

# News Review of Current Events the World Over

## Senate Passes Farm Bill With the Inflation Amendment—Roosevelt to Ask Authority to Deal With War Debts—Herriot Enters Conversations.

By EDWARD W. PICKARD

BACKED by the administration, by the big Democratic majority in the senate and apparently by the favor of a large part of the population of the country, the Thomas inflation amendment to the farm relief bill won an easy victory in the senate. With this most portentous addition the farm bill was passed and sent back to the house for concurrence. The anti-inflationists, led by Senator David A. Reed of Pennsylvania, made a desperate but hopeless fight, arguing that while "controlled" inflation, as promised by the amendment's sponsors, might temporarily restore a measure of prosperity to the nation, previous experience here and abroad showed that control could not be maintained and that the ultimate results would be disastrous. Reed, Tydings of Maryland, a Democrat, and others seemed terribly dismayed by the prospects for the future and their sincerity could not be doubted.

Senator Thomas of Oklahoma himself led the debate for the affirmative, opening with the startling statement that the amendment, if it prevailed, should transfer value to the extent of almost \$200,000,000,000 from the creditor class to the debtor class. Of course, the effect of this assertion is greatly weakened when one realizes that our people cannot really be divided into such classes. There is scarcely a creditor in the land who is not also a debtor, and vice versa. But this point and many another were ignored by the proponents of inflation. Senator Pat Harrison of Mississippi, for instance, on the second day of the debate, confined his efforts mainly to taunting the "Mellon-Mills-Reed" group for its alleged failures during the Hoover administration.

The Wheeler-King silver coinage amendment was accepted by the senate. It would enable the President to fix the ratio between gold and silver and to provide for unlimited coinage of both metals at the ratio so fixed.

JUST what inflation, even if "controlled," will do to the nation and its business is a question on which economists and financiers are as far apart as the poles. For the present the prospect of its adoption and the abandonment of the gold standard have served to create almost a boom in certain lines of business, and the prices of commodities have begun to rise. But how this will in the long run benefit the ordinary citizen has not been shown to the satisfaction of most of us.

An especially dangerous clause in the Thomas amendment is the one giving the President power to devalue the gold dollar to the extent of 50 per cent. Senator Borah, an inflationist, argued that this would be declared unconstitutional. It may be this power will never be exercised by the President, but if it is it will be followed by steps to abrogate the gold clause in bonds, mortgages and other contracts. Provision for such action is made in the pending Goldborough bill which provides that existing contracts shall be satisfied by payment of their face amount in legal tender, that after its enactment, gold clause contracts cannot be made legally and that any profit made from exchanging gold for legal tender would be subject to a 100 per cent tax.

Some experts are of the opinion that the inflation bill may never be used; that it is "a mere bluff intended to have the very effect it is now having—arresting and reversing the downward course of prices," and giving the President a better position in the economic conversations with foreign statesmen, as did the abandonment of the gold standard, which also was inflationary.

WAR debts and reduction of armaments came to the fore in the White House conversations as Prime Minister MacDonald concluded his part of the parleys and prepared to depart for home, and former Premier Edouard Herriot of France began his sessions with the President. These three gentlemen met together, and after an informal dinner, Mr. Roosevelt took up the disarmament question with them, his evident purpose being to bring France into line at the Geneva conference. French demands for guarantees of security against attack, which have blocked all agreement hitherto, were discussed by the President, and it was said he indicated that he was "searching sincerely for means of associating the United States" with international efforts to check aggressor nations. Such association might take the form of consultation with signatories of the Kellogg peace pact in the event of its violation. And in

addition there is the administration bill authorizing the President to join other nations in declaring embargoes on arms and munitions.

As for the war debts, they were first brought up by Mr. MacDonald, who let Mr. Roosevelt know that Great Britain would like a downward revision; and their communique said that the basis was laid of a clearer understanding of the situation affecting the two nations, though no plan or settlement was under way yet. This encouraged M. Herriot and his expert associates to press the arguments of France for cancellation.

Then Mr. Roosevelt let the correspondents know that he was planning to ask congress for authority to reopen the war debt settlements and negotiate a reduction of the 11 billions which European nations owe the United States. If he were vested with this power the United States would enter the London conference prepared to bargain for stabilization of currencies on a modified gold basis, re-monetization of silver, lowering of tariffs and other trade barriers and adoption of measures to raise commodity prices and restore purchasing power.

Members of the French delegation said the President had promised MacDonald and Herriot that he would ask congress for authority to postpone the debt installments due June 15, and that in return Herriot would ask the French parliament to pay the defaulted December 15 payment of \$19,000,000.

As Mr. MacDonald said good-by to the White House, he and Mr. Roosevelt announced that they had agreed on the following:

- An increase in the general level of commodity prices.
- Re-orientation of commercial policies.
- Reduction of tariffs, quotas and exchange restrictions.
- World expansion of credit.
- Capital expenditures by governments to stimulate business.
- Re-establishment of an international monetary standard.
- Improvement of the status of silver.

PRIME MINISTER RICHARD B. BENNETT of Canada was already in Washington to talk with the President; Finance Minister Guido Jung of Italy and Hjalmar Schacht of Germany were on their way, and Japan announced that Viscount Kikujiro Ishii would arrive May 23. Mr. Bennett told the newspaper men that Canada stands ready to discuss any proposals that look toward closer commercial relations with the United States, and said the Ottawa agreements do not affect these trading possibilities. In a prepared statement he used these emphatic phrases:

"We have reached a point where it is certain that nothing but united action can avert world disaster."  
"Immediate action is imperative."  
"The world is in tragic trouble and distress."  
"If we do not soon defeat the forces of disruption and discord, they will defeat us."  
"We must act boldly and unselfishly, otherwise we shall be certain witnesses of the wreck of our civilization."

Asked whether Canada really had gone off the gold standard, as had been asserted by Finance Minister Rhodes, the prime minister replied: "Canada is as much of the gold standard as is the United States."

REFUSING to accept the Norris senate bill as a substitute, the house passed the Muscle Shoals development, the vote being 306 to 91. Seventeen Republicans and five Farmer-Laborites voted with the majority.

The house version is regarded as a less drastic measure than the Norris bill. The principal point of difference between the two is that the house bill provides an appropriation of \$10,000,000 and a bond issue of \$50,000,000 for starting the development program, while the Norris bill simply authorizes "all appropriation necessary." The Nebraska measure is likewise more rigid with regard to government construction of power transmission lines.

WHEN the world disarmament conference resumed its sessions in Geneva the French plan for an anti-war pact of consultation was presented by Rene Massigli. It excluded the American continent on the ground that it was impossible at present to make the pact universal. Massigli suggested the creation in the capital of each signatory power of a commission which would determine violations of the Briand-Kellogg pact and the rights of a victim to assistance.

Concrete measures to prevent misuse of civil airplanes for military purposes were presented by the United States, Canada, Argentina and Japan.

MUSSOLINI'S four-power peace plan is causing a lot of excited discussion in various European countries. Great Britain and Germany might gladly agree to this, but France still asserts the sanctity of treaties must be respected, and in this she is of course supported by all the nations of the little entente, and by Poland. In Czechoslovakia especially sentiment was aroused, and Foreign Minister Edouard Benes told the parliament in Prague that whoever desires to change the boundaries of that country must bring an army along with him. He criticized the Mussolini plan as a "great backward step," and added: "History shows that surrender of territory always is connected with the bloodiest wars."

SOVIET Russia was on the verge of a quarrel with Japan over the equipment of the Chinese Eastern railway, and in that connection it was interesting to note that a new alignment was bringing Russia and France together, the former drifting away from Germany and the latter beginning to take sides against Japan. Already the French and Russians have arranged for exchange of military information and military instructors. Before long the situation on the European continent may be pan-Germanism against pan-Slavism, with France on the side of the latter and Italy with the former.

CONTINUED Chinese resistance near Kopeikow pass on the road to Tientsin so enraged the Japanese military command that it announced the early occupation of all strategic points in the North China area. With this in view, the Japanese launched a general attack south of the Great Wall designed to open the way to the old Chinese capital. As usual, Japan finds a ready excuse for offensive movements already planned.

The Manchukuoan government has announced that only nations recognizing that state will benefit by its promise of an open door trade policy.

THE Nazi campaign against the Jews in Germany continues with vigor. Dr. Joseph Goebbels, minister of propaganda, speaking at Cologne, said: "We consider the Jews our enemies, but hitherto have exercised a clemency which the Jews do not deserve. If they believe that this clemency is weakness we will quickly teach them differently."

Goebbels proclaimed May 1 as the "festival day of national labor," to the disgust of the Communists, who have long considered that day sacred to their cause.

Students of Kiel university asked the rector to compel 28 Jewish professors to resign.

The anti-Jewish movement also was manifested in Rumania, where a ten-day boycott of all Jewish shops in the province of Bukovina was ordered by a Fascist organization.

FORMER Gov. Nellie Tayloe Ross of Wyoming finally has been placed in a federal position. The President appointed her director of the mint. Obviously Mrs. Ross was entitled to a good place, for as vice chairman of the Democratic national committee and head of the party's women's organization she has been very active and valuable.

"REPUBLICAN Federal Associates" is the name given an organization just formed by men prominent in the Hoover administration to aid the party in returning to power in the 1934 congressional elections. Walter F. Brown, former postmaster general, is its president, and Ogden Mills, secretary of the treasury under Hoover, is chairman of the board. Arch Coleman, who was first assistant postmaster general, is director of organization.

Mr. Coleman said the organization was primarily to keep together those who have been active in Republican circles for the last twelve years; to keep them advised of what is going on, and to bring back to the party fold those Republicans who supported Roosevelt last year.

Ernest Lee Jahncke, the Hoover assistant secretary of the navy, is first vice president; Mrs. Nicholas Longworth, second vice president; Charles J. Moad, third vice president; William R. Castle, treasurer, and Coleman, general secretary.

Six of the Hoover cabinet members are represented on the board of directors—Mills, Brown, Roy D. Chapin, Arthur M. Hyde, William N. Doak and Ray Lyman Wilbur. Others include Walter E. Hope, former assistant secretary of the treasury; James J. Patchell, Union City, Ind.; Mrs. Longworth, Castle, Moad, St. Paul; Jahncke, Harry Culver, Culver, Calif.; Coleman, Glover, John Richardson, Boston; Ferry K. Heath, former assistant secretary of the treasury, and Mrs. Albert G. Sims, New Mexico.

WISCONSIN has the honor of being the second state to ratify the prohibition repeal amendment to the Constitution, and the first to do that by unanimous vote. Fifteen delegates, assembled in the Capitol building in Madison, were addressed by Governor Schmedeman, and in eight minutes thereafter the resolution of ratification had been drawn up and adopted to the accompaniment of cheers.

# Washington Digest

National Topics Interpreted  
by William Bruckart

Washington.—The structure which we know as our currency has been undergoing a change in the last few weeks that is epochal, and it seems entirely likely that history will so record it. America's departure from the "gold standard" that was ordered by President Roosevelt on April 21 undoubtedly will stand as one of the milestones of this age, and it is a thing constituting a new experience to all excepting a few of the nation's millions. They, and they alone, can tell of their own knowledge what happened in the "greenback days" after the Civil war.

In addition to the action of the President in ordering the country's currency off of its basis of gold, other and equally important phases of the currency changes have been accomplished in the time which we may later recall as the crisis of 1933. We have seen the most extraordinary power ever accorded to a President of the United States delegated by congress to Mr. Roosevelt so that he can exercise the unlimited powers of a dictator over our currency within a specified range. He said he considered those powers essential, and congress gave them to him without question.

Thus in the space of a few short weeks, our nation has seen its currency structure lifted bodily from the foundation upon which it has rested more than half a century and rebuilt into a fabric of flexibility equalled only by the possible changes in the coat of the chameleon. Within the range of the limits fixed, the President has been empowered actually to prescribe the value of the money that you and I use.

But let us recount the events and understand what has happened, and see what they portend, if that be possible, through a knowledge of the factors embraced. Since the banking holiday of March, the money structure of the country has been imperiled; the situation has been watched by all nations, many of whom have been nervous, and frequent signs have appeared that the enormous gold stock in the United States was not regarded throughout the world as able to meet the demands should all foreigners having money in this country decide to withdraw it. The President, the treasury and the Federal Reserve board read those signs as dangerous. They saw, too, the tendency of American commodity and security values to slide further and further down. A choice had to be made. The President made it.

By one simple order, the President laid an embargo on exports of gold. In effect, he said the United States government will no longer permit anybody to pay their bills abroad in gold, because that is what happens when no gold exports are allowed. That simple order had a broader effect. The result of it was that the dollar in American money, measured as it must be alongside of foreign currencies, was worth less than when those abroad entitled to receive funds were able to get the gold if they wanted it. One may consider that the effect is psychological or however you may describe it, yet the end is the same. The law of supply and demand encompasses the currency like it does every other material thing.

So the President decided to allow the dollar to shift for itself in the foreign exchange field. In reaching that conclusion, he elected to provide protection against further declines, temporarily at least, in the prices of farm products, of commodities such as iron and the natural mineral resources, and of corporation stocks and bonds. Those prices automatically increased as the value of the dollar, measured in exchange of other currencies, declined.

To state it in another fashion, when the President took the currency off the gold standard, immediately there was the possibility of a limitless amount of currency being issued. If the currency were on the gold standard, each paper dollar was supported by a reserve of 40 per cent in gold and the amount of currency that could be issued, therefore, never could be more than two and a half times the amount of gold held in the Treasury and Federal Reserve banks. That amount is in excess of \$3,000,000,000.

But the fact that there is a topmost limit beyond which currency could not be issued, because there is not gold to support it, is held by the sound money advocates to establish a unit of value of currency which is not susceptible of fluctuation. That is the reason they urge retention of the gold standard. Departure from the gold standard then was a matter of grave concern to them, for they believe the dollars they own will be worth less, measured in the commodities the dollars will buy and by the value at which they will be taken in trading with foreign countries.

On the other hand, there were many who were overjoyed when the President withdrew support for the dollar, which is the technical way of saying that gold would not be paid out in settlement of foreign bills owed by Americans. It is the contention of this

school of thought that the dollar has fluctuated and that the commodities constitute the thing of fixed units of value. Consequently, when Mr. Roosevelt's action caused an increase in commodity prices, this group argued the dollar was and had been too "dear" and ought to be made cheaper. Similarly, they asserted there had been a shortage of currency throughout the depression and that there could never be sufficient currency if the gold basis were continued. This was so, they claimed, because there was not enough gold in the world to permit retention of a gold backing for each dollar of currency.

The strength of those favoring a greater amount of currency was increasing numerically through the last several years. Consequently, there were more of them in congress. This is attested by a vote which the senate took on an amendment to permit free and unlimited coinage of silver. The amendment was defeated, it is true, but the vote showed 33 senators in favor of it compared with 47 nays. That is the largest vote polled on the question in more than 30 years.

In the meantime, the President was getting ready for conferences with the heads of eleven foreign governments on economic and financial questions. Most of those nations were using exactly the same basis of currency as ours became after support for the dollar was withdrawn. He entered those conferences then on even terms, insofar as currency was concerned.

Under the terms of the legislation, negotiations are permitted between the Treasury and the Federal Reserve board and the Federal Reserve banks whereby the Reserve banks would buy \$3,000,000,000 worth of government bonds from private owners. The holders would be given cash by the reserve institutions in place of their securities. Thus, banks holding government bonds would be given cash instead of interest-bearing bonds, and the theory is that since the cash would not bring them a return, they would seek to make loans that would provide interest. If it works that way, it means that the banks would seek to encourage use of money in business enterprises. A condition known as an "easy money market" would obtain.

It is to be remembered, however, that the Federal Reserve Banks are quasi-private banks. It is possible for them to refuse to buy the government bonds in the manner suggested, so the law provides that the Treasury may buy \$3,000,000,000 in government bonds and pay for them in "United States notes." Just as were issued in the days of the greenbacks after the Civil war. This would pour just \$3,000,000,000 of new money into circulation. It will have either gold or silver back of it, but it remains to be determined which and in what amount, so it is an inflationary provision.

In the case of purchase by the Federal Reserve banks of the bonds in question, the law provides that the Federal Reserve banks will hold them for a stated period, but if the new moneys were issued by the Treasury to pay the bonds, a sinking fund is set up to retire the notes. It is provided that at least 4 per cent of the outstanding United States notes would be retired each year through an appropriation of funds by congress for that purpose.

Another provision of the law allows the President to change the value of the gold dollar. Under the previous law, it was required that a gold dollar should contain 25.8 grains of fine gold, or pure gold as we know it. The new law, however, gives the President power to reduce that gold content by as much as 50 per cent.

The third major section of the law allows the President to accept silver from foreign governments in payment of their war debts to the United States. He is limited in this respect, however, and may not accept more than \$100,000,000 in any one year, or about one-third of the annual payments in interest and principal. He cannot receive it if the price is above 50 cents an ounce. Present quotations are less than that. The silver accepted in payment of war debts is to be the basis for the issuing of silver certificates, but there is no payment due on these debts until mid-June and so if any of the foreign nations are granted the privilege by the President, there can be no currency issued against the funds until after June 15.

# Howe About:

## Ordinary Men Too Much Charity Parental Love

By ED HOWE

I RECALL being startled some years ago on reading a statement in a book that only the ordinary men have real intelligence; that poets, philosophers, professors and prophets go so far in their speculations that they finally camp far beyond the truth.

I was startled by the statement because throughout my life I have been reading books of the intelligentsia declaring that ordinary people are weak creatures, and must be constantly directed by preachers and writers.

I think this great compliment was paid us by Herbert Spencer; and there is some evidence to warrant it. In Russia the ordinary working Americans are accepted as superior men, and sent for as foremen in building factories, railroads, power and irrigation dams, etc. But note the contempt the Russian leaders express for our writers and statesmen! None of their notions are accepted!

I give credit above to Herbert Spencer for the compliment. It may have been Samuel Butler; I should have better remembered the name, in gratitude. Anyway, both men have come down to us with reputations for unusual intelligence and learning; and let ordinary working citizens remember that such a man believed they are the source of real intelligence, and in future combat mistaken notions of writers and statesmen with more vigor.

The Soviet leaders in Russia have some excellent ideas. One is that the thousands of idle and mischievous men in the big towns must give good excuse for remaining or get out into the country, and earn an honest living on farms. In every town there are many characters known to police, who live by scheming almost or entirely robbery. These men are responsible for nine-tenths of the law breaking; the ordinary citizen with a good job does not require the attention of police a half dozen times in his lifetime. . . . The most serious trouble in the world today is too much charity for the more than half loafers, dead beats and criminals. And this excessive charity is a new growth. I distinctly remember a time when all communities had a vagrancy law; vagrants were arrested with considerable promptness and discretion, and made to work on the rock pile. Nearly everywhere now the vagrants are in charge of public affairs.

Writers highly compliment mothers in some ways, and misrepresent them viciously in others.

Writers almost universally charge that mothers do not properly educate daughters in sex matters. There never was a mother who neglected such education. I have long believed the love of parents for children is the thing that never fails. And parents add a patience and self-sacrifice in dealing with their children that is about the most creditable thing to be said of our miserable race.

Some parents, poor wretches, have had judgment, but fierce devotion to children never fails so far as I have observed. If love for our children will save us we will all finally get to heaven.

Some children may fail to sit on the right hand of God because of meanness to their parents, but if love of children is sufficient virtue to save us, I expect to find all parents there.

An English writer says: "A boy is more often disqualified than qualified in economic life by a prolonged education." H. G. Wells has long been saying time spent in a university is wasted, and a training in idleness and rowdiness. England is deliberately cutting its educational budget; and it has never been as foolish about education as have Americans who have steadily made it more expensive and ineffective.

One of the impressive incidents of my life has been knowing an old woman who had had two worthless husbands, several children, and on an average not more than half enough to eat and wear. She almost worships every man able to make a good living. Such a man is her ideal, and a success.

I rate men in the same way. Those who make a good living, pay their debts with reasonable promptness, help somewhat in decent human progress, and are in line for honest promotion, are our best men. From their ranks come the millions who have slowly improved their manners and their services, and been able to distinguish their race. There are many limitations in the creature called man, but if he is ambitious to get out of life the best there is admittedly in it, he is good enough and a success.

I have long believed a majority of the people are good enough, considering all their handicaps. . . . But now that times are harder than ever before, I am wavering somewhat; honesty is always at a specially low ebb during hard times. One is most apt to be honest when getting along fairly well; the word of the man in worst trouble must be discounted most.

I have lived a long time in the United States, and my wrongs have not been those of a slave, but of a free man badly managing himself.

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Sen. Thomas



R. B. Bennett



Ogden Mills



M. Herriot