federal Government. To shift their support from Federal taxpayers to local and state property taxpayers at this time would bring local and state governments a burden too great for them to bear.

Bankruptcy of local government or distress of disabled veterans would inevitably follow. This would add to banking difficulties instead of relieving them.

The American Legion is the guardian of the welfare of the disabled. We could not escape this sacred trust if we would. If we did not oppose this threatened veterans' slash, we would be faithless to both the living and the dead.

This is not the time to be stampeded. We should all keep cool heads, and act within our own responsibilities.

A special committee of the Congress has spent months investigating veterans' laws. That committee has not yet reported. The Congress should await its action.

We ask the following: That the Congress retain its authority over veterans' laws; that the special committee report its findings to Congress, and that these be considered by the regularly constituted committees of the Senate and the House. The Legion will itself submit to these committees our

own recommendations for elimination of injustices in veterans' laws.

The Congress would thus proceed in the orderly manner, to which this important subject is entitled.

The disabled veterans have earned the right to expect just treatment from the Congress, and we ask that you accord it.

The Chairman. We will hear Mr. Kirby, representing the disabled American veterans.

STATEMENT OF THOMAS KIRBY,
NATIONAL LEGISLATIVE CHAIRMAN, DISABLED
AMERICAN VETERANS, MUNSEY BUILDING,
WASHINGTON, D.C.

Mr. Kirby. Mr. Chairman, due to the lack of time it is not my intention to go into the details of this legislation. We desire to accept this opportunity to protest against the method in which the legislation has been prepared. This legislation dates back 14 or 15 years.

You have this committee of the Senate; you have the Veterans' Committee of the House, and a Pensions Committee, and a special committee which has not even reported. We feel that this legislation should receive the deliberate consideration of those committees, rather than being rushed through in this way. This legislation affects many thousands of men who will receive cuts under the bill as now proposed. And we feel that it should have the deliberate consideration of the committees and of the Congress. That is our recommendation, Mr. Chairman.

Senator George (presiding). Thank you very much, Mr. Kirby.

I believe the next witness is Mr. Ray, who represents the Veterans of Foreign Wars.

STATEMENT OF L. S. RAY,
VICE CHAIRMAN OF THE LEGISLATIVE COMMITTEE OF THE
VETERANS OF FOREIGN WARS, WASHINGTON, D.C.

Mr. Ray. Mr. Chairman and gentlemen of the committee: The Speaker of the House of Representatives is quoted in the Washington Herald this morning to the effect that a special Economy Committee of the House after three minutes' consideration reported favorably on a bill seriously affecting veterans' benefits. It also quotes a member of this committee as saying that the veterans' representatives would be given a brief moment to discuss the proposed legislation before your committee but that nothing we would say would prevent a favorable report.

Admitting that we are lobbyists it must be remembered that we are lobbying for the men who wore the uniform in time of war, the defenders of the flag.

The lobbyists who oppose the veterans represent the big income taxpayers of the country who seek financial relief at the expense of the veteran. To throw the veteran back on his local community for support by depriving him of the governmental benefits to which he has been held entitled is false economy, we feel. Shall we tell our veterans to go to the 1,500 chambers of commerce bodies for bread and food for their children?

The President of the United States has sought in his program expert advice on many subjects to guide him, but he has not, to our knowledge, called in experts who know the veterans' side in his consideration of this legislation. The Veterans of Foreign Wars have shown their patriotism on foreign

fields and in hostile waters. What they desire is consideration before hasty action, and a plain square deal.

It is not necessary, Mr. Chairman, for me to tell you gentlemen that these men I represent are patriotic. They are anxious to help in this time of peril as they were in '98 and '17, but they cannot understand the justice or necessity of making the drastic cuts proposed in veterans' benefits, especially without a thorough study of each item for cuts proposed.

Fourteen years of study was given to legislation for the benefit of World War Veterans alone. We appeal to you gentlemen not to act hastily in this important matter. These small allowances are all that stand between many thousands of these ex-service men and actual want for themselves and their families.

And, in conclusion, Mr. Chairman, we hope that this legislation will be referred to the standing committees of the Senate and House and be given a careful study before any of these drastic cuts are made in benefits that are now provided for by law for them.

Senator Barkley. This has been referred to the standing committee of the Senate that deals with it, and is now before it.

Mr. Ray. My idea is that each item should be given careful study, as it was when this legislation was originally enacted.

Senator Bailey. Do you not think that the President can do that?

Mr. Ray. I do not think that he can have the time to

give it the careful study that he should, that is as to each item to give it the careful study and consideration that it should have.

Senator Barkley. Do you mean each claim?

Mr. Ray. No, sir; but the items making up the claims in general; the reasons that this law was enacted, and the effect it is going to have on some 400,000 men and their families.

Senator Connally. Let me ask you a question: Would the veterans' representatives object to this bill if, instead of giving the blanket authority to the President, we should stipulate that total disability payments, say, at the present rates should be cut 10 per cent; for instance, \$90 a month, and leave the provisions like they are today, and give the President power to re-rate these cases?

Mr. Ray. And make a straight cut?

Senator Connally. A flat 10 per cent out.

Mr. Ray. That would certainly be better, Senator Connally, than the proposal before you.

Senator Connally. I am trying to get your idea. I am in sympathy with your idea, I will say that much. But it seems to me the veterans are in position where they have to make some sacrifices and to take some cuts. Would that be satisfactory to the veterans, do you think, to give the President full authority to re-rate the cases, and in the case where a man is rated \$100 a month for total disability, make that \$90 for the total disability; and to make a disability allowance of \$40, instead of \$50, and make that a straight cut?

I see Colonel Taylor nodding his head. Is that satisfactory, Colonel?

Mr. Taylor. If the basic law is not disturbed, Senator, I think that is preferable. We are objecting to any disturbance of the basic law as it is today.

Senator Connally. Would that be acceptable?

Mr. Taylor. It would be acceptable; yes, sir.

Senator Connally. Would your veterans' organizations go before the country and say that we left it as it is, but that it cuts off 10 per cent?

Mr. Taylor. That would be acceptable.

Senator Connally. But not changing the law at the present time. That would be acceptable?

Mr. Taylor. I am speaking for the Legion only.

Senator Connally. How about you?

Mr. May. My statement was, Senator Connally, that that would be much better than this. I am instructed by national encampments which are held each year, and I cannot say a man who is permanently and totally disabled, and who draws \$100 a month, that he should take a 10 per cent flat cut.

Senator Connally. No, but at the same time you are here representing him, and supposed to have discretion in any emergency that comes up. I am desiring to be helpful, and it looks to me like the soldier is going to be stung, and I am wondering whether you gentlemen here representing the veterans would not rather have that.

Mr. May. If that must be done, it would be better than cutting out hundreds of thousands.

Senator Barkley. Do you think it would be profitable to cut 10 per cent off the allowance of some man who was injured and is totally and permanently disabled, rather than taxing it

off of a man who has become sick or disabled since the war, and whose injury or trouble is not at all traceable to his army service?

Mr. Ray. That is very hard to say, Senator, that a 10 per cent cut should be applied to any of these men.

Senator Barkley. I realize that; but if we make a 10 per cent cut it will cut harder on those men who were injured in battle than on the men who have injuries and did not receive them as an incident to army service. So that would be a greater percentage of injustice to the men who trace their disability to the war than it would to those who are being paid disability allowances regardless of service.

Mr. Ray. A temporary cut of a flat amount would certainly be much better than the bill proposed, to do away with certain laws without the same amount of study being given them as was given them at the time of their enactment.

Senator Gore. As I understand your statement, you are not free, under the instructions of your organization, to favor any cut of any size?

Mr. Ray. Except to object to this measure.

Senator Gore. You have no discretion in the premises?

Mr. Ray. No, sir.

Senator Barkley. You would have discretion to say, as between two propositions you consider bad, which is the lesser evil?

Mr. Ray. Yes; I think if any cut is applied, it should be made temporary while this emergency lasts.

Senator Gore. A temporary cut as a means of economy in this emergency?

Mr. Kay. Yes, sir.

The Chairman. Thank you very much, Mr. Kay.

The committee will hear Senator Means, representing the Spanish-American War Veterans.

STATEMENT OF NICE W. MEANS, LEGISLATIVE COUNSEL
OF THE UNITED SPANISH WAR VETERANS, WASHINGTON, D.C.

Mr. Means. Senators, I have just one question, and I take your time for that purpose, if you will bear with me, so as to place it in your minds specifically. That, and that alone.

Prior to the Civil War, and during the Civil War, every act passed by the Congress to raise troops had a provision for bounties, pensions, or other emoluments. In 1862 Congress passed an act looking toward the future by taking in the veterans of all wars in the future, as well as the veterans of the Civil War, granting to all pension rights. That was amended in 1890 to give service pensions to Civil War Veterans.

The Spanish-American War came on. Now, mark you, that is the only war declared that there was not a provision granting either pensions or bounties or other emoluments for the enlisted men and officers of that war. We fell under the policy that was then in being for Civil War Veterans. When we came out of the service we accepted that policy. It never was passed for us. In fact, we accepted the rates that were approved in 1862. We did not ask for any increase at all. We accepted that policy. We adhered to it from that date to the present time. We have never asked as a body for anything at all until it had previously been granted to Civil War Veterans.

Mark you, in 1898 you passed a pension act for Spanish

War veterans which is in words and figures almost identical with the Civil War Veterans' Act.

Meantime there has been a World War. You created a new policy for the World War whereby you granted increased pay for the men; you granted family allowances; you granted insurance; you granted vocational training; you granted a different rating schedule. None of those things were granted for the Veterans of the Spanish War. No one raised his voice in the halls of Congress to say that Spanish War Veterans should have the benefit of those provisions made for the World War Veterans. We adhered to our policy. We have never changed.

Now what I desire to bring to your attention, gentlemen, is this, and I will be brief, in deference to the request of Senator Harrison. In granting this power to the President you are giving the right re-rate the World War Veterans, under this act. And you include us with it. What we are pleading is that you do not disturb us in the provision which has been the policy ever since we came under the provisions of the Civil War Veterans' Act, and not under the World War Veterans' Act, and under that same policy.

If you find it necessary and expedient to make any cuts, well and good, we will not murmur. But we object to your placing us in your policy with reference to the World War Veterans and reducing our pensions. We cannot prove what they can prove. In other words, the Surgeon General's report will show you that at that time there were no records. It was physically impossible for us to prove service connection. We did not have those benefits.

Now this bill tries to pu sh-War Veterans under the

World War Veterans' policies, when all our lives we have been under the policy that controlled and guided the Civil War Veterans. Do not change that policy on us at this minute. Change your bill so as to place Spanish War Veterans and Civil War Veterans under one policy, just as they have always been, instead of making an exception of us and placing us with the World War Veterans.

Now I could argue with you a long time as to our position, but I do not want to do that. This is our one plea: Change this bill to grant to the Spanish-War Veterans exactly the same policy as you grant to the Civil War Veterans. We have been used to it all our lives. Do not change on us at this moment because you are giving to the President the right to reconstruct the World War Veterans' Act. Place us where we have always been placed, along with the policy of the Civil War Veterans, and then whatever you do we will not murmur.

Senator Connally. You mean by that, that you do not want a cut?

Mr. Means. If you cut 10 per cent, we will not murmur; if you find it necessary to cut more, we will not murmur, but give us the same rate as you give to the Civil War Veterans, and you will find us here not down in the mouth as to what you find it necessary to do.

The Chairman. Senator, you do not have any doubt that under the power given the President under this bill he could apply the same policy to the Spanish-War Veterans as to the Civil War Veterans?

Mr. Means. No; I do not so construe the bill, Mr. Chair-

man. Of course, I have not had time to read it; I had to read it last night. But what you are doing deliberately is changing the policy with reference to the Spanish War Veterans and putting them under the policy established or created for the World War Veterans.

The Chairman. We will consider that very carefully, Senator.

Mr. Means. I just want to say this one thing, Mr. Chairman and gentlemen: Place us under the policy that you have created as to the Civil War Veterans. And I make that plea to you for that one thing. Do not change us in midstream. Where we are we are caught between one side and the other. We are entitled to the same consideration we have received, and to remain under the policy created for the Civil War Veterans, and for the Spanish-War Veterans at the time the act was passed.

Senator Gore. Senator Means, do you remember how many men were killed in the Spanish-American war?

Mr. Means. How many were killed?

Senator Gore. Yes.

Mr. Means. The Spanish War, by declaration of the Congress, includes the Philippine Insurrection, and the Boxer Rebellion --

Senator Gore (Interposing). No, I mean in Cuba.

Mr. Means. In Cuba? No; I cannot answer that.

Senator Clark. The man that died in camp is just as dead as if he were killed in action.

Senator Gore. I have heard the statement that 305 were killed, and some thousands wounded.

Mr. Means. If you will take the entire Spanish War I can

give you the figures.

Senator Gore. One hundred and ninety-eight thousand are on the pension rolls now.

Mr. Means. A little less than 198,000.

Senator Gore. Now it was about 50 years after the Civil War before they got a dollar a day.

Mr. Means. No.

Senator Gore. It was 1920?

Mr. Means. Yes; we got ours in 1920.

Senator Gore. Did not the Civil War Veterans get theirs about the same time?

Mr. Means. No; they got theirs in 1890. The act passed in --

Senator Gore (Interposing). No; I do not mean that. I mean the dollar a day pension.

Mr. Means. Oh, you mean as to amounts?

Senator Gore. Yes; the Civil War Veterans got the dollar a day about 1920.

Mr. Means. You are not talking about the pensions for age? They got the first pension in 1888, and that met with a veto, and then it was repassed.

Senator Gore. Yes.

Mr. Means. And then later they got the old age pension.

Senator Gore. Yes.

Mr. Means. We have never come under that. We are still under the disability pensions. In other words, it is measured by our disability. I think you are confusing the two.

Senator Gore. No.

Mr. Means. Let me say this to you about the Spanish War:

There were over 5000 dead. In the Philippines alone we had over 688 engagements in which there were casualties. It was the longest war that you have engaged in since the days of the Revolution. There was more, and a greater percentage of sickness during that conflict than in any war you have ever had. The casualties by death were greater by far than any war you have ever had. The engagements of the troops, and the campaigns were largely in the tropics. More than 60 per cent of the troops served in the tropics. You remember the embalmed beef scandal.

Senator Gore. You are talking about one thing, and I about another.

Mr. Means. I beg your pardon.

Senator Gore. All I asked was when the bill was passed giving the Union Veterans a dollar a day. Some gentleman stated that the average of all pensions is \$33 a month now.

Mr. Means. I am sure I could not say that.

Senator Connally. What you want, Senator Gore, is when the pension was made a dollar a day?

Senator Gore. Yes.

Senator McAdoo. General Hines could probably give you that information.

General Hines. About \$33 a month is the average.

Senator McAdoo. When did that pension go into effect for Civil War Veterans with reference to getting that dollar a day?

Senator Barkley. I think it was subsequent to 1912. I voted for it.

General Hines. It was about 1913.

Senator Clark. It was 1912.

Senator Gore. I know that is a mistake, because I was assailed in 1914 in my race for re-election because I was not for it.

Mr. Means. My office tells me it was passed in 1908.

The Chairman. The committee will stop the hearing now and go into executive session.

Senator Connally. I want to ask Mr. Kirby one question, Mr. Chairman. He represents the Disabled American Veterans. I want to ask him if his organization would be willing to accept a 10 per cent flat cut.

Mr. Kirby. In view of the emergency our organization would favor it on these conditions: that it is purely temporary, and, secondly, that you leave the structure as it stands, and have the horizontal cut in every check that goes out of the Veterans' Administration.

The Chairman. All right.

Senator McAdoo. Let me ask you this: The proposal here is to cut 15 per cent from the salaries of Government employees. Supposing it was 15 per cent, would you accept that?

Mr. Kirby. I think there would be hesitancy about that, Senator, but our interest is in protecting that structure of the law.

Senator McAdoo. If the cut was 15 per cent all around, you would accept that?

Mr. Kirby. If everybody accepts it, we will favor it as I said before.

The Chairman. Very well. The committee will now go into executive session. We will ask everybody except the

committee to leave the room.

(Whereupon, at 11:10 o'clock a. m. the committee
went into executive session to consider the bill.)

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(After a short time in executive session engaged in the consideration of the bill, S. 253, the committee decided to hear a further statement, as follows:)

STATEMENT OF HON. ARTHUR A. BALLANTINE,
UNDERSecretARY OF THE TREASURY,
WASHINGTON, D. C.

The Chairman. Mr. Ballantine, we wish that you would tell us what the situation is as to the condition of the Treasury in the matter of the issuance of long term and short term paper. Has there been any change in the ability of the Treasury to sell it at any increase in the interest rates?

Undersecretary Ballantine. I would like to state that Secretary Woodin was extremely sorry that he could not come up before the Committee this morning, but he is so much engaged with the banking situation that he could not do so, and he has asked me to respond to your call.

The Chairman. And we are very glad that you are here.

Undersecretary Ballantine. There has been an altogether striking adverse change in the ability of the Treasury to do short term financing. That is shown by the bill issue of March 6. On March 6 we made an offering of Treasury bills.

As you all know, they are the non-interest bearing obligations sold on a discount basis by competitive bids; and we made an offering on that date.

Senator Walsh. Of how much?

Undersecretary Ballantine. Seventy-five millions, Senator; and the discount rate at which these bills went was $4\frac{1}{2}$ percent, practically 4.26 percent. That is on an annual rate for a 90 day obligation. The significance of that can be realized when you go back to the rates on previous issues. I go back on the sheet which I have before me to the issue of November 30. These issues are made from time to time and "rolled over"; that is, they come due, and of course under present conditions we have been replacing them by new issues, as there was nothing else to do. On November 30, 1932, the rate on the bill issue was $1\frac{1}{8}$ hundredths of a percent per annum, practically one eighth per annum.

The Chairman. One eighth of one percent?

Undersecretary Ballantine. Yes; and that was a hundred million dollar issue.

Senator Metcalf. Was that over-subscribed?

Undersecretary Ballantine. Yes; that was very much more largely subscribed than this issue.

Senator Connally. It was padded, was it not?

Undersecretary Ballantine. The bill issues I do not think are so much padded.

Senator Connally. It was, though, according to the press.

Undersecretary Ballantine. The certificate issues and the note issues have undoubtedly been padded on subscription;

but on the bill issue the bidder goes into real competition on the rate. It is regular competition, and the variation in the amount of bidding is very great, Senator. Ordinarily on these bill issues we would get three or four times the amount offered. We would offer 75 millions and we would get 250 millions to 275 millions of bids. On this issue of March 6 we offered 75 millions, and I think we got about 94 millions of bids. In other words, there had been a tremendous shoot in the rate and a tremendous constriction in the bidding. The banks did not want to buy these bills.

Senator McAdoo. The banks all closed on the 6th of March.

Undersecretary Ballantine. On the 7th, Senator.

Senator McAdoo. I do not think that that is very significant at all in view of the condition of the banks at that time.

Senator Walsh. When were the bids offered?

Undersecretary Ballantine. They were closed on March 6. The offer was on the 3rd. The 6th was the date for closing, and the banks could not pay. But March 3 was a date when the banks were open, under the threatening conditions.

Senator Connally. But had not a lot of states already put the clamp on the banks, on the 3rd?

Undersecretary Ballantine. Nothing like as extensively. Of course Michigan had.

Senator Connally. No; but you said they were all open. As a matter of fact, before the Federal Government closed the banks more than thirty states had already declared a moratorium.

The Chairman. There is no doubt that the moratorium in Michigan and in some other states had its effect on the proposition.

Undersecretary Ballantine. There is absolutely no doubt that the moratorium did; but the conditions underlying the moratorium were not absent.

Senator Barkley. Do you think it is a reflection of the lack of confidence in the credit of the Government that, due to the condition that the banks were in, the people did not know what was going to happen to their money?

Undersecretary Ballantine. I think we have got to a point where a great many of these things have met and have produced and effected the result.

Senator Gore. If I understand these figures rightly, it means that there is a limit or a line beyond which the use and abuse of the credit of the United States cannot go?

Undersecretary Ballantine. There certainly is, Senator Gore. Nobody has known, nobody could tell in advance, just where the line might be. But there is a line somewhere and, in my opinion, we have got right up to the line.

Senator Connally. If you were going to judge between those two rates of $\frac{1}{4}$ and $\frac{1}{8}$ of one percent, would you not say that the abnormal condition was the $\frac{1}{8}$ of one percent rather than the $\frac{1}{4}$?

Undersecretary Ballantine. That was the lowest rate.

Senator Connally. In all the experience of the Treasury you never had anything approximate the fact that you could borrow money for 90 days at one-eighth of one percent?

Undersecretary Ballantine. The previous issue was .17

of a percent, and the one before that was .20; the one before that, .21 and the one before that .19. It just happens to be lower. But all last fall we had had those very low rates.

Senator Connally. But it was all abnormal, was it not, in the history of the finances of the Treasury?

Undersecretary Ballantine. That is true, Senator; but from the standpoint of the Treasury finances that condition which made it easy to finance was one which was of enormous benefit to us at the Treasury. It does not make any difference whether it was abnormal or not; we could do business there. Now we have a condition where it is vastly more difficult for us to do business. I agree with you, Senator, that it was abnormal.

Senator Gore. You say that these low percentages were abnormal. Was not the abnormality itself a pathological condition which showed the hectic state of feeling, that they were not willing to put their money into anything else, but would put it into Government securities, and that there really was not any private financing in that time?

Undersecretary Ballantine. Yes; I think it was due very much to the fact that money was not flowing into industry, was not being used for commercial purposes. I think that is perfectly true.

Senator Couzens. It is also true, is it not, that $\frac{1}{2}$ is abnormal for three months paper?

Undersecretary Ballantine. I would like to be able to know that, Senator. Four and a quarter is a very extraordinarily high rate for 90 day paper. We have never had such a rate in all the history of bill issues.

Senator Walsh. Is not the record this, that you offered these bills on the 3rd day of March, that the bids were opened on the 6th of March; that bankers were sending in their bids on the 4th and 6th, the 5th being Sunday, and that every bank in this country was closed on the morning of the 4th? Is not that the record?

Senator McAdoo. On the morning of the 5th, was it not?

Senator Walsh. No; on Inauguration day every bank was closed.

Senator McAdoo. Yes; that is right.

Senator Walsh. So the banks were submitting bids to you at a time when every bank was closed. On the 4th every bank in the country was closed.

Senator LaFollette. But on the day they made this offer, it is my recollection that some twenty-five or thirty states had bank holidays.

Undersecretary Ballantine. But the bulk of the bidding would be from the larger centers, like New York and Chicago.

Senator LaFollette. Yes; but they certainly must have had the matter under consideration in New York, for New York went on the moratorium on the 4th of March.

Senator Walsh. Every bank in New York was closed on the 4th of March, and every bank in Boston and in Chicago.

Senator Couzens. That is not when the Treasury received these bids, though.

The Chairman. Do you kind of intimate to the banks a little bit in advance that you are going to issue these bills at a certain time?

Undersecretary Ballantine. On the bill issues we do

not usually, Senator; but they had a good clear day.

Senator Barkley. On the 3rd, what time did you offer them? That was on Friday, was it not?

Undersecretary Ballantine. It was made on the morning of that date.

Senator Barkley. How does the information go out to the banks -- by wire or by circular letter from the Treasury, and when would it be received?

Undersecretary Ballantine. Right that morning. The banks would get it that morning. It is sent to the Federal Reserve Banks, and they send it to the banks, and they would all have it that morning when they opened for business.

Senator Couzens. It is announced the day before?

Undersecretary Ballantine. Yes.

Senator LaPollette. The point I want to get on the record is that it is not fair to leave the implication with the Senators that the bankers in New York were unaware of what was going on all over the country. On the day that you made this issue there were many states in the Union already on a banking holiday; and everybody knows that the banks in New York and other centers where they had not closed were really in this situation and were confronted with the fact that their own states would close them within a few hours, which actually did happen in the State of New York; and to hold that up as a proposition indicating that the credit of the Government of the United States had collapsed seems to me perfectly absurd. You can collapse it if you keep talking about it this way.

Undersecretary Ballantine. We made the offering on

Thursday morning --

Senator Berkley. That was the second, was it not?

Undersecretary Ballantine. Friday was the date we received the bids, but they had Thursday to consider it and put in bids.

Senator Walsh. Then you offered the issue on the second, not the third?

Undersecretary Ballantine. We announced the offering on that date, and we received the bids on the 3rd.

Senator Walsh. And opened them on the 6th?

Undersecretary Ballantine. No.

Senator Walsh. When did you open them?

Undersecretary Ballantine. At 2 o'clock, Friday.

Senator Walsh. Then you opened them on the third?

Undersecretary Ballantine. Yes; and the 6th was payment day.

The Chairman. Did you accept them?

Undersecretary Ballantine. Yes; we did; but we did not get the money, because they could not pay. They had to postpone that.

Senator Berkley. If the banks had not been closed would they have been available Saturday? Could they have made bids Saturday?

Undersecretary Ballantine. No; bids closed at 2 o'clock on Friday.

Senator Connally. Why did you not get the money, Mr. Ballantine?

Undersecretary Ballantine. Because the banks were

closed.

Senator Connally. So that had an effect on their bids as well as on their ability to fulfill them after they were made?

Undersecretary Ballantine. The whole situation had an effect on their bids.

Senator McAdoo. There was an abnormal situation, Mr. Secretary, of course?

Undersecretary Ballantine. Yes.

Senator McAdoo. There was an abnormal financial situation in the country; and you do not mean to infer that a four and one-quarter percent rate would have had to be paid on those short time notes if that abnormal condition throughout the country had not existed, do you?

Undersecretary Ballantine. Well, that comes down to saying whether that is a normal rate. That is a very high rate, as Senator Coughlin has said, for this kind of paper under normal conditions.

Senator McAdoo. I did not say the rate was abnormal, but conditions were abnormal.

Undersecretary Ballantine. May I say this, Senator? That what is of interest to us at the Treasury is what we can get money for under the conditions as they are and as they will be. We are still going to be dealing with conditions that are very seriously affected; and I will tell you that this rate of $4\frac{1}{4}$ percent on the bills is something we have got to face right now and after the banks are open. This is not going to change. We are going to have difficulty in getting this kind of money and all other kinds of money.

There is absolutely no doubt in my mind that the adoption of the recommendations which have been made by the President in his message are essential to put the finances of the Treasury on a sound basis. We have been going along and getting by with these enormous deficits, but the bell has rung; we have got to get rid of those deficits. We have got to get various kinds of messages to the people of this country that we are laying a new foundation; and one of the new foundations that we have got to lay, if we are going to properly deal with public finances, is to say that we are going to put this budget in order. I have absolutely no doubt about that. There are other things here. Conditions are abnormal. How are we going to build the Government's business out of that abnormal condition? One of the things that we have got to do is to say that the Government is going to be able to pay its bills out of its receipts, and not continue these deficits. We have got to carry that message to the buyers of Government securities. We have got the problem of this maturity on March 15.

Senator Walsh. How much is that?

Undersecretary Ballantine. \$693,000,000. That comes due on March 15; and we down there are dealing with the question of meeting that maturity and getting some more money. In the confidence of this room I now tell you that that is the most difficult and pressing problem. Give us something to say to the financial institutions and the buyers of Government securities that tells them that the Government is going to be right. We need it. We need it desperately; and you cannot over-emphasize the need of getting our finances on this

basis.

Senator McAdoo. Mr. Secretary, may I ask you this question? Do you mean to say that this bill alone is essential to the restoration of the Government's credit which you now seem to think is impaired because of the high rate bit on the last issue? Do you mean to say that the passage of this bill will immediately cure the impairment of the credit that you are discussing?

Undersecretary Ballantine. I do not think that any single thing is going to cure the condition, any more than any single thing is going to restore former business conditions; but I think the passage of this bill is an indispensable step and probably the most important single step.

Senator McAdoo. If you offered \$700,000,000 of Government short time obligations on the 15th, do you think they would be taken?

Undersecretary Ballantine. Yes; the answer is an unqualified yes.

Senator Gore. Is it true, or not, that you cannot use all the credit of the United States and have it left, any more than you can eat your cake or your crust of bread and have it left?

Undersecretary Ballantine. I think that is a sound proposition.

Senator Gore. A number of the banks had closed on March 3 when these bids were invited or submitted?

Undersecretary Ballantine. Yes.

Senator Gore. The banks in New York and other centers had not closed at that time?

Undersecretary Ballantine. That is right.

Senator Gore. Those bankers knew that certain outlets for the investment of their funds on an earning basis would be closed and that they would have to look to these Government securities; and under ordinary circumstances would not that have forced competition on the part of these banks to go into these Government securities if their faith in the credit of the Government had not been changed?

Undersecretary Ballantine. I think it would have operated that way. There was the best thing they could get to earn something on. Why would there not be competition to get that? That is how it had been operating up to that time. Now suddenly we find that instead of competition to get in on these Government securities, the whole complexion of the situation had changed.

Senator Connally. On the other hand, the men that would buy these securities are business men and they would want to get as much^m for them as they could.

Undersecretary Ballantine. Certainly. Actually these securities have gone to the banks, the bulk of them.

Senator Connally. I am talking about the banks. They are going to get as high a rate as they can?

Undersecretary Ballantine. Certainly.

Senator Connally. And the fact that at the time the New York banks knew that they were the only ones that were going to get them, had some effect on the price they bid, did it not?

Undersecretary Ballantine. If that is so, why do we have only a little over enough to cover the issue, instead of

ordinarily having bids three times the amount of the issue?

Senator Connally. Because they had doubts as to whether they were going to get the money to pay for them. You said money was not available because the banks were closed.

Senator Couzens. May I ask the Secretary a question? Is it not a fact that these banks were congested with short time Government financing?

Undersecretary Ballantine. Senator, they had some 640 million of bills, but I do not think that is true from the banks' standpoint. I think the banks have been not only willing but eager to have these, because of just the conditions that Senator Gore has referred to. They have not had demands for this money for business -- either have not had the demands or have not done it; and the banks have been eager buyers of these Government securities.

Senator Couzens. I do not mean only the notes, but bonds also. How many did the Federal Reserve Banks have at the time they were required to pay four and one-eighth?

Undersecretary Ballantine. Of course the Federal Reserve Banks did not come in on this. They had an aggregate of some billion, eight hundred millions of Government securities --

Senator Couzens. Of all kinds?

Undersecretary Ballantine. Yes.

Senator Couzens. Was that in part responsible for the fact that the member banks could not get assistance, because they had so much Government stuff?

Undersecretary Ballantine. No; I do not think so, be-

cause the Federal Reserve Banks are permitted, under the Glass-Steagall Act to use these for issues of currency, and I do not think it has interfered with the banks in that respect at all.

Senator Couzens. It was reported last week that applications had been made to the New York Federal Reserve Bank for money to help pay banks in New York and New Jersey, and had been refused because they said they were loaded up with Government securities that they could not sell, and therefore could not accommodate them.

Undersecretary Ballantine. I do not know anything about the facts of that situation, but I cannot see how, with the present permission of using these Government securities as a basis of currency issues with the banks' gold reserves, that would have been a reason. The banks have been eager to have these securities. But let us assume the other way: let us assume that the answer that you suggest is correct. What does that mean? That means that there ought to be an effort -- and I fully agree that there ought to be in time -- to get these securities out of the banks and into the hands of buyers. If that is your suggestion, I am in accord with it. We must look forward to that operation.

Senator Couzens. That is the point I was trying to make.

Undersecretary Ballantine. I agree with you.

And
Senator Couzens. /The only way to do that is to keep up the Government credit and get rid of some of these short time papers.

Undersecretary Ballantine. I think that is absolutely

right. That is what we must look forward to, and, in that operation, fixing the budget on a sound basis is absolutely indispensable. Without it I do not think we can get rid of the amount of short time obligations we have, reducing them, and taking care of all these 8 billion 200 million of bonds that are now callable -- I do not think we can accomplish those things.

Senator McAdoo. Are they not ^{ly}mere/callable?

Undersecretary Ballantine. Yes.

Senator McAdoo. We do not have to take these up. They are callable only. The Government has its choice to leave them or to pay them at a subsequent date.

Undersecretary Ballantine. They become part of a program, because we have \$6,268,000,000 actually becoming due in 1938. The Treasury cannot sit still and face an enormous maturity such as that at one time. We have to be able, as we did before in the period after the war, to go ahead and get rid of some of that, and reduce that amount, and clear up our financial picture. We do not want a \$6,000,000,000 maturity at a single date; and in all this, an operation with the public must be made, where the public comes in and buys the Government obligations at some stage. We cannot make that, we cannot succeed in that, until we can say to the public that the Government's finances are in sound condition and that we are operating on a balanced budget.

Senator McAdoo. Mr. Secretary, let me get this straight. As I understand it, there are \$6,000,000,000 of fixed maturities due in 1938. Is that your statement?

Undersecretary Ballantine. Yes. It is \$6,268,000,000.

Senator McAdoo. Is that a fixed maturity?

Undersecretary Ballantine. Oh, yes.

Senator McAdoo. Or is it merely callable at the option of the Government?

Senator King. It is fixed.

Undersecretary Ballantine. October 15, 1938, is the maturity date.

Senator McAdoo. That is four years from now.

Undersecretary Ballantine. Yes.

Senator McAdoo. Why should that affect your financing at the moment? Why is it to be assumed that between now and 1938, provision must be made at this time for it on some sort of a

program? Four years from now is a long time. We hope the country will be in much better condition then, and I do not see why that particular thing should affect the action of this committee at this time. It is five and a half years ahead. We do not have to get ready with the credit of the United States Government five and a half years ahead of a maturity to raise money to pay it.

Undersecretary Ballantine. If you have nearly 21,000,000,000 of debt to manage, you cannot --

Senator McAdoo. That matures over various dates.

Undersecretary Ballantine. I know; but you cannot manage it from day to day. There must be financial plans. There must be a scheme of handling the debt, and if you have a great maturity like that, if you are going to have any satisfactory condition of finances, you must be working on that.

Senator McAdoo. Is not the only problem at the moment the floating debt of the Treasury, the short-term debt? That is all you have to deal with instantly.

Undersecretary Ballantine. We have that to deal with, but that is by no means our only problem.

Senator McAdoo. I mean so far as the debt of the Government is concerned. I am omitting future deficits. I am talking about what actually exists now.

Undersecretary Ballantine. I wish you could omit those future deficits. Then you would simplify our problem immensely.

Senator McAdoo. That is the thing we have to consider; but so far as the present floating debt is concerned, that is, your short-term debt, that problem is here, and you are financing that from day to day by renewing the obligations with the

banks. That is about what it amounts to.

Undersecretary Ballantine. Yes.

Senator McAdoo. For the sake of the record, I would like to make it clear that in my judgment it is wholly fallacious to say that because these notes were sold last fall at one-eighth of 1 per cent interest, these short-time obligations, that that argues anything so far as the credit of the Government is concerned, one way or the other, because at that time much of the liquidity of the banks which bid for those bonds was the result of their financing with the Reconstruction Finance Corporation, financing which was done with the express purpose of putting them in a position to carry on the business of the country. Instead of doing that, in many instances they took those funds, after becoming liquid, and invested them in short-time Treasury certificates at almost no rate of interest, in order to keep themselves in a position of liquidity. They would not make loans at all. That is the reason you were able to get that abnormal rate.

Senator Barkley. Why would any bank borrow money from the Reconstruction Finance Corporation at 4 or 5 per cent and reinvest it at one-eighth of 1 per cent?

Senator Bailey. We should follow the statement by Senator McAdoo with the statement that the fact that our securities sold at the discounts of from four and a half to four and an eighth on March 6th, is not as significant as it would appear when you consider the condition of the New York banks.

Senator McAdoo. That is what I stated before. I do not think it has any great significance.

Senator Walsh. May I ask a question, Mr. Chairman? Assum-

ing that the passage of this bill will give notice to the country of a reduction in the annual expenditures of this Government of approximately \$300,000,000, and that that act will tend to strengthen the credit of the country, what do you say as to the contemplated action of Congress to appropriate \$500,000,000 to undertake some work to relieve or lessen unemployment? What effect will that have upon the credit?

Undersecretary Ballantine. Senator Walsh, it had been my understanding that the passage of this bill would make much larger savings than the figure you mention. I may be in error as to that.

Senator Walsh. The maximum is \$380,000,000.

Senator Barkley. No. That is only for veterans.

Undersecretary Ballantine. I thought the total savings were much larger.

Senator Walsh. I had in mind the veterans. That is true.

Undersecretary Ballantine. Let me deal with the first aspect of that --

Senator Walsh. That is the argument the veterans are making to us. "What you are doing here now is cutting us and getting ready to appropriate to give this money to somebody else."

Undersecretary Ballantine. The news that Congress is dealing in this very firm and vigorous way with the finances, greatly reducing Government expenditures and putting Government finances in order, will have a beneficial effect of great importance upon handling the Government's finances. There is no question about that, and there is nothing we could say at the Treasury that could overemphasize the importance of that, in our view.

Senator Walsh. If, in two or three days, we appropriate

\$500,000,000 --

Senator McAdoo. For relief purposes.

Senator Walsh. For relief purposes -- will it not effect the strengthening of the credit that this bill will undoubtedly bring?

Undersecretary Ballantine. Senator, you are asking me wholly and purely about the financial aspects of an additional bond issue, and I am only speaking of that phase of it, the financial aspect. There cannot be any question that the ^{issue of} additional bonds complicates our handling of finances.

Senator Walsh. It will have a tendency to undo what the passage of this bill would do.

Undersecretary Ballantine. That operation of increasing the bond issue works in the other direction. Whether it would undo the beneficial effect of this, is another question. But here you would take a strong, significant, vital step to help the handling of our finances.

Senator Barkley. Assuming that the bond issue should be for a long term, and should not be considered in the year-to-year balancing of the budget, would the enactment of such a law, and the sale of such long-time bonds, materially affect or nullify the psychological good that this bill would do?

Undersecretary Ballantine. I want to answer this question solely from the financial standpoint. You are asking me the question in that aspect of the matter, and not in the light of any other questions of policy that may be involved. They do not lie at all in the Treasury field.

Senator Walsh. Exactly.

Undersecretary Ballantine. I cannot see a vital difference in the way you put it, or where you say these bonds come in in your own classification. The big thing is that there are that many more bonds, and our trouble is to get the money for the needs we have now. If you increase those needs, our bonds become less valuable because there are more of them. If you increased the bonds, we would have just that much more financing to do. We are in a situation where that is not a welcome financial prospect.

Senator George. Mr. Secretary, may I ask you a question? Suppose we were to effect virtually the same economies during the next fiscal year that you anticipate might be effected by this particular bill. Would you occupy, comparably, the same position in the Treasury?

Undersecretary Ballantine. If we make these economies?

Senator George. Yes; by a flat reduction all the way down the line, by different methods. This is a permanent piece of legislation.

Undersecretary Ballantine. Yes.

Senator George. Of course, I realize the difference between a permanent cut and a year-to-year cut; but if the Treasury were in a position to say that virtually the same saving would be effected by a different process, under a different method, would that make any material difference in your position at the Treasury?

Undersecretary Ballantine. I do not think I quite get the question.

Senator George. I say, would it materially affect your position?

Undersecretary Ballantine. Are you asking about something different from this bill?

Senator George. Yes, sir.

Undersecretary Ballantine. As far as the financial question goes, if we have a great amount of savings that practically balance the budget, that is the essential point with us.

Senator George. So far as the Treasury is concerned, that is what they are getting at?

Undersecretary Ballantine. Oh, yes. The essential point with us is bringing the budget into balance.

The Chairman. Are there any further questions of Mr. Ballantine? It is now twelve o'clock.

Undersecretary Ballantine. I just want to say one word before I go, because I do not think I will do my duty here if I do not say it, and that is that the Treasury problem is a really acute problem, and it does not matter how we argue this thing, or what we say, or what our theories are. It is an acute and real problem, deserving the utmost assistance that you can--and I know will--give to it.

This measure is of enormous benefit. I would like to say that in the most earnest way I can.

Senator Walcott. Have you made any estimate as to what this will amount to?

Undersecretary Ballantine. We have not studied the bill, Senator Walcott.

Senator McAdoo. May I ask a question, Mr. Secretary? Assume that this bill is passed and that everything that we can do at this end of the Avenue is done, within reason, to balance the budget and aid the financing of the Government's obligations, and yet, when the \$700,000,000 comes due shortly, you find you are unable to sell the certificates, or to renew those certificates.

Undersecretary Ballantine. Senator--

Senator McAdoo. Wait a moment. I say, assume, now, that the credit of the Government is so impaired, because of the things you think ought to be done or ought not to be done, or because the anticipated results from the things you want done are not realized. Then what have you in mind as to the course that ought to be taken by the Government to meet these obligations? You must have considered that, if the credit of the Government is reaching the point where you think it is endangered.

Undersecretary Ballantine. We have not made any plan for not meeting our maturity, Senator, next week.

Senator McAdoo. I am talking about the \$700,000,000.

Undersecretary Ballantine. That is what it is. We are going to meet it.

Senator McAdoo. How are you going to meet it?

Undersecretary Ballantine. Well, we are going to do

it.

Senator McAdoo. Whether this bill is passed or not?

Undersecretary Ballantine. This will be of great assistance. We have to do it. If we do not meet that maturity, where is the United States?

Senator McAdoo. The point I am trying to make is, Mr. Secretary, that the passage of this bill is not going to determine whether or not you can finance the \$700,000,000.

Undersecretary Ballantine. Senator, I think I differ with you there. I think the passage of this bill is going to be immensely helpful in meeting that. You asked me the question as to what we are going to do if the United States defaults. I tell you that the United States is not going to default. We are going to do that some way, but--

Senator McAdoo. Well--

Undersecretary Ballantine. Just a second. But we have an enormously difficult task, and if you take this action here you are going to help vitally in our performance of that task. Those are the facts.

Senator King. As I understand Senator McAdoo, I think Senator McAdoo assumes that this measure intrinsically is not right. I am for it, because I think we must reduce expenses. The public demands that. They believe that some of these amounts that are being paid to the veterans and to employees of the Government are too much, and intrinsically we ought to make some reduction there.

Senator McAdoo. Senator, you have drawn a wholly wrong inference from my statement.

Senator Walsh. Mr. Chairman, I suggest that this table Mr. Ballantine has been reading from be put into the

record.

The Chairman. Yes. It will be put in the record.

(The statement referred to is as follows:)

No. of issue	Date of issue	Maturity date	Days to run	Amount accepted	Total amount paid	Total of account	17
60	October 26, 1932	January 23, 1933	91	400,000,000	401,255,863.05	439,618.95	99.
60	November 9, 1932	February 2, 1933	91	75,000,000	75,014,732.17	41,297.83	99.
61	November 16, 1932	February 15, 1933	91	75,449,000	75,469,689.70	39,360.30	99.
62	November 23, 1932	February 23, 1933	92	60,000,000	60,974,206.80	35,694.50	99.
63	November 30, 1932	March 1, 1933	91	100,000,000	99,966,012.24	33,987.76	99.
64	December 28, 1932	March 28, 1933	91	100,000,000	100,017,690.64	21,306.36	99.
65	January 11, 1933	April 12, 1933	91	75,000,000	75,061,260.80	38,731.80	99.
66	January 18, 1933	April 19, 1933	91	75,000,000	74,967,399.04	44,600.96	99.
67	January 25, 1933	April 26, 1933	91	80,000,000	79,963,101.60	36,898.40	99.
68	February 8, 1933	May 10, 1933	91	75,000,000	75,194,280.68	33,719.33	99.
69	February 15, 1933	May 17, 1933	91	75,000,000	75,158,718.76	43,281.24	99.
70	February 23, 1933	May 24, 1933	90	60,074,000	59,992,080.80	61,971.50	99.
71	March 1, 1933	May 31, 1933	91	100,000,000	100,561,208.30	231,724.62	99.
72	March 5, 1933	June 7, 1933	93	75,000,000	74,438,244.50	627,755.50	99.

Days to Maturity	Amount accepted	Total amount paid	Total discount	Average price	Bank discount rate	Bank discount rate
91	\$40,000,000	\$40,285,285.05	\$28,615.05	99.980844	0.195178488 %	0.197021971 %
91	75,000,000	75,014,762.17	41,877.85	99.9480871	.217888951	.220165719
91	75,400,000	75,440,000.79	39,840.80	99.9478883	.202804485	.202882342
91	80,000,000	80,074,205.80	25,094.80	99.9571782	.187872880	.1899730189
91	100,000,000	99,966,018.24	33,987.76	99.96601881	.184487072	.186970880
91	100,000,000	100,017,490.64	21,500.64	99.9704800	.228088800	.2263871838
91	75,000,000	75,051,868.80	38,731.80	99.9484202	.22061876	.208985382
91	75,000,000	74,987,309.04	44,800.96	99.9405874	.236187478	.23887343
91	80,000,000	79,975,101.60	36,898.40	99.9538885	.188419010	.188087880
91	75,000,000	75,194,380.68	33,719.55	99.9581771	.177381890	.1780448678
91	75,000,000	75,188,718.78	43,881.84	99.9424666	0.27863421	0.28048892 %
90	60,074,000	59,992,088.80	61,971.80	99.9358881	0.545803808	0.554140842 %
91	100,015,000	100,361,288.20	251,771.82	99.7480218	0.789715877	1.0096188417
93	75,266,000	74,438,244.80	827,755.80	98.9002865	0.428718741 %	0.4316315

Senator Walsh. A note should be made of the fact that the last issue, prior to the one of March 6, was on March 1, and the rate of discount then was 1.000 per cent.

Undersecretary Ballantine. Just about one per cent, Senator—~~was~~ 0.99 per cent for the one before.

Senator Walsh. The February 23 rate was .55 of one per cent.

Undersecretary Ballantine. I am glad you put those in.

Senator Gore. I want to ask one question.

Senator McAdoo. Senator Gore, will you allow me to finish the one question I had, and to correct the impression of Senator King?

Senator Gore. Yes.

Senator McAdoo. I am not arguing that we should not do everything we reasonably may to reduce expenses and to cut out waste in the operation of the Government. I am for that, within reasonable limits, of course; but I do not want to be persuaded, and I cannot be persuaded, that the enactment of this bill is so imperative that the financing of the Government, the financing of these obligations soon maturing, is going to be seriously affected. On the other hand, I want to say to Undersecretary Ballantine that I do not say that the Government would or might default. I know it will not. I know our credit is in no such condition as that. But I asked you if, for any reason, you thought that those maturities could not be met, whether you had considered any measure, outside of ~~this~~ this, by which the credit of the Government might be protected and these obligations discharged.

Undersecretary Ballantine. I refuse to consider a situation of default.

Senator Walcott. I do not think we ought to put the Undersecretary in that position here.

The Chairman. Senator Gore wants to ask you a question.

Senator Gore. Is it not true, Mr. Secretary, that we must refund the four or five billions of floating debt of the Government before private enterprise can successfully finance itself toward recovery, either with long or short time obligations?

Undersecretary Ballantine. We can have an amount of short term debt, Senator. I think we ought to reduce the short term debt that we have, but you touch on a very vital point which has not been touched on hitherto, and that is that placing the finances of the Government in a sound condition has a great bearing upon the revival of business. Until we get the Government where it ceases to be a drag in some form or other because its revenues are not equal to its expenditures, we do not have a chance for the development of the credit that must flow into business.

Senator Gore. The Government, in these short time obligations, is absorbing funds that private enterprise needs.

Undersecretary Ballantine. Whether private enterprise needs them at the moment or not is a question, but there can be no question that ultimately there ought to be a free flow of credit for business, and you are not going to draw a picture of business revival and soundness until the

Government has its picture right.

Senator Gore. Now, Mr. Secretary, these floating debts have got to be funded into long time obligations, have they not, sooner or later?

Undersecretary Ballantine. As I say, Senator, a part has to be. There is a normal part of the floating debt that is a convenience to banks. It is cheap money for the Government.

Senator Gore. That is a small percentage, even though it absorbs available funds. Now, I come to this. You were asked what effect the issuance of \$500,000,000 of long term bonds for relief work would have on the money market. Would not that preempt and preoccupy the field to that extent and withdraw it from the refunding of obligations which the Government must meet through that, sooner or later--and sooner rather than later?

Undersecretary Ballantine. Yes.

Senator Gore. That is all.

Undersecretary Ballantine. I think I might introduce, Senator, a statement of the public debt as it stood on February 24, 1933. You might like to have that in the record.

The Chairman. Very well.

(The statement referred to is as follows:)

To be brought up to date

TREASURY BILLS, CERTIFICATES, NOTES, and LIBERTY

February 24, 1933

Series and Issue Date	Callable Date	Maturity or Callable or Redeemable	Payable Date
TREASURY BILLS:			
November 20, 1931		1933	Nov. 20
December 20, 1931		1933	Dec. 20
January 11, 1932		1933	Jan. 11
January 18, 1932		1933	Jan. 18
January 25, 1932		1933	Jan. 25
February 8, 1932		1933	Feb. 8
February 15, 1932		1933	Feb. 15
February 22, 1932		1933	Feb. 22
TREASURY CERTIFICATES:			
2 1/2% 1st Series 1932	March 15, 1933	1933	March 15
2-3/4% T H 1932	March 15, 1933	1933	March 15
2% B - 1932	May 2, 1933	1933	May 2
1-1/2% T J 1932	June 15, 1933	1933	June 15
2-1/4% T S 1932	Sept. 15, 1933	1933	Sept. 15
2% T D 1932	Nov. 15, 1933	1933	Nov. 15
TREASURY NOTES:			
2% A - 1933	May 8, 1933	1933	May 8
2-1/4% B - 1933	Aug. 1, 1933	1933	Aug. 1
2% A - 1933	June 15, 1933	1933	June 15
2-1/4% A - 1933	Aug. 1, 1933	1933	Aug. 1
2-3/4% B - 1933	Dec. 15, 1933	1933	Dec. 15
2% B - 1933	Oct. 15, 1933	1933	Oct. 15
2-1/4% A - 1933	Sept. 15, 1933	1933	Sept. 15
2-3/4% A - 1933	Feb. 1, 1933	1933	Feb. 1

ATM NOTES, and LIBERTY and TREASURY BONDS

FEBRUARY 24, 1934.

Maturity Year or Maturity Date	Maturity Date	Amount	Total
1933	March 1, 1933	\$100,000,000	
1933	March 20, 1933	100,000,000	
1933	April 12, 1933	75,000,000	
1933	April 19, 1933	75,000,000	
1933	April 26, 1933	80,000,000	
1933	MAY 10, 1933	75,000,000	
1933	MAY 17, 1933	75,000,000	
1933	MAY 24, 1933	60,074,000	
		<hr/>	\$ 640,000,000
1933	March 15, 1933	35,000,000	
1933	March 15, 1933	600,715,500	
1933	MAY 2, 1933	230,107,000	
1933	June 15, 1933	375,000,000	
1934	Sept. 15, 1933	451,407,000	
1934	Dec. 15, 1933	254,344,500	
		<hr/>	2,015,175,100
1934	MAY 2, 1934	244,234,000	
1936	AUG. 1, 1934	345,000,000	
1936	June 15, 1935	414,000,000	
1937	Aug. 1, 1936	365,150,000	
1937	Dec. 15, 1936	360,000,000	
1937	Apr. 15, 1937	500,000,000	
1938	Sept. 15, 1937	634,400,000	
1938	Feb. 1, 1938	277,516,000	
		<hr/>	3,368,046,800

REVENUE BOND:

1st 6-1/2%
2nd 6% and 6-1/2%
6th 6-1/2%

June 15, 1917
1917-28
Oct. 24, 1918

June 15, 1935
June 15, 1938
Oct. 15, 1938

1938
1938
1934

June 15, 1947
June 15, 1947
Oct. 15, 1938

1,292,237,250
540,235,000
6,268,095,250

REVENUE BOND:

5-2/8% 1940-45
5-2/8% 1941-45
5-2/8% 1942-47
6% 1944-54
5-2/8% 1945-55
5-1/2% 1945-50
6-1/2% 1947-52
5% 1951-55

July 15, 1939
Mar. 15, 1939
June 15, 1937
Dec. 15, 1934
Mar. 15, 1935
June 15, 1931
Oct. 15, 1932
Sept. 15, 1931

June 15, 1940
Mar. 15, 1941
June 15, 1943
Dec. 15, 1944
Mar. 15, 1945
June 15, 1946
Oct. 15, 1947
Sept. 15, 1931

1940
1941
1943
1945
1945
1946
1948
1948

June 15, 1945
Mar. 15, 1945
June 15, 1947
Dec. 15, 1944
Mar. 15, 1935
June 15, 1946
Oct. 15, 1932
Sept. 15, 1931

252,994,400
544,915,000
454,135,500
1,056,854,300
469,087,100
821,402,000
728,985,500
766,527,250

TREASURY CERTIFICATES, Trust Funds . . . \$124,709,000
TREASURY NOTES, Trust Funds . . . 223,261,000

RECAPITULATION

Total Treasury Bills \$ 640,685,000
Total Certificates 2,015,175,100
Total Notes 3,232,042,200
Total Bonds 15,426,125,100
Trust Fund Obligations 223,261,000

Grand Total: \$19,537,287,400

Total:

Trust Funds:

Grand Total:

Handwritten signature/initials

June 15, 1933
 June 15, 1933
 Oct. 15, 1933

1933
 1933
 1934

June 15, 1947
 June 15, 1947
 Oct. 15, 1933

1,292,227,350
 340,225,000
 6,268,021,200

8,201,207,450

July 15, 1940
 Mar. 15, 1941
 June 15, 1943
 Dec. 15, 1944
 Mar. 15, 1946
 June 15, 1946
 Oct. 15, 1947
 Sept. 15, 1951

1940
 1941
 1943
 1945
 1946
 1946
 1948
 1952

June 15, 1945
 Mar. 15, 1943
 June 15, 1947
 Dec. 15, 1954
 Mar. 15, 1956
 Jan. 15, 1959
 Oct. 15, 1958
 Sept. 15, 1952

352,956,450
 544,921,050
 454,175,200
 1,056,256,500
 429,087,100
 621,402,000
 708,965,200
 766,517,300

5,224,220,450

Total:

\$19,422,026,400

~~TREASURY CERTIFICATES~~, Trust Funds . . . \$124,702,000
~~TREASURY BILLS~~, Trust Funds . . . 223,221,000

Trust Funds:

348,221,000

Grand Total:

\$19,770,247,400

RECONCILIATION

Total Treasury Bills \$ 640,225,000
 Total Certificates 2,618,175,100
 Total Notes 3,262,042,206
 Total Bonds 15,421,125,100
 Trust Fund Obligations 348,221,000

Grand Total: \$19,770,247,400

*Interest received
 deleted*

The Chairman. Are there any other questions?

Senator Gore. Mr. Chairman, do you not think this statement ought to be kept confidential?

The Chairman. Yes; I think this statement from the Undersecretary ought to be confidential, for the members of the Committee.

Senator Walsh. Mr. Chairman, I think there is some question about the wisdom of treating it as confidential. We are proceeding here to adopt some extreme legislation, and I think the country ought to know why we are doing it if we do it. They ought to know that we are doing it upon representations that the credit of the United States is so severely impaired--and the Treasury so informs us--that it is necessary to do this.

The Chairman. I think, perhaps, there were some statements the Undersecretary made that possibly should not be given out.

Senator Connally. For the present we ought not to release it. We might release it later.

Undersecretary Ballantine. I have made this statement on the basis of a frank talk with this Committee that was not public. If we have to make a Treasury statement about the state of the Government's credit, we would have to give that a good deal of thought. I certainly would not want to make a public statement that the credit of the Government is impaired. No such thing must be said.

Senator Cousens. May I ask you, Mr. Secretary, if you can predict what effect the difference in the interest rate would have on the March 15th refunding, or whether the passage of this bill would have any effect on the interest rate?

Undersecretary Ballantine. I cannot make a prediction as to what the interest rate would be, frankly, Senator.

Senator Cousens. I did not ask you to name the interest rate, but what is your best judgment? What do you think the difference would be?

Undersecretary Ballantine. I think it would help. I could not indicate the difference. The vital point is that it will help in getting that operation done. That is what concerns us, to do it. And if the message goes out here that Congress is dealing with the Government finances in the way the bill proposes, it helps us to go ahead and get it taken care of. That is what we must do. That is far more significant than the interest rate. I know the interest rate is important, and in the end I think it has a decided bearing on the interest rate.

Senator Cousens. You could not indicate how much?

Undersecretary Ballantine. No.

(Whereupon, at 12.10 o'clock p. m., the Committee went into executive session to consider reporting out the bill, S.233.)