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TO

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U.S. Congress

# Congressional Record

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## PROCEEDINGS AND DEBATES

OF THE

FIRST SESSION OF THE  
SEVENTY-SECOND CONGRESS

OF

THE UNITED STATES  
OF AMERICA

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### VOLUME 75—PART 11

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expressed in the bill, but it may be implied by reading here on page 3, commencing with line 6:

Whenever any such deduction is made the Secretary of the Treasury shall immediately pay to the Reconstruction Finance Corporation the amount so deducted. Such deduction shall not be made with respect to any State which, within a period of two years from the date of enactment of this act, shall enter into an agreement—

This is the important point, and this implies a definite loan and might be construed to imply even a collateral loan—

shall enter into an agreement with the Reconstruction Finance Corporation for the repayment of the amount of the loan or loans to such State with interest thereon as herein provided, in such installments and upon such terms—

And at the appropriate time I should like to offer an amendment to insert the words, "and at such rate of interest," because, in my opinion, if it is going to be a loan, the rate of interest stated in the bill, 5 per cent, is too high—

as may be agreed upon between such State and the Reconstruction Finance Corporation.

The PRESIDING OFFICER (Mr. REED in the chair). The amendment of the Senator from Wisconsin is pending; so the amendment suggested by the Senator from Connecticut would not be in order at this time.

Mr. WALCOTT. No, Mr. President; I said that at the appropriate time I would offer that amendment. I am speaking to the amendment of the Senator from Wisconsin.

I see no objection to using the words "or advances"; but I believe it is quite important to keep the word "loan" or "loans" wherever they may appear in the bill, because of the feelings of certain States, and because of the particular clause which I have just read, which distinctly implies a loan rather than an advance.

Mr. LEWIS. Mr. President, I should like the attention of the Senators who have given definite study to this bill.

I beg to say that in the State of Illinois, which I have the honor to represent in part, we have a number of institutions which are themselves incorporated, separate municipalities, some of which are in the city of Chicago, some of which are in different parts of the State. I am moved to note that under this bill the loan is fully administered by the governor, under his direction or upon his responsibility; but I see a complete absence in the bill of any authority on the part of the governor to advance any part of the loan to any of the political subdivisions of the State or of the cities in the State.

I take the liberty to suggest, for the consideration of the gentlemen having charge of the management of the bill, that on page 4, line 14, following the phrase "Any funds made available to a State pursuant to this act shall be administered by the governor, or under his direction, and upon his responsibility, subject to the laws of the State," there be added the following words:

Nothing herein forbids the governor of any State advancing a portion of the loan to any department or separate political organization of the State.

Mr. WAGNER. There is no objection to that.

Mr. LEWIS. If that is acceptable, I will put it in a little more definite form.

The PRESIDING OFFICER. The amendment can not be offered at this time, because there is an amendment pending.

Mr. LEWIS. I was unconscious that I was intruding upon that. Then at the proper time I will return to the question and present the amendment anew.

Mr. LOGAN. Mr. President, I think the amendment of the Senator from Wisconsin is very important. At least, it affects my State, because I am quite sure that Kentucky would have no desire to accept any money when it knew it would not be able to repay it; and I believe the Reconstruction Finance Corporation would be justified in refusing to make any loans to any State when there was an inhibition in its constitution against its burdening itself with further indebtedness.

While I have the floor, however, I desire to take a few minutes' time to express my views about this entire legislation.

This bill has been prepared by Senators in whose judgment I have great confidence. They are leaders on this side of the Chamber, and I assume they have been assisted by some of the leaders on the other side of the Chamber; and, after all, I might well be guided by their judgment. But there are some things so fundamentally wrong in the entire proposal that I beg to state my opinions about the questions involved in this legislation.

I think it would be far better if we proposed to make a donation to the States, and did not attempt to conceal our act in verbiage and by provisions which do not mean very much.

I am not unmindful that there is more suffering in the Nation to-day than at any time since its foundation. I am not unaware that millions of children are crying for bread while the mothers, pale and wan, can only pray, although more than half believing that God has turned His face away. I can but hear the tramp of millions as they vainly seek for work, with downcast eyes and lagging steps, wondering why men must suffer and women must weep, while their children starve.

Indeed, the situation is one calling for the best thought of the best minds of all the people of the Nation; but withal there must be sober judgment. It is better that great fortunes disappear, that industry vanish away, that hunger prevail, than that the Nation be destroyed, or its life greatly endangered.

Natural laws can not be created, repealed, or modified by legislation. Congress should know there are many things which it can not do. It can not legislate prosperity into the Nation. About all that it can do is to regulate the relationships of the people the one toward another under rules that are fair, and allow them to work out their own salvation.

It is now proposed to make the Federal Government the guardian of its citizens. If that should be done, the Nation soon must perish. There can only be a free nation when the people themselves are free and administer the government which they have set up to protect their rights. Where the general government must provide work, and incidentally food and clothing for its citizens, freedom and individuality will be destroyed and eventually the citizens will become serfs to the general government. They are no longer free and they no longer support the government when they look to the government to support them. The government then becomes an absolutism. It can support its citizens only by going into private business for profit, with the resulting destruction of all private profits.

The General Government has fallen into hard lines. Its citizens can not support it easily, so it is proposed to reverse laws formerly thought to be sound and go into the business of supporting citizens apparently with little understanding that the Government is but a collection of all the people. If the people, therefore, at this time can not support the Government, how can it be reasonably said that the Government can support the people?

It is proposed that the Government embark upon a great program to give aid to the unemployed. This sounds well when so stated, but it will not work. It can not work, because it is an effort to reverse the operation of a fundamental law. The plan admits that the Nation is burdened with debts and it is attempting to make the debts less irksome by creating more debts. The States, counties, and municipalities are now indebted beyond their ability to pay, so the plan is that they shall cure their ills by heaping up more debts. Debts must be paid or repudiated. If they are paid, the burden must rest upon those least able to pay. The many must pay because they have no way to protect themselves from the exactions in the form of taxes.

We have recently talked much about taxes and taxation. There are wise men who believe that the rich and powerful can be taxed and the poor may be allowed to escape. Their belief is a delusion. Taxes always sift downward until they

find lodgement on those least able to bear them. That is one reason why the many stay poor and the few are rich. The poor largely support the Government. A great blessing will come into the world when they are made to understand that the people but add to their own misery when they induce their Government to make appropriations of money supposedly for their benefit.

The plan now before us for the relief of a distressed people and to bring prosperity to a prostrate Nation is like unto a farmer who finds that he can not pay his interest, his bills for necessaries, or the expenses for the education of his children, and says:

I am broke and bankruptcy seems just around the corner, but I know how to remedy my condition. I will pull down my old barns and build new ones. I will place a third mortgage on the old homestead, obtain more money, increase my interest charge, hire more men to till the farm, and erect new buildings.

The intention of such a farmer may be good, but his neighbors would say of him that he was crazy.

Or the plan is like unto a certain railroad which found that it could not earn anything available for betterments, interest, or dividends. Its board of directors decided that it would increase wages, employ more men, double track its system, and pull down its old depots and build new ones. Such a board of directors would be deservedly censured by the angry stockholders of the corporation.

Or the plan before us is like unto a certain merchant who found that his sales had fallen off until he could not pay his bills, and who said:

I will buy more goods and put up a new storehouse, and I will sell more goods on credit.

His end would soon be in the bankruptcy courts.

The Senate of the United States has greater responsibilities than any like number of men in the world. No plan or chart for the Nation can be devised without the approval of a majority of the 96 men who constitute the Senate. The happiness and prosperity of the people of the Nation depend upon what the Senate does, and the happiness and prosperity of the world depend largely on how we chart the course of our own Nation. The responsibility of a Senator is, therefore, great. He should never fail to act as one having upon him large responsibilities. With these vast responsibilities resting upon the Senate, what is the real problem confronting us? The revenues of the Nation have dried up as the streams in a great drought. The prospects are that we will derive no more revenue in the years of the immediate future than is necessary to pay those charges which can neither be reduced nor eliminated. The interest and amortization of the public debt and the obligations to veterans already incurred aggregate about \$2,000,000,000. If it takes all of our revenue to discharge these obligations there will be nothing left with which to pay the ordinary running expenses of the Government. The Nation, therefore, is in the plight of the farmer, the railroad, and the merchant I have mentioned. The wisdom of the Senate may determine that we should do that which in the business world would cause those acquainted with our acts to regard us as unfitted for the high trust which has been vested in our hands. What I am saying will not be popular, but it is the truth. Believing that I am right, I dare to stand alone if necessary. I would prefer to follow the right course alone than to follow error with a multitude.

I would not have it understood that I am unwilling to vote for a measure that will aid in bringing relief to those who are suffering through no fault of their own. If we must relieve distress, and I think we should, let us do it boldly, and make such a donation out of the Treasury as the necessities of the occasion may require.

It is true that we may carry on a great program of public works by selling bonds, but with failing revenues interest rates will have to be increased if the bonds are not to fall far below par. Even with increased interest rates we can not continue to sell bonds indefinitely. I have heard it suggested that because of our vast values represented by the assets of the people of the Nation there is almost no limit to the amount of money we can raise through the sale of bonds.

That is a fallacy. We can maintain the credit of the Nation only so long as we can meet all of our obligations by reasonable tax rates. When we are forced to go above rates that are reasonable, then comes confiscation, and a nation can not long exist when it must confiscate the property of its citizens to pay its debts.

There is a greater reason however, why the proposed legislation is dangerous. Centralization of power is the greatest danger that confronts any republic. The downfall of free governments, if I understand history aright, has been caused by the centralization of the power of administration. Generally the greater the power placed in the hands of the administrators the less the power of the people, with a necessarily corresponding reduction of rights, or the limitation thereof. With every step in centralization of power there must be the surrender of rights by the people, and if the process is carried far enough government by the people ceases and government for the people becomes supreme. It is then that free government, as we understand it, ceases to exist.

The downfall of free nations in the past may have been contributed to by lack of the federal principle and the failure to divide the powers of government into branches, each acting as a check upon the other; but the prime cause has ever been the centralization of power in the hands of officials who, through errors, shortcomings, or corruption, have trespassed upon the rights of the citizens until disaster came, bringing with it ruin.

That which has happened to free nations of the past will recur when the same or similar conditions prevail. Centralization of power eventually brings its ruthless exercise, and always to the detriment of the public welfare, resulting in injustice, inequality before the law, the creation of poverty, misery, and unhappiness, and when pressed too far will bring violent revolution and the destruction of all functions of government. At such a time it is not a dictator we need, whether he be an Alexander, a Cæsar, a Napoleon, or a Mussolini, but the need is for the decentralization of power and the restoration of rights to the people. Those who have been favored with power, position, or wealth should not forget these first principles of statecraft.

The makers of our Constitution were men not unacquainted with the history of nations. It has been said that there is little new in that instrument other than the federal principle. It was the application of age-old principles to new problems. Knowing the weaknesses of the free governments of the past, the makers of our Constitution sought to guard against these same weaknesses. It was in their minds that they must build bulwarks against the centralization of power in the hands of the officers of the Federal Government. It was therefore provided that the powers of government should be divided into three coordinate branches, and that, in so far as possible, each should be independent of the other. The powers of the Congress were limited and strictly defined, as were the powers of the judicial and executive branches. It was thought unwise to allow the President to do more, so far as legislation was concerned, than to point out to the Congress the state of the Nation from time to time, leaving it wholly to the Congress to find solutions for the problems needing attention. When a solution was found and expressed in an act, the President was given power to show his disapproval by a veto.

It may be that it was well that the makers of our Constitution could not lift the veil that shut out a view of the future, else in looking down the aisle of time to the present day they might have desisted from their noble work, believing it would be nullified by the centralization and abuse of power.

The makers of our Constitution provided in it that certain powers should be conferred upon the general Government. It was given the power to raise revenue to carry on the affairs of the Government within constitutional limits; to regulate commerce; to declare war or make peace; to provide an Army and Navy; to coin money, and to regulate the comity and intercourse of the several States. These powers were hedged about with restrictions, and the Federal Gov-

ernment was given no other power through any of its branches. All other powers were reserved to the States. The reservation of those powers was safeguarded with jealous care. It was expected that the States would function as sovereigns, fully exercising every power and right save those surrendered to the General Government. It was intended that the weight of the Federal Government should bear lightly on the States. The States delegated to the Federal Government certain functions that it could best perform for the common good of all of the States. All other matters were to be looked after by the States.

The Constitution was not adopted without a struggle between those, on the one side, who believe that centralization of powers in the General Government was highly essential and those, on the other side, who believe that the powers of the General Government should be severely restricted. Those who favored the former view did not succeed in the convention, and the states ratified the Constitution as submitted, at the time believing that the reserved powers should be more clearly defined. Hence the submission of the first 10 amendments by the First Congress. Each of those amendments conferred powers and rights upon the people. In fact, no amendment has ever been adopted taking rights from the people and conferring them upon the general Government save one, the eighteenth.

The shades of Jefferson and Hamilton have continued their fight over the theories of government that divided them when they lived. Jefferson's theories prevailed for more than three-quarters of a century, and generally during that period the people were ever vigorous in defense of the rights vested in them by the Constitution. But the rights of man can be maintained only by eternal vigilance, and the sentinels on the watchtowers finally slumbered. Gradually at first, and with more rapidity later, the Hamiltonian theories replaced those of Jefferson, until the theories of Hamilton largely prevail at this time. The reserved powers and rights have been invaded and almost entirely swept away. The sad part of the story is that the States have consented to their own ravishment. They have, in a large measure, surrendered their sovereignty in consideration of gold appropriated out of the Federal Treasury, and in their eagerness to obtain it they have increased taxes and debts until they are deluged with evils which they at one time thought were blessings. The powers of the States have become paralyzed because of their failure to exercise them. They have tasted the fleshpots of the Nation's Capitol and year after year they return and, like Oliver Twist, they hold out their porridge bowls and ask for more.

And the voice of Jefferson is stilled. His spirit walks no more. The Hamiltonians, like Jeshurun, have waxed fat and kicked.

A Member of Congress is too often judged back home by what he has been able to obtain in money from the Federal Treasury for distribution among his constituents. If he gets much, he is an able Member; if he gets little, he is weighed in the balances and found wanting. Neither should the Members be blamed too harshly for their activities in securing appropriations for their constituents. Many Members must abhor it, but when it rains money they would be subject to censure if they did not turn their plates right side up.

We have followed wrong theories of government until we have brought about the conditions which destroy free governments. The Nation will struggle along for a while with its ever-increasing burdens, but unless we chart a different course and sternly walk therein the Nation will fall as others have fallen. Decentralization of power and the exercise of their sovereignty by the States is the remedy whereby salvation must be found. The Federal Government should look after Federal matters and the States should look after their own affairs. That is the road back to the place where we lost the way.

When the Israelites had forsaken their laws and thereby brought great tribulations upon themselves; when they were eating of the bread of adversity, as we are now, and had lost the way, as we have, the old prophet said to them:

And thine ears shall hear a word behind thee saying, "This is the way, walk ye in it; when ye turn to the right hand and when ye turn to the left!"

So should it be with us in this dark hour. The word of our fathers is behind us. They knew the way. All along the road there are voices—deceptive voices—calling us to turn to the right or to the left and follow in a new way. When we consider a turning, let us listen to the word behind us, because it contains the wisdom of the ages.

We need to consider at this time the problems that confront us fairly and dispassionately. It is useless to discuss the party responsibility that has brought this evil day. Our great task is to solve the problems and talk about blame or credit thereafter. It is enough to say that during the past few years we have sailed the ship of state in a sea of glory—dreaming the while rainbow-tinted dreams. But the dreams are ended, we have awakened, and there is a gray mist on the sea's face and a gray dawn breaking.

There has been much talk about the departments, establishments, bureaus, boards, and commissions. Indeed, there are far too many of these; but I do not rail at them. Congress created them. There is no denying that as long as they function they must be supported by appropriations. Many of them exist because of the centralization of powers in the Federal Government. We should gradually withdraw all appropriations now made to the States and make no new ones. If we follow that plan we will be able to reduce the expenses of government by abolishing the instrumentalities now engaged in rendering aid to the States.

The Congress has been making appropriations conditioned upon the matching of the appropriation by State legislatures for this, that, and the other project. As a result, the States have incurred indebtedness and increased taxes, believing that they would lose their part if they neglected to take advantage of the offer made them by the Congress. The carrying out of the joint enterprise has been the chief cause of the many bureaus now in existence at Washington, and bureaus are always certain evidence of the centralization of power.

Some vote for these appropriations to the States on the ground that a few of the richer States pay the greater part of the taxes, and that the appropriations for the building of roads and other State-aid projects is a justified redistribution of wealth. It would be far better if the laws should be such as to prevent any groups receiving, in the first place, more than a fair proportion of the earned wealth of the Nation. If it has been through the favoritism of law that the citizens of certain States have acquired great wealth it does not seem to me that the distribution of wealth by making appropriations to the States can therefore be justified. It is true that some of the States receive more money from the Federal Treasury than they pay into it, and it may be admitted that it is difficult for some of the States to take care of the governmental expenses incident to the conduct of their governmental affairs. None of these things justify the appropriation of money directly to the States and the resultant creation of bureaus to look after its expenditure.

The cost of all government in the United States has grown to such immense proportions that everyone agrees that there must be a reduction. The people in the smaller units of government are clamoring for a great reduction in the expenses of operating the Federal Government. No doubt the expenses of operating the Federal Government should be very greatly reduced, but relief can not come to the people solely through the reduction of the expenses of the Federal Government. The people need to economize in the local units. In 1923 the cost of local government—that is, counties, townships, and municipalities—was \$4,793,000,000. That cost increased every year until 1932 when it was \$8,292,000,000, or an increase of \$3,499,000,000, which means that the expenses of local government for the 10-year period increased 73 per cent. In 1923 the cost of State government was \$1,242,000,000. That cost steadily increased until 1932 when it was \$2,364,000,000, or an increase of \$1,122,000,000, which means an increase of 90 per cent during the 10 years. In 1923 the cost of the

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