

[March 17, 1934]

THE CONGRESSIONAL FRONT
By Congressman Everett M. Dirksen
16th District.

COTTON. The bill now pending before the House to restrict the sale of cotton in Interstate Commerce is perhaps the most far reaching of any bill thus far considered because it marks a departure in the AAA policy of crop and acreage reduction by virtually making reduction compulsory. It is known as the Bankhead Bill. It seeks to make the law of supply and demand work. Recognizing that in spite of the 30% reduction in cotton acreage last year, that there is a carry over of 13 million bales with another crop coming on, it sets a limit of 10 million bales for 1934-1935 and says that only that many bales can be sold in interstate commerce next year. It presumes that all cotton raised and all cotton fabricated into goods is in interstate commerce. Taking the last five years as an average, it apportions that 10 million bales among the cotton states. In fact it apportions it to counties and individuals and tells the cotton farmer on the basis of past production, how much cotton he may raise for sale next year. To enforce compliance, it says to the farmer that if he raises more than his allotted share, he cannot sell it unless he pays a tax equal to one half of the prevailing price in the central cotton market. If cotton is selling for 12 $\frac{1}{2}$ ¢, the additional allotment over and above what the Secretary of Agriculture has apportioned to him, cannot be sold unless he first pays a tax of 6¢ per pound or \$30.00 per standard bale. In view of increased cotton acreage in Russia, Argentine, Brazil, Egypt, India and elsewhere, there appears the solid question of whether this measure will work, even though the South seems to be solidly for it's enactment.

SOLDIERS BONUS. On March 11, 1933, the House passed the celebrated Economy Act. On March 12, 1934, the House passed the Bonus measure providing for the payment of the balance of the Bonus. It is not due until 1945 but the theory prevailed that if it were paid now, it would aid recovery and place money in circulation. Payment shall be made, in United States non-interest bearing notes. This means actual cash money. Hence, it is referred to as "inflation" whereas if Uncle Sam issued sufficient bonds bearing interest at 3% on which to make a loan with which to pay the bonus, it would not be inflation. About 2 $\frac{1}{5}$ billion dollars will be required to pay the balance due. One of the impelling reasons which influenced favorable consideration of this measure is that a soldier who received an Adjusted Service Certificate (Bonus) in 1925 and borrowed one half as permitted three years ago, would have little left in 1945 because of interest charges. In the case of a Certificate for \$1000 which was the average, and on which \$500 had been borrowed, the soldier would receive only \$184 of the remaining \$500 by 1945. There are in Illinois, 245 590 service men who hold such Certificates aggregating \$157 million dollars. If all of them took the remainder due on the certificates, there would be available, 157 million in cash for expenditure in our state. All this of course is on the assumption that the Bonus passes the Senate and is approved by the President or is passed over the President's veto. The latter would require a $\frac{2}{3}$ vote in both houses.

LAND BANK LOANS. More than 78,000 Federal Land Bank Loans and over 110,000 Commissioners loans have been made to farmers from May 1st 1933 to February 28, 1934 in the aggregate amount of 478 million dollars. In Illinois there was a total of 3860 Land Bank Loans and 3572 Commissioners loans totalling over 29 million. These seem to be large amounts and yet there are many applications which have been denied or in which the appraisals are too low to effect any benefit for the farmer. There is herewith summarized, the formula used by the Farm Credit Administration in appraising a loan. John Smith has a 200 acre farm. One hundred fifty acres are tilled annually. He seeds it to wheat. The average yield is 20 bushels. The normal price, as determined by a thorough study is 80¢ a bushel. 150 acres, yielding 20 bushels at 80¢ produces an income of \$2400. Deduct \$300 for taxes and \$500 for cost of operation. Balance is \$1600 which capitalized at 7% is about \$22,850. The Land Bank is permitted to loan up to 50% on a 33 year land bank loan and enough in addition on a Commissioner's loan so that the aggregate of both loans will not exceed 75% so that in theory John Smith could borrow a little over \$17,000. Now if the yield is less, or there is less actual tillable acreage, or if there are other deductions, these all help to diminish the net income and the smaller net income when capitalized at the going interest rate whether it be 6% or 7%, the amount which the Farm Credit Administration will loan, will be proportionately less. The illustration serves to show that loans are being made primarily on the basis of what the FCA estimates the expected income to be over a period of years and whether

John Smith's income will be sufficient to pay interest and installments on the principal on the money he seeks to borrow from the Land Bank. By this formula, you can use your own figures and determine what you might be able to borrow. It should be added that to the value of the land is added 20% of the value of the permanent, insurable improvements.

WHY NOT AMERICAN RUM. On March 15th, the Federal Alcohol Control Administration announced that all restrictions on the importation of alcoholic beverages from Cuba had been lifted and that any one holding an Importing Permit might import any amount of beverages from that island without limit or quota until April 7th. It might be of interest to point out that there are about 50 rum distilleries in Cuba. Rum is distilled from the juice of sugar cane or from blackstrap molasses. The U. S. Also produces sugar cane. It also has a supply of domestic blackstrap molasses as a by product of the sugar cane industry in the south and the beet sugar industry in Colorado, Utah, Michigan and elsewhere. If our sugar industry were encouraged and given protection, there would be an incentive for American capital to venture into the business of distilling rum. At present, however, it is too hazardous because one of the "professoriat" from the Dept. of Agriculture, in testifying before the Committee on Agriculture with respect to the new sugar import quotas which they seek to establish, intimated that the production of sugar in the U. S. is an inefficient and uneconomical industry and that it should be ultimately abandoned in favor of imports of sugar from Cuba, Hawaii, and the Philippines in the hope that we would be compensated for the loss of such an industry by the greater purchasing power of those islands for products that are efficiently produced in this country. In other words, the Dept. of Agriculture advisers feel that the American sugar industry should be put out of business. Strange world, this, that the agricultural advisers wish to stifle the only agricultural industry which does not produce a surplus and which has not been called on to reduce acreage.

ALKY GASOLINE. Alky gas is not dead. In fact very much alive. Hearings will begin as soon as the tax and tariff bills are out of the way and the Senate subcommittee on Finance can find a breathing spell. It should come about the middle of April. The alky-gas movement will receive considerable impetus from the volume which will come from the press next week titled "Power Alcohol and Farm Relief" authorized by Dr. Leo M. Christensen and Dr. Ralph M. Hixon, and Dr. Ellis I. Fulmer, all of Iowa State College. It sets forth the case in logical fashion and dispels every argument ever advanced against alcohol gasoline, both as a technically perfect motor fuel and in its effect upon the planned agricultural destiny of the American farmer. Alky gas will be one of the big issues in the near future.

ODDS & ENDS. Of the 146 million gallons of alcohol produced in the U. S. in 1932, 124 million gallons were made of blackstrap molasses. Enlarged departmental activities have made it necessary to take over virtually all available office space in private buildings in the national capital. Figures show that where homesteaders have pre-empted 640 acre claims in the southwest, 50% failed to prove upon their claims and 65% of those who did, ultimately abandoned their homesteads. The cause was inadequate equipment and lack of funds. Uncle Sam will aid a city which needs a Building and Loan Association by sending an expert to organize such association and by subscribing to 50% of the stock up to \$100,000. An effort will be made to raise the amount to 75% and also to raise the total amount which may be subscribed. This will come as an amendment to the bill which guarantees both interest and principal on the Home Owners Loan Bonds. New air mail rates contained in the new air mail bill call for 30% per pound mile for the first 300 pounds, 6¢ per pound-mile for the next 150 pounds, and nothing for all poundage over that amount.

OBSERVATION. The buds on the famed Cherry trees along the Potomac are heavy with sap and will soon burst forth into pink blossoms and attract thousands of visitors.