

example, a central bank of issue such as has been proposed, intended to supply a currency of stable general purchasing power and to be operated along traditional central banking lines with investments in precious metal, governments, private paper and foreign exchange, would not be a sound institution. Sooner or later it would be forced to choose between tremendous losses or abandoning its dollar-stabilizing program. The ideal cross-section of basic wealth for a sound dollar-stabilization corporation would be the same items as used to determine the general level of prices; for example, 50 most heavily traded consumer goods of a certain kind, and 50 most heavily traded investment goods of a certain kind, both classes of goods being equally important in influencing business activity.

This dollar-stabilization corporation would really be of the nature of a Government-owned investment trust. It would differ from every other kind of an investment trust in that its outstanding obligations (currency instead of the usual common stock) would be kept stable in value by being issued or retired whenever this value departed from a specifically defined normal.

This corporation, at a time like the present, could be set up with a negligible initial working capital, and thereafter it would be profit making. It could be liquidated 100 percent at any time in the future that its utility might cease to exist, without loss.

This corporation need not interfere with existing outstanding currency, at least not at present. Ultimately all currency should be simplified and unified. By making the new currency interchangeable with all other forms of United States currency, its efficient stabilization would result in the stabilization of all other currency, provided no radical changes in other forms of currency were permitted. This new corporation would not interfere at all with the strictly banking functions of the Federal Reserve banks or other banks. Neither would it interfere in any way with the borrowing, refinancing, or other functions of the Treasury Department.

In the present situation this corporation would immediately start an efficient restoration of the domestic general price level by buying and withdrawing basic wealth from the markets. At the same time it would induce a healthy demand for bank loans to expand business enterprises in view of the improved prospects for business profits. This in turn would induce a healthy speculation in the direction of a restored price level, bringing this objective to a quick realization.

After the domestic general price level had thus been restored, and involuntary unemployment had been substantially eliminated, the problem would be likely to turn into one of preventing another boom, with its exorbitant business profits. The proposed dollar stabilization corporation would just as efficiently correct that kind of a condition by selling as much of its assets and retiring as much of its outstanding currency as necessary. Incidentally, this would involve a profit, because these assets would have been purchased at lower prices.

It is, of course, impossible in a brief description of this kind to cover every detail of organization and operation of this proposed dollar stabilization corporation. Such details, however, have largely been worked out, and it is believed that any questioning as to how this corporation might work out in practice under any particular set of conditions can be satisfactorily answered.

The CHAIRMAN. Mr. Frank L. Peckham, vice president Sentinels of the Republic.

STATEMENT OF FRANK L. PECKHAM, WASHINGTON, D. C., VICE PRESIDENT SENTINELS OF THE REPUBLIC

The CHAIRMAN. You represent the Sentinels of the Republic?

Mr. PECKHAM. Yes, Mr. Chairman.

The CHAIRMAN. What is that organization?

Mr. PECKHAM. That is an organization that was formed in 1922 and has been active ever since, in opposition to all measures that tend further and further to centralize power and responsibility in the Federal Government at Washington over various sorts of matters that primarily should not only be under the control of the States and local governments but for which those local governments are primarily responsible as well.

Senator COUZENS. Have you ever filed with the House of Representatives the amount of money that you have collected and the disbursements of it?

Mr. PECKHAM. I do not think we ever have, Senator.

Senator COUZENS. I see the Liberty League does, and other such propaganda organizations. I wonder why you do not submit a report to the Government.

Mr. PECKHAM. I do not know that we fall within the provisions of that act. I will admit, too, that we have never had enough money to justify making a report of it.

Senator COUZENS. How much money have you had?

Mr. PECKHAM. I do not know the exact dollars and cents, but we have had a comparatively small amount, based upon contributions of dues of 2 to 5 and 10 dollars of some four or five thousand people, at different times.

The CHAIRMAN. All over the country?

Mr. PECKHAM. All over the country.

Senator COUZENS. Is that your maximum contribution, \$10?

Mr. PECKHAM. I would judge so, although I personally have contributed more than that at times.

Senator COUZENS. Who are the officers of your organization?

Mr. PECKHAM. Mr. Alexander Lincoln, of Boston, Mass., is the president.

I am a lawyer of Washington, and the vice president.

Mr. William H. Coolidge, of Boston, is the treasurer.

Mrs. John Balch, of Milton, Mass., is the secretary.

Mr. Thomas F. Cadwalader, of Baltimore, Md., is the chairman of the executive committee.

Mr. Raymond Pi teairn, of Philadelphia, is the national chairman, and Mr. H. G. Torbert, of Washington, D. C., is executive secretary.

Senator COUZENS. Are you on a national retainer?

Mr. PECKHAM. So, Senator; I give my time and have since 1923 without remuneration, and have paid all of my own expenses.

Senator COUZENS. Do you know what the annual income has been in any 1 year?

Mr. PECKHAM. No; I do not. I mean I ha-i-en't the exact figures. I can probably get that and would be glad to put it in the record if you would like it, Senator.

The CHAIRMAN. All right, proceed, Mr. Peckham.

Mr. PECKHAM. Mr. Chairman, the statement that I have prepared here, while only part of it is directed at this present bill, expresses the philosophy behind our opposition to this measure, and if I might read it through I can do it in a very few minutes and it will serve to explain our opposition to everything after the enacting clause in the bill that is now before the committee.

The CHAIRMAN. Proceed.

Mr. PECKHAM. At our annual meeting in New York on January 26 this year we had this bill and similar measures under consideration, and we adopted this brief statement of our legislative policy as to these various measures.

Declaration adopted by Sentinels of the Republic at annual meeting held in New York, January 26, 1933.

The Sentinels of the Republic have consistently opposed the consolidation of government and the centralization of power so much dreaded by the long line of statesmen bred in the American traditions of liberty and self-government.

They have hitherto successfully opposed such measures in aid of bureaucracy and irresponsible government as the so-called "child" labor amendment which would give to Congress the power "to limit, regulate, and prohibit the labor of persons under 18 years of age." The very wording of this measure should be abhorrent to true Americans, and the fact that three-fourths of the States rejected it within 3 years after its proposal by Congress in 1924 confirms this judgment. A special committee of the American Bar Association, composed of distinguished lawyers, has announced its opinion that by the expiration of time rejection by the States has become final under the Constitution, and that the amendment could not now be validly ratified by State action alone, but that it would have to come to the States again as a new proposal from the Congress. Nevertheless, the attempt is being made to secure its ratification in many States which have repeatedly refused their assent. We protest against this unconstitutional effort to vitiate a Constitution dedicated to human liberty,

We recognize the extreme difficulty of the problems which the depression has brought upon our country and are in hearty sympathy with every effort made in good faith to restore public confidence, promote business recovery, and relieve suffering and want. But periods of emergency, as the Supreme Court has declared, do not justify a resort to measures by which power is assumed which is not granted by the Constitution or which do violence to the rights therein guaranteed, invading the reserved rights of the States to govern themselves in local matters, and tending to destroy the liberties of the citizen. Unfortunately, a large body of legislation of this character has already been proposed by Congress and now has to stand the practical tests of experience and of judicial interpretation or rejection. We must rely on the conscience and character of our courts, but we must also arouse the spirit of the people whose essential freedom is at stake,

New and equally startling proposals are, however, now before Congress, and on these we wish to record our definite judgment. The proposed appropriation of the astronomical sum of \$4,800,000,000 to be spent in the uncontrolled discretion of the President to make work for millions of the unemployed is fraught with so much risk, economic and social, that we demand that in any event this expenditure be safeguarded by a provision prohibiting its use in competition with private business enterprise. The wisdom of the expenditure must remain doubtful and the delegation of power is so unrestricted as to raise most serious objections. At least the purposes to which the money can be lawfully applied should be defined or the effect will be hardly distinguishable from the establishment of a dictatorship.

The proposed "social security" legislation, under which Congress, by so-called "Federal aid", will in effect subsidize or bribe the several States with the money of the taxpayers to adopt highly complex and experimental schemes of unemployment insurance, old-age pensions, help for mothers and infants, child welfare, and local public-health programs, presents in aggravated form the objections we long and successfully urged against less ambitious proposals and measures covering the same fields of purely local legislation. After a lengthy struggle we secured the repeal of the Sheppard-Towner Maternity Act, and we now are equally hostile to the principle therein embodied and now involved in the new program of social legislation. In a country so vast and diverse social reform can be wisely and successfully accomplished only by State or municipal legislation, which can easily be tested, repealed, or modified in accordance with local experience. Witness the successful abolition of child labor in industry by State laws, the adoption of workmen's compensation insurance in most of the industrial States, and the vast improvement in educational and public-health service, all under State legislation and administration and at the expense of the respective communities. The progress of social reform in the United States has been rapid and genuine under our system of community responsibility. It may easily become perverted by the meddling of an irresponsible directing bureaucracy. All these fields of State action involve private right and domestic problems, and were wisely withheld by the founders from Federal control. None of these matters involves recovery. The proposed Federal legislation is designed to be permanent, and if enacted will work a permanent and unwholesome dislocation of our scheme of government.

Congress has no power to legislate on these subjects. It can only, in fact, appropriate money for purposes for which it has no constitutional sanction to act at all. In so doing it will further weaken the sense of responsibility of the people, make confirmed beggars of our States and cities, and stimulate an unhealthy growth of doctrinaire schemes in place of the wholesome measures which an aroused public conscience will enact when the need becomes evident.

We are strongly opposed to proposed amendments to the Constitution which would give Congress power to regulate hours and conditions of labor and to legislation proposing to limit hours and conditions of labor, which latter is without a vestige of constitutional support.

At our meeting in New York we also recorded our opposition to the scheme of embodying all sorts of social-welfare measures in one bill, such as has been done in the pending bill. We recommend and request **that** the several measures be separated and proposed in separate bills, so that each will be considered upon its own special merits and demerits.

Heretofore many so-called "Federal aid" measures, embodying the same vicious principles that appear in the pending bill, have been urged. Some have been adopted, others defeated. In all cases they have been supported by a plea that they were intended only to stimulate the States to put into effect, social schemes proposed by lobbyists and bureaus in Washington.

As so often happens in the administration of stimulants, the constant dosage of the States with financial stimulant from the Federal Treasury has made of the States and local communities "stimulant addicts." The cumulative effect of "Federal-aid" legislation in the past has been that during the period of depression and now we find the States and cities lying like mendicants at the door of Congress, begging Federal alms, instead of going about the business of trying to solve their local problems in their own respective ways. And this, too, in spite of the fact that many of the States and communities will in the long run have to contribute to the Federal Treasury much more than they ever receive.

The CHAIRMAN. Thank you very much.

STATEMENT OF HUGO E. CZERWONKY, WASHINGTON, D. C.

The CHAIRMAN. Mr. Czerwonky, you represent yourself, I see.

Mr. CZERWONKY. I have been down here in Washington a year last November! and for the first part of my stay down here I was employed as senior materials engineer with the Agricultural Adjustment Administration, to make an engineering study of the problem of distribution.

Senator KING. Distribution of commodities?

Mr. CZERWONKY. Of everything, just the general problem itself. That may seem rather ridiculous, but that was the fact.

Senator KING. Just like some other problems suggested in other departments.

The CHAIRMAN. Are you in that work now?

Mr. CZERWONKY. No, sir; I am associated right now, just in the past week, with the National Monetary Conference, which has just been formed.

Senator KING. YOU mean the one that Senator Owen is connected with?

Mr. CZERWONKY. Yes, sir. I just want to explain briefly what my study involved. It involved, in the first place, a thorough-going analysis of our exchange methods, how the exchange of goods was facilitated, in an effort to find out where it broke down.

The CHAIRMAN. All right, Mr. Czerwonky, you may go ahead with your statement.