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GOLD INFLUX LAID TO FLAW IN TRADE

Grady, Aide to Hull, Testifies at House Hearing to Defend Reciprocal Treaties

CALLS PACTS GOOD SENSE

Inflation and Other Dangers Will Be With Us Unless Law Is Extended, He Warns

Special to THE NEW YORK TIMES.

WASHINGTON, Jan. 17—This country's abnormal gold imports of the last two years have been sent here largely in payment of the balance of exports over imports, Henry F. Grady, Assistant Secretary of State, told the Ways and Means Committee today in testifying in favor of extending the Reciprocal Trade Agreements Act three years after next June 12.

Whatever dangers, inflationary or otherwise, that are inherent in the accumulation of gold stocks to a point where the United States already holds some 60 per cent of the world's visible supply will continue until other nations are more nearly able to pay for purchases from the United States out of the proceeds of their business with it, Mr. Grady warned the committee.

"The heavy export balances of the years 1915 to 1919 accompanied, it will be remembered, a change in our position from debtor to creditor on international account," he said in his prepared statement. "The large export balances in most of the years from 1924 to 1930 were recorded during a period of heavy and indiscriminate lending to foreign countries.

"The more recent increase in our export balance from the low point in 1936 has accompanied an immense increase in our net imports of gold, which reached nearly $2,000,000,000 in 1938 and exceeded $3,000,000,000 in 1939.

Says We Have Learned Much

"Since 1914 we have learned a great deal about our dealings with the rest of the world in commodities, shipping, travel, credit and capital, and other items which go to make up our balance of international payments. The heavy inflow of gold in recent years is, of course, related to other factors besides our commodity balance, but for 1938 and 1939 the relation of our commodity balance to our gold imports appears particularly close.

"In the last two years, during which our net gold imports (not including earmarked gold) were well over $4,500,000,000, the sale of our products and services abroad has exceeded by at least $2,000,000,000 the income of foreign countries from products and services delivered to us; that is, their ability to repay out of their current business with us."

Mr. Grady had the witness stand himself today during the short period of the committee session. The committee recessed at the luncheon hour to give its members an opportunity to participate in the offering of amendments to the Independent Officers Appropriations bill from the floor of the House. The hearings will continue tomorrow morning, with Mr. Grady again on the stand.

Much of the assistant secretary's testimony was occupied with refuting suggestions that had been made, under the guise of questions, when Secretary Hull appeared before the committee last Thursday and Friday. These dealt, for the most part, with implied criticisms of particular items in particular trade agreements which have been concluded.

Constitutionality Upheld

In reply to the main lines of the opposition to renewal of the Executive authority to negotiate the agreements, Mr. Grady took up the following points:

1. Constitutionality of the act. Mr. Grady proposed for the record, and obtained permission to include it, a study on that subject by Francis B. Sayre, former Assistant Secretary of State, whose place Mr. Grady took when Mr. Sayre was sent to the Philippines as High Commissioner. The gist of this study and of Mr. Grady's own opinion is that the limited delegation of authority which Congress has conferred on the President during the last three years is perfectly legal and has ample precedent to support it.

2. Senate ratification. This proposed further limitation on the authority delegated to the Executive met Mr. Grady's hearty disapproval. He pointed to experience with Senate ratification, showing that only three reciprocal trade treaties—those with Canada in 1854, with Hawaii in 1875, and with Cuba in 1902—have ever been ratified by the Senate whereas twenty-two were negotiated and failed of ratification. On the other side of the ledger, he said, some twenty-six trade agreements, not requiring Senate ratification had been successfully negotiated and operated before the twenty-two put into execution under the present law.

3. Cost of production formula. Mr. Grady held that this possible limitation, under which no customs duty could be lowered to a point where it would fail to equalize differerence in foreign and domestic production costs, is unworkable.

4. Most-favored-nation policy. The witness explained that this principle has for its principal object the protection of American concessions gained from foreign nations.

He summed up with a detailed statement that the trade agreements program has been positively beneficial to American agriculture and American labor.

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