By Mr. ANDREW of Massachusetts: A bill (H. R. 13001) to enlarge and extend the post-office building at Haverhill, Mass.; to the Committee on Public Buildings and Grounds.

By Mr. LANGLEY: A bill (H. R. 13002) to increase the pensions of those who have lost limbs or have been totally disabled in the same in the military or naval service of the United States; to the Committee on Invalid Pensions.

By Mr. BEEDY: A bill (H. R. 13003) providing for the erection of a public building at Portland, Me., and for other purposes; to the Committee on Public Buildings and Grounds.

By Mr. ANTHONY: A bill (H. R. 13004) authorizing the Secretary of War to lease to the Kansas Electric Power Co., its successors and assigns, a certain tract of land in the military reservation at Fort Leavenworth; to the Committee on Military Affairs.

By Mr. SUMNERS of Texas: A bill (H. R. 13005) amendatory of and supplemental to an act entitled "An act to incorporate the Texas Pacific Railroad Co., and to aid in the construction of its road, and for other purposes," approved March 3, 1871, and acts supplemental thereto, approved, respectively, May 2, 1872, March 3, 1873, and June 22, 1874; to the Committee on Interstate and Foreign Commerce.

By Mr. ARENTZ: A bill (H. R. 13006) to authorize the acquisition of a site and the erection of a Federal building at Lovelock, Pershing County, Nev.; to the Committee on Public Buildings and Grounds.

By Mr. ROUSE: Joint resolution (H. J. Res. 392) providing for the delivery of mail notwithstanding failure to provide receptacles therefor; to the Committee on the Post Office and Post Roads.

By Mr. RAINEY of Illinois: Joint resolution (H, J. Res. 393) providing for the appointment of a joint committee of Congress to investigate the holding of initiations and ceremonies in the United States Capitol and other public buildings by the Ku-Klux Klan; to the Committee on Rules.

By Mr. FAIRCHILD: Joint resolution (H. J. Res. 394) limiting the operation of the immigration act of May 19, 1921, as amended by joint resolution of May 11, 1922; to the Committee on Immigration and Naturalization.

By Mr. ROUSE: Resolution (H. Res. 451) directing the Postmaster General to transmit to the House of Representatives certain information relative to the manufacture of covers of door slots and mail receptacles for use of the United States City Delivery Service; to the Committee on the Post Office and Post Roads.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CHINDBLOM: A bill (H. R. 13007) granting a pension to Alonzo G. Hindman; to the Committee on Invalid Pensions.

By Mr. COLE of Ohio: A bill (H. R. 13008) granting a pension to Allie Powell; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13009) granting a pension to Rebecca M. Pickel; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13010) granting an increase of pension to Lula Reeder; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13011) granting an increase of pension to Catherine Boardman; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13012) granting an increase of pension to Ralph Waite; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13013) granting an increase of pension to Mary C. Cole; to the Committee on Invalid Pensions.

By Mr. CROWTHER: A bill (H. R. 13014) granting an increase of pension to Martin G. Lyons; to the Committee on Pensions.

Also, a bill (H. R. 13015) granting a pension to William Schuyler; to the Committee on Pensions.

Also, a bill (H. R. 13016) granting an increase of pension to Catherine Brower; to the Committee on Invalid Pensions.

By Mr. FITZGERALD: A bill (H. R. 13017) granting an increase of pension to Alexander LeClaire; to the Committee on Invalid Pensions.

By Mr. GREEN of Iowa: A bill (H. R. 13018) granting a pension to George H. Howe; to the Committee on Invalid Pensions.

By Mr. LONGWORTH: A bill (H. R. 13019) granting an increase of pension to Caroline Carruth; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13020) granting a pension to Susan Brunaugh; to the Committee on Invalid Pensions.

By Mr. McKENZIE: A bill (H. R. 13021) granting a pension to Angie Page; to the Committee on Invalid Pensions.

By Mr. MAPES: A bill (H. R. 13022) granting a pension to Elijah Burt; to the Committee on Pensions.

Also, a bill (H. R. 13023) granting a pension to John Bernhardt; to the Committee on Pensions.

By Mr. MONDELL: A bill (H. R. 13024) for the relief of August Nelson; to the Committee on the Public Lands.

By Mr. MOORE of Illinois: A bill (H. R. 13025) granting a pension to Anna Danison; to the Committee on Invalid Pensions.

By Mr. ROBSION: A bill (H. R. 13026) granting an increase of pension to William S. Arnold; to the Committee on Pensions.

By Mr. SNELL: A bill (H. R. 13027) granting an increase of pension to Alice Howe; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13028) granting an increase of pension to Mrs. Cashmere Russell; to the Committee on Invalid Pensions.

By Mr. VESTAL: A bill (H. R. 13029) granting an increase of pension to Dennis Conner; to the Committee on Pensions.

By Mr. VINSON: A bill (H. R. 13030) granting an increase of pension to Thomas M. Benton; to the Committee on Pensions.

By Mr. VOLSTEAD: A bill (H. R. 13031) to permit Mahlon Pitney, an Associate Justice of the Supreme Court of the United States, to retire; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

6459. By Mr. COLE of Ohio: Petitions of the various churches of Upper Sandusky, Ohio; the Methodist Protestant, Methodist Episcopal, and Presbyterian Churches of Forest, Ohio; and the Methodist Episcopal and Methodist Protestant Churches of Arlington, Ohio, indorsing H. R. 9753, providing for Sunday observance; to the Committee on the District of Columbia.

6460. By Mr. KAHN: Petition of 4,716 citizens favoring an amendment to the so-called Volstead prohibition law, allowing the manufacture and sale of light wines and beer; to the Committee on the Judiciary.

6461. By Mr. KELLY of Pennsylvania: Petition of the Sons and Daughters of Liberty, members of Turtle Creek Valley Council, No. 191, and citizens of Pennsylvania, asking for the passage of the Towner-Sterling bill, for the creation of a department of education; to the Committee on Education.

6462. Also, petition of the legislative committee of the American Legion, urging passage of the adjusted compensation measure; to the Committee on Ways and Means.

6463. By Mr. KISSEL: Petition of Francis M. Savage, Northwest Savings Bank, Washington, D. C., regarding the Riggs National Bank opening a branch bank at Eighteenth Street near Columbia Road, District of Columbia; to the Committee on the District of Columbia.

HOUSE OF REPRESENTATIVES.

SATURDAY, *November 25, 1922.*

The House met at 12 o'clock noon, and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

In this moment of silence, our Heavenly Father, speak to us. Thou alone art able to whisper to the human heart. Do Thou vitalize all good purposes, all noble vows, and all desires after the best things of life. May we never forget Thy benefits and may our memories be quick to retain all Thy gracious mercies. O God, be with our country. In all our material greatness may there be at its roots the fear of God and the love of virtue. Enable us as a people to grow in moral energy, expand in intellectual happiness, and contribute to the spiritual hope and salvation of mankind. In the name of Jesus, our Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

THE MERCHANT MARINE.

Mr. GREENE of Massachusetts. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 12817.

The SPEAKER. The gentleman from Massachusetts moves that the House resolve itself into Committee of the Whole

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House on the state of the Union for the further consideration of the bill H. R. 12817. The question is on agreeing to that motion.

The motion was agreed to.

The SPEAKER. The gentleman from Connecticut [Mr. TILSON] will resume the chair.

Thereupon the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 12817, with Mr. TILSON in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 12817, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 12817) to amend and supplement the merchant marine act, 1920, and for other purposes.

Mr. GREENE of Massachusetts. Will the gentleman from Alabama [Mr. BANKHEAD] please use some time?

Mr. BANKHEAD. Mr. Chairman, I yield 15 minutes to the gentleman from Wisconsin [Mr. FREAR].

Mr. FREAR. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD on the subject of taxation.

The CHAIRMAN. The gentleman from Wisconsin asks unanimous consent to extend his remarks in the RECORD on the subject of taxation. Is there objection?

There was no objection.

Mr. FREAR. Mr. Chairman, I desire to present to the House later on the correspondence with Secretary of the Treasury Mellon in regard to the enforcement of section 220 of the revenue law, 1921, and suggested legislation to meet the situation. I will place it in the RECORD next week, and I think it may be of sufficient interest to mention it at this time. I trust that the Members will give it some attention when it is placed in the RECORD. It will submit proposed tax measures and other bills disclosed by the correspondence to be necessary in my judgment.

Mr. Chairman, in the few moments given to me I can only touch on one phase of this ship subsidy bill. It has been well covered in other particulars by competent speakers.

Mr. Chairman, I am in favor of maintaining American shipping and likewise good American standards of living for those who pay the bills. What will this bill do? In a direct and indirect subsidy it may cost the Government $75,000,000 or more every year. That statement is made by those who claim to know the effect of its provisions. The present wasteful yearly cost of Government shipping controlled by Lasker is about one-half that amount. I want to get away from Lasker's control, but, to my mind, several serious objections are presented by this bill.

After finding that the bill takes from the Treasury $125,000,000 for a fund to build more ships, we learn: First, we have 1,400 ships belonging to the Government which cost us $3,000,000,000, according to the President's statement. Now, they are worth only $200,000,000, or 7 per cent of their cost, according to Mr. EDMONDS, of the committee. It make take 20 or 30 years to dispose of these ships under the Lasker administration; no one knows. It is a bad situation from any viewpoint, but from the frying pan into the fire may become infinitely worse. The hearings show that Standard Oil and Steel have the greatest fleet of ships now afloat. They will reap the largest benefits from the bill, I understand. Those two companies are now dividing about $1,500,000,000 in stock-dividend melons between them, made up of extra profits that have been extorted from the American public, and Standard Oil has exacted about 77½ per cent net profits from the people annually during the past 10 years, which includes profits on its great fleet of ships. This bill, I will show, is a thanksgiving turkey for Standard Oil.

I quote from page 42 of the hearings:

Mr. MERRILL. There are 1,600,000 gross tons of cargo ships, about the same amount of privately owned tankers, and about a half million gross tons of passenger ships registered for foreign trade under the American flag, privately owned, but the greater portion of that tonnage is employed with the near-by or contiguous countries, such as the West Indian or Mexican oil trade and the Caribbean countries.

Mr. HARDY. About a million and a half of tankers, did you say?

Mr. MERRILL. Yes.

Mr. BANKHEAD. Who are the principal owners of that tonnage at the present time? What American companies are the chief owners and operators of that tonnage which you have just described?

OUR GUARDIAN ANGELS.

Mr. MERRILL. I think the largest single private American owner would be the Standard Oil Co. The United Fruit Co. is a large owner. The United American Line combination have a large tonnage; the Luckenback Line; the Gulf, Tidewater & Sinclair Oil Co.; the American flagships of the International Mercantile Marine; the W. E. Grace Co.; the Steel Products Co.

Mr. BANKHEAD. Who are the Steel Products Co.?

Mr. MERRILL. That is the export end of the United States Steel Co.

Mr. BANKHEAD. Those are the principal owners. As a matter of fact, there are only a very few individual owners?

Mr. LASKER. Yes, sir. That is what I meant.

Mr. EDMONDS. Mr. Chairman, will the gentleman yield?

Mr. FREAR. Yes; certainly.

Mr. EDMONDS. Please just make that the United States Fruit Co., so as not to confuse it with the United Co., of New York.

Mr. FREAR. I am glad to do so. The Gulf & Sinclair Oil Co. is now consolidated with the Standard Oil of Indiana, I understand. This is known as the Mellon Oil Co. I propose to show in the Mellon correspondence that Mr. Mellon started the stock dividends melon cuttings with the Gulf Oil Co. for the Standard Oil and other companies, which later followed suit with over a billion and a half dollars in the aggregate.

I sat here the other day feeling great sympathy for our distinguished friend from Pennsylvania [Mr. EDMONDS], whom I admire very much, while his eyes filled with tears as he told about the sad sensation that came over him when the *Magnolia* or *Mongolia* left the shores of the Orient for home. I believe he was standing there at the time on the dock thinking of home. He wept copiously, and I do not blame him. Understanding him as I do, it is fair to say my eyes also filled with tears as I stood on the dock at Shanghai two years ago, but for a different reason. I stood there on the wharf—that is the Standard Oil wharf, the only real wharf of any kind there is at the anchorage below Shanghai. I stood there while they loaded up with 3,000 barrels of crude oil for our vessel, the *Great Northern*. I said to the captain, "What are you paying for your oil?" He answered, "$7 per barrel." Seven dollars a barrel on oil placed in Shanghai at about 50 cents by Standard Oil. Fourteen hundred per cent profit, practically, charged Uncle Sam by Standard Oil. That is the particular concern that is especially favored by this bill, and as I stood on the dock and noted the extortion my eyes filled with tears from indignation. [Applause.] That was in August, 1920, and the record of Government purchases will show whether or not my statement is correct, or rather whether the information the captain gave me was correct. It was $7 a barrel for crude oil in Shanghai, or $21,000 for fuel paid to this great monopoly that now comes to us hat in hand through this subsidy bill.

This great Standard Oil Co. will get enormous benefits under this bill. Let me tell you what it will get. Standard Oil and Steel are to buy more ships under this bill at 4 per cent interest rates—page 2—or less than the Government pays for the money it borrows to loan these great companies. The farmers of the country generally pay from 7 per cent to 10 per cent interest on their loans, and the farmers of my State are selling potatoes at 23 cents and wheat around $1 per bushel, while the average net income of 10,000,000 farmers last year was far below $500.

Standard Oil under this bill can borrow from the Government at 2 per cent for 15 years—page 7—while the Government pays more than double that rate for the same money and the farmer often pays four times that rate.

Under this bill Standard Oil gets many millions annually for its ships that carry its own oil, that is thereafter sold at 77½ per cent net profit. Our farmers are paying higher freight rates than ever before and selling their produce often below cost.

Standard Oil gets a tax rebate for 1921—page 9—and tax deductions for nine years. How much? Nobody knows from the record. Farmers get no tax rebates.

Again, Standard Oil gets a tax rebate for 1921—page 12—and tax deductions for nine years. How much? Nobody knows. Labor gets no tax rebates.

Again, Standard Oil gets a tax rebate for 1921 on page 17. How much? Echo answer, "Much."

Again, Standard Oil gets a tax deduction from 1914 to 1921—page 18—for decreased value of about 200 ships. During this same time of war it made its greatest profits of sometimes over 100 per cent annually, and we are to give back millions of war taxes to such monopolies. How much are we giving to farmers and labor?

Mr. EDMONDS. Mr. Chairman, will the gentleman yield for a brief question?

Mr. FREAR. Yes; certainly.

Mr. EDMONDS. I just wanted to state that we are merely perfecting the Jones Act, which was passed by the House and by the Senate. All of those things you are talking about have already been passed upon by the House and the Senate.

Mr. FREAR. I say this, that if the gentleman had at heart the interests of the country, and not alone the interests of

these oil and shipping people who are interested here; if he had at heart the interest of the people who vote in the elections, who pay the bills, he would strike these things out of the bill, no matter where they originated. No man in this House can explain what those tax features mean. It took an expert to draw them.

But think about this proposition: The Standard Oil, with its enormous war profits, again comes up and takes this additional tax rebate, and it does that while it is getting 77 per cent net profit on its annual past earnings for 10 years.

Mr. EDMONDS. We only do that in order to carry out the express will of the House and the Senate.

Mr. FREAR. If he has expressed the will of the House and the Senate through that 2 per cent 15-year interest rate to these great monopolies, then the gentleman from Pennsylvania indeed was not wise. Let me say before I go further that I believe that Pennsylvania, the old Keystone State, would have failed to return my good friend, of whom I think so much, if this proposal had occurred before election—because we lost New York, we lost Maryland, we lost New Jersey, we lost so many States of the country, just due to bills of this character, and this is worse than anything I have ever seen in all my experience here as a Member. [Applause.]

Mr. EDMONDS. I do not believe the question of that tax entered into the campaign at all.

Mr. FREAR. No; but the whole bill did. I concede that; and I say if it had it could be shot so full of holes by any man who undertakes to do so that it would look like a sieve, and I do not pretend to be an expert in the business.

Under the bill war profits and excess profits are rebated, page 19——

Mr. EDMONDS. Let me ask you one question: Did you vote for the merchant marine act of 1919?

Mr. FREAR. I presume I did; I do not know; and that is just the serious joke on Members. You put through things like that. Among the many bills we have to trust you, because we can not have any idea what they are. We accept your judgment until we learn it is not safe to do so, and this thing we know about. You were afraid to bring this bill up before election. Days and days we dallied here in the House and you never brought it up. Now you are trying to jam it through, when you know that three months hereafter it would not stand the ghost of a chance of passage.

Mr. EDMONDS. I was not afraid to bring it up before the election.

Mr. FREAR. I do not know that the gentleman from Pennsylvania was. I am speaking of those who were responsible for it, and I do not think the gentleman himself is largely responsible for it. I assume it is Mr. Lasker and the gentlemen whom Mr. Lasker represents.

Mr. J. M. NELSON. I think the gentleman from Pennsylvania [Mr. EDMONDS] would never have stood for this if he had known or understood what they stood for.

Mr. FREAR. I think he would not, because I admire him very much.

Mr. EDMONDS. All this money is to be used for new ship construction; the gentleman realizes that.

Mr. FREAR. I realize that you are putting these hundreds of millions of dollars into the pockets of a few favored monopolies, and that you could not go before the country for a moment with your proposition, and you dare not let it go for three months until the new Congress meets. You know it and so do I, and I do not believe it will stand the ghost of a chance of getting through the Senate; but I do not want my good friends here, on the Republican side, whom I have tried to persuade to stay in the straight and narrow path in the past—I do not want them to fall down at this time, because I want them, all of them, to be here two years from now.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FREAR. May I have five minutes more?

Mr. BANKHEAD. I will give the gentleman 10 minutes more if he desires.

The CHAIRMAN. The gentleman from Wisconsin is recognized for 10 minutes.

Mr. FREAR. Thank you. I will not use it all.

Under the bill war profits and excess profits are rebated, page 19, so that the bill reeks with favoritism, for Standard Oil and Steel were among the great war profiteers.

Who prepared these tax refunds and how many additional millions will be lost to the Treasury? Nobody knows within $100,000,000 during the next five years. Who will pay the bill? The patient public always does.

What applies to Standard Oil and United States Steel ships will apply to other vessels that receive subsidies under the bill. No one knows the amount that will be involved because deductions are based on individual cases. Lasker is only a publicity man who buys newspaper space with Government money and floods Congress with propaganda for his bill. He does not know how much this bill will cost the Government annually. Nobody knows. Nobody can know.

Every newspaper this morning comes out with editorial notices or with news notices telling us we ought to vote for this bill. I should like to say what are behind these interests. Most men know. Why do these newspapers demand this? Why do these newspapers demand the passage of a sales tax upon the people? They do not represent the people. My friends, they are not in touch at all with the people outside of Washington and possibly New York. I mean New York City. I do not mean New York State. And they have little influence in New York City, because New York City went 400,000 against them, with practically every newspaper favoring their candidate. The press has little influence when it is not fair, and Lasker's propaganda will not deceive many Members.

President Harding vetoed the soldiers' bonus bill because it did not have a sales tax, and we now face a $670,000,000 Treasury deficit due to the repeal of the excess-profits tax. This subsidy bill will take many millions more from the Treasury in tax refunds that are already estimated to reach upward of $500,000,000. How much will be lost the Treasury under this bill again nobody knows. President Harding asked indefinite postponement of the soldiers' bonus bill. If we could wait over four years before considering this ship subsidy bill and a vetoed soldiers' bonus bill, why not wait three months longer and take up both propositions intelligently with the new Congress at a special session? Why this haste?

I recommend that question to the committee that has presented this bill. Why was the bill not brought up before election? It is an indictment of the whole proposition to try to jam it through this expiring Congress when a certainty exists it would be overwhelmingly defeated if presented four months hence to the new Congress coming fresh from the people.

I do not believe anyone knows within $25,000,000 annually what this bill will cost the country in tax rebates alone, and I am not criticizing the members of the committee, but why is Mr. Lasker and his publicity board now forcing the bill upon the administration and on Congress? No legislative body should continue an appropriation for 10 years. That objection to the bill alone is vital to any action now and discredits a measure that was only saved by a special rule against the point of order. I leave that to any ordinarily fair-minded man. That objection in itself alone is vital to any action now, and discredits a measure that was only saved by a special rule against the point of order.

Mr. Chairman, I believe the President has been imposed upon——

Mr. EDMONDS. Will the gentleman yield again, please?

Mr. FREAR. Briefly; yes.

Mr. EDMONDS. The gentleman has referred to tax refunds that he says are already estimated to reach upward of $500,000,000. The gentleman means, of course, covering a period of 10 years?

Mr. FREAR. I am not referring now to the shipping bill at all. That refers to the tax refunds that we are making from the Treasury on taxes heretofore paid, refunds under the secret methods in vogue there, and it is estimated that they will reach $500,000,000 in the aggregate.

Mr. EDMONDS. Who estimates that they will reach $500,000,000?

Mr. FREAR. The New York Commercial, the New York Times, and I will put all that in the RECORD in my Mellon correspondence. This $500,000,000 tax-refund loss is in addition to the fact that the Treasury is $670,000,000 in the hole now, according to Secretary Mellon, due to the repeal of the excess-profits tax.

Mr. EDMONDS. Does the gentleman mean $500,000,000 a year?

Mr. FREAR. No; in all the tax refunds that they are proposing against the money collected. I am not referring to the shipping bill when I speak of $500,000,000 in tax refunds. I can not explain to the gentleman any further. The refunds proposed in this bill are in addition to the $500,000,000 in tax refunds now being made.

Mr. EDMONDS. The gentleman ought to be fair about it.

Mr. FREAR. I am certainly trying to make my statement fair.

Mr. Chairman, I believe the President has been imposed upon. I believe the President has been badly advised regarding this bill and its effect on American shipping. I do not believe this ship subsidy will recommend itself to 1 per cent of the farmers and laborers of the country, who eventually are said to pay the

bills. It fattens profits for Standard Oil, United States Steel, and other monopolies, and little benefit will trickle down to the country.

From my own viewpoint, much as I hesitate to differ from its supporters, gentlemen on this Republican side whom I admire—and you are all friends of mine—I believe the bill is indefensible and ought to be defeated. [Applause.] I yield back the remainder of my time.

The CHAIRMAN. The gentleman yields back five minutes.

Mr. GREENE of Massachusetts. Mr. Chairman, I yield to the gentleman from Indiana [Mr. WOOD] 20 minutes.

Mr. WOOD of Indiana. Mr. Chairman and gentlemen of the committee, I wish to preface my remarks by saying that I am glad this very serious debate is tinctured with some humor. It is humorous indeed to see the gentlemen on my right applaud the gentleman from Wisconsin [Mr. FREAR], who has just addressed us, when you well remember that whenever he appears speaking to this same committee with reference to appropriations for rivers and harbors you hiss him. So it is not entirely without humor. Now, to the matter in hand.

Mr. FREAR. Will the gentleman yield?

Mr. WOOD of Indiana. Yes.

Mr. FREAR. I want to say that the old-fashioned pork barrel has gone out of existence and we have substituted the Budget bill.

Mr. WOOD of Indiana. To the mind of the gentleman from Wisconsin it will be back in the next Congress, and his vituperation will be renewed with all its vehemence.

Mr. FREAR. And I hope to have the gentleman from Indiana with me.

Mr. WOOD of Indiana. Against any needless waste, but not against necessary public improvements.

Although there can be no questioning the fact that the shipping industry of the world to-day is in a most unfavorable situation, the usual statement that this is due to world-wide depression is not strictly correct. Foreign trade figures expressed in values show a tremendous falling off in that trade; but careful compilations of the movements by volume of quantity show that, for the United States at least, much more cargo is being moved in the foreign trade than before the war and only a relatively small amount less than during the boom years of 1919 and 1920. The cause for the depression does not lie wholly with lack of cargoes, but must be sought elsewhere.

The United States increased its merchant marine, counting both privately and nationally owned, from a total of 1,066,288 gross tons registered for the foreign trade in 1914, to 11,077,398 tons similarly registered for the year 1921. This was an increase of our own foreign-going merchant marine of 1,000 per cent. The average annual increase in gross tonnage of the world's merchant marine immediately prior to 1914 was about 2,800,000 gross tons per year. In the United States, from 1918 to 1921, our total merchant marine increased from 9,924,518 tons to 18,282,136 tons, an increase in three years of 8,357,618 tons, or an average increase of 2,785,873 tons. In other words, the United States merchant marine alone increased for three years at the rate which the world's shipping increased before the war.

Of course, during the war there was a heavy demand for shipping, and at the same time there was much tonnage withdrawn from commercial operation by military requisition or by internment. After the armistice and after the repatriation of the allied troops the requisitioned and the interned tonnage was released and thrown upon the market. This amount of tonnage, taken on a collapsing speculative market, completely glutted all demands for shipping.

While it is true that there is both a shortage of cargo and a surplus of shipping facilities, if factors so interrelated can be considered separately, it is equally safe to state that the real cause for the present shipping depression lies in the surplus of tonnage with relation to the 1914 figure rather than to any decrease of cargo from that figure.

Such a condition is not new, although it is one which has not particularly interested this country before. British owners have more than once, in depressed times, considered mutual lay-up of tonnage by agreement, with a view of stabilizing the market for the balance of their ships. It was the tremendous production of American yards as a war emergency that conspicuously overtonnaged the world from a peace standpoint, and to-day the greater part of surplus shipping of the world is laid up under the American flag. The future can not be forecast without considering the disposition of this surplus.

The American tonnage in foreign trade is largely the Government tonnage. The Government can not dispose of its holdings, now being operated at heavy loss, until private enterprise has established adequate services to an extent equivalent to the Government services. On the other hand, private owners can not establish such services alongside Government lines and in competition with them, for competition is so keen to-day that only the cheapest-run ships can live, and American vessels are almost the most expensive to operate.

In addition to its purpose of bringing into being new ships of special types, one of the greatest advantages of the subsidy bill at present under consideration by Congress lies in the fact that it should remove sufficient of the handicap under which the American owner suffers to permit him to buy out the active Shipping Board tonnage. This would be a step in advance of immeasurable worth.

But overshadowing any purchase of Government tonnage there is one fear which has not so far been removed. This shadow is what Chairman Lasker, of the Shipping Board, has called "the menace of surplus." It is doubtful if, under the happiest conditions, the American flag will need the Shipping Board tonnage in its entirety, and ways and means must be found to dispose of such of the good tonnage as remains so that American interests will not be hurt. Under no circumstances must the surplus that America can not absorb be disposed of so as to bankrupt those who buy from the Government at current prices.

Automatically the poor tonnage must be done away with. For if we permit a potential surplus to remain—with the possibility of its use in only abnormally prosperous times, when any tonnage can be profitably operated—the burden of loss will fall on the good tonnage in times of adversity without full enjoyment of profit in time of prosperity, and thus we depress the price of all of our tonnage, and so it will come to pass that we shall liquidate the whole for less than we could liquidate the good part.

It is the unneeded surplus, in ships as in all else, that determines the market, and the same circumstances that forced some farmers to burn their corn last winter demands that, at least in so far as the uneconomical 3,000,000 tons of freighters go, we recognize that one of our problems is to force its disappearance from the market. It we are to induce private investment in American ships, it must be under an assurance as to what will be done with the surplus tonnage, plus an assurance that the Government will retire from operation, for private owners can not live and can not finance themselves with those two swords of Damocles hanging over their heads.

If the carefully considered measure of Government aid now before Congress be passed substantially unchanged, and if the threat of the unsold ships be guarded against in an effectual manner, I believe that much of the cause of the present overtonnaging will be removed, and that the health of the world's shipping industry, particularly with regard to the renascent American merchant marine, will show immediate and remarkable improvement.

The situation to-day is radically different from that on any previous occasion when aid to our merchant marine has been considered by Congress. Three recent developments create this difference.

First. Our national prosperity depends upon our having a merchant marine. No nation, not even ours, though it is dowered with the greatest natural wealth of all, is to-day self-sufficient. Modern civilization is so complex that every country is dependent upon others for vitally necessary materials. As industry develops this interdependency becomes greater.

Not only is our interdependence naturally increasing, but our national trade balance has been reversed by the war. No longer do we seek abroad to finance American development. No longer do our foreign creditors welcome the products of our farms, mines, and factories in payment of the interest on the debts we owe them.

To-day those same nations owe us billions of dollars. They can only pay their debts by production. They are competing with us for the same markets. If we can not deliver our own goods, we need not expect our competitors to aid us in so doing.

Second. Our national defense demands a merchant marine. By international agreement the war-time powers are limiting their fighting fleets. Our allowed strength will be only a paper ratio without a strong and diversified merchant fleet.

We have never been able to supply enough auxiliaries to coal and supply our Navy or to transport an army. With lessened numbers of warships the large fast merchant vessels become potential fighting ships themselves. Our lack of these is almost complete.

If merchant ships are not built, our shipyards, denied naval work, will decay. Thousands of skilled artificers will seek other employment. The art of shipbuilding will become a

well-nigh lost one, and with it will go the power to increase, should war clouds bank, a deficient fleet or quickly to repair a damaged one.

Third. The question of a merchant marine is no longer academic. Hastily built, unbalanced, and partly unsuitable as it is, we have to-day a merchant marine. Our problem is, What shall we do with it?

The Government is maintaining this fleet until the effective tonnage can be sold and the ineffective vessels disposed of. Meanwhile it is operating on essential trade routes about one-third of its ships. The maintenance and operation of this fleet costs $50,000,000 a year in operating loss alone.

Our fleet is deteriorating, our losses are great, and we are providing nothing for the future. The private shipowner can not afford to purchase from us under present conditions, yet continued governmental operation will drive him, our potential customer, off the seas.

We can not sell the ships we have nor induce the construction in our yards of the vital types we sorely need because of the American standard of living. Labor in America is better paid than in any other maritime nation. Our shipowners must bear the higher costs of ships built by American labor and of crews obtained in American ports, and with this burden struggle for the trade of the world against ships built and manned by cheaper labor.

We must insure the continuance of our shipbuilding industry, and we must have a force of Americans trained to the sea for national defense, if for no other reason. But obviously we can not expect the shipowner to bear alone the higher cost of these necessities, especially when it is remembered that America will be a newcomer in the field.

Other nations are intrenched in the trade, established, organized, with years of experience, reputation, and good will to carry them. We must begin at the beginning and, overcoming the inertia of trade, divert it to ourselves. This, under depressed shipping conditions and while carrying the highest labor costs, is beyond the power of any shipowner unaided.

Because an efficient merchant marine is essential, because we can not lose what progress we have made, because shipping is the one key industry unprotected and impossible of protection, we must grant it aid. It is not a question of subsidy or no subsidy; it is a question of achieving the greatest result with the least outlay. The method only is open to discussion, for we are to-day subsidizing our State-owned ships far more than would maintain them against foreign competition were they in private hands.

If it be accepted that America must have a merchant marine, built and manned by workmen under the American standard of living, then America must help bear the cost. Sixty years of history have shown that we can not compete unless the difference between American and foreign standards be compensated for.

Accordingly it is proposed that a system of direct aid in part compensation of this difference be extended. All possible indirect aids are to be provided, and the money compensation becomes applicable only if the indirect aids do not suffice. The result will be to develop and strengthen our foreign commerce, give us effective naval auxiliaries, and permit the sale at reasonable prices of the Government's war-time shipping.

Previous measures in aid of shipping have failed in instances because of changing conditions. Others, for the same reasons, have given too much. Legislation can not be all-foreseeing. We must grant sufficient aid—for inadequate aid is utter loss and is worse than none at all—but we can not allow any semblance of profiteering.

We Americans pride ourselves sometimes on being a good business people. And yet a view of the statistics on the shipment of commodities overseas during 100 years will prove conclusively that we have not been as wise as we might have been. Millions of dollars that should have remained at home have gone abroad. I am not taking a narrow view of international relations. We want nothing that the peoples of other countries are entitled to, but I maintain that it is our duty to see that we get our fair share, the share that in justice belongs to us.

Figures compiled by the Department of Commerce show that the value of commodities exported by sea from the United States for 100 years, beginning with 1821, was $86,629,076,814, while the imports for the same period amounted to $62,174,102,566, making the total commerce in foreign trade by sea $148,803,179,380. Of this total, vessels under the American flag carried only $35,631,382,909, or about 24 per cent, leaving 76 per cent carried by alien bottoms. As the British merchant marine represents about 50 per cent of the foreign tonnage engaged in this trade, it therefore is evident that their participation in our commerce would amount to about 38 per cent of the total amount, or $56,545,208,164.

It is safe to say that of this sum 25 per cent was paid out for freight, insurance, banking, and other charges which went into the hands of foreigners. Thus the American vessels during that 100 years earned $8,907,845,754 for American interests; the sum of $28,292,949,118 went to foreign interests. This is in sharp contrast to what happened between 1821 and 1862, when we had a real merchant marine. During that period an average of 80 per cent of our total commerce was carried in American bottoms. Between the Civil War and the World War we carried but 19 per cent of our commerce, and the outflow of American dollars was steadily increased. As a result of World War conditions, shipping increased from 1914 to 1920. Our tonnage grew. Rates were high. During this period the total commerce by sea was $47,626,671,810; of this amount American-flag vessels carried $12,129,630,431, or about 26 per cent of the total. On the other hand, the foreign-flag vessels carried $35,497,041,379, or about 74 per cent. Of the foreign countries Great Britain carried the lion's share, namely, $19,811,387,720, or about 42 per cent of the total commerce. Applying the factor of 25 per cent for transportation and other charges, we find we have enriched British shipping interests in only seven years with $4,952,846,930, and other foreign countries to the extent of $3,921,413,415, a total outgo of $8,874,260,345, while on the same basis our American tonnage retained in the country $3,032,407,608, or approximately but 24 per cent of the total revenue accrued from the carriage of our commerce during a period that was memorable for high freight rates and an enormous demand for our products.

Now, let us consider again the hundred-year period from 1821. I have shown that in that time we allowed foreign interests to take from us $28,292,949,118 which should have been spent in America. What does that sum represent?

From the foundation of the Government until now our total expenditures for the improvement of rivers and harbors and canals, exclusive of the Panama Canal, were only $1,036,079,202.35. The Panama Canal, including its fortifications, cost $479,851,938.98, bringing the total for all waterways up to $1,515,931,141.33, or about one twenty-fifth of the amount we gave foreigners in 100 years.

So much for the past. Let us consider the present. During the past year the Shipping Board has been giving as good an example of Government ownership and operation as can be expected. And yet its operation of ships is costing the Government around $50,000,000 a year. And this fifty millions goes for the operation of one-fourth the ships that should be in service under the American flag if a real merchant marine were afloat. At this rate, supposing further reductions in the cost of operation might be made, to operate an adequate Government-owned merchant marine would cost at least $150,000,000 a year.

Subsidy? Mr. Chairman, we have a subsidy, an uneconomical subsidy, a wasteful subsidy, running full blast. Congress forbade the Shipping Board to build new ships, therefore what tonnage we have is deteriorating daily. Of the 1,500 ships we own, 1,100 are tied up, 400 are being operated, and as they wear out we will have no good ships to replace them. But our competitors will. As well tell a factory owner to confine himself to old machinery while his rivals are using the most modern equipment the market affords.

As long as we continue Government operation we will make it practically impossible for private operators to exist. The calculated cost of operating the Government fleet does not take into consideration the original cost of the ships. It is simply the difference that lies between the man who has a farm given to him and one who has to buy a farm of the same size. The former has no mortgage to pay off, no interest on that mortgage to meet. The latter starts with too big a handicap. Therefore the longer the Government operates its ships the more harm it is doing to the real development of an American merchant marine.

Furthermore, the longer the Government operates ships the deeper it is digging into the Treasury, the heavier the burdens it is laying upon the taxpayers of the country. Even by efficient operation tens of millions of dollars will be lost annually.

President Harding has made it plain that it costs $50,000,000 a year to operate Government ships, as against $30,000,000 for a subsidy to private operation. But, as I pointed out, that $50,000,000 is being paid out for only one-fourth of a real merchant marine, while the $30,000,000 for subsidy to private owners will go for a full-fledged, well rounded out merchant marine in keeping with the needs of the country. It will go to encourage building of ships in American yards. It has been estimated that about 75 per cent of the subsidy will go to American

labor. It will reach down into the mines, where the ore is dug; thence to the smelters, where that ore is turned into steel; thence to the metal trades, where the steel parts that go into ships are made; and, finally, so far as building is concerned, to the shipyard workers, who will assemble that metal into ships; and finally to the American seamen, who will man the ships, for the majority of all crews must be Americans.

Just now the Government is offering for sale the land and buildings that go to make up the famous Hog Island shipyard, outside of Philadelphia. That shipyard, built in war emergency, cost the Government $65,000,000. If the Government had taken care of its merchant marine prior to the war we would have had enough shipyards running, enough skilled shipbuilders employed, to meet the sudden demands of war. But our shipyards and our ships had been neglected—in fact, we had no ships—and so we had to lavish money on shipyard development. The cost of that one yard—$65,000,000—would pay the proposed subsidy, when running at a maximum, for two years. Another case of mistaken economy on the part of a nation that prides itself on being businesslike.

Now, as to the sale of our ships. Who is going to pay anything for a ship now when he knows he will have to go into competition with the Government, which cares nothing for what its ships cost? Remove the Government as a competitor with private citizens and the private citizens will go into the trade. They will make work for shipyard laborers, but the Government will not. Congress has told the Shipping Board to build no more ships.

Opponents of this bill have said it is designed to enrich the few at the expense of the many. What about freight rates? Remove American ships from the seas and the foreigners will raise the rates. The rates are lower to South America to-day than ever. Why? Because before the American war-built merchant marine went into the South American trade the foreigners had complete sway, the British taking the lead. They charged what they pleased and gave what service they chose.

Do the grain producers of the country remember 20 years back? What happened when the Boer War broke out? British ships that had been carrying American grain were suddenly withdrawn to meet the war needs of their country. American grain was banked up along the railroads that led into the Atlantic ports, and heavy losses were sustained. If we have no ships of our own we are at the mercy of the foreign shipping interests.

An adequate, efficient, and well-rounded merchant marine is an essential to the continued prosperity of the agricultural producers of the country.

Our farmers produce more than the country can consume, and the price realized for the annual output depends upon the extent to which the surplus can be marketed in other countries.

The only foreign States that touch our borders are farming countries. Our farm products, therefore, can only be sold to overseas nations. To reach these markets ocean transport is required, and any inadequacy of our shipping facilities means curtailment of exports and oversupply of the local market.

Since the World War conditions have radically changed. The United States is no longer a debtor nation, and her goods no longer help pay the interest on the debt. Instead Europe owes us billions of dollars, and everything she buys from us increases the adverse balance and further affects her depreciated exchanges. Her effort is now to avoid buying from us and to obtain everything possible from other countries, especially those which are her own colonies or dominions.

The growth of Canada, Australia, and the Argentine as exporters of cereals has been rapid, and as a result the United States no longer holds her premier position as the world's granary; she must compete for her markets, and the competition will be keen, indeed.

Now, it is obvious that our farmers are poorly equipped to meet competition if the empire whose dominions are our chief rivals as grain producers controls our sea transport. Our surplus of cereals can only be marketed at such figure and to such extent as that empire elects. Naturally the interests of the American farmer will only be looked out for after those of the Canadian and the Australian grower.

A great Englishman, referring with proper pride to the place of his nation in history, said:

> Time, and the ocean, and some guiding star
> In High Cabal have made us what we are.

No country has a monopoly on time, on ocean, on guiding star. These are all ours to use and enjoy to the fullest degree if we will but take advantage of the present opportunity.

It remains to be seen whether we will embrace this opportunity, and by so doing maintain the place we should maintain as the foremost nation in world affairs, or whether we will permit this opportunity to be frittered away and in humiliation again see our flag disappear from the ocean. Aside from the economic advantage of a merchant marine, if we are to perform the part we should in the rehabilitation and uplift of this weary old world the best way to do it is to keep the Stars and Stripes floating at the masthead in every port on all the seven seas.

Mr. GREENE of Massachusetts. Mr. Chairman, I yield to the gentleman from Illinois [Mr. MADDEN] 20 minutes.

Mr. MADDEN. Mr. Chairman and gentlemen, when the World War was declared the United States found itself without ships. We were about to transport to the field of war a large force of soldiers. Nobody knew how many millions we would be called upon to send to the other side. One of the important elements in the success of our arms was ships. Ships were needed not only to transport men but supplies of all kinds. We were in a very embarrassing situation. We had to call upon European nations to transport our troops to France. We authorized the administration to acquire ships either by construction, requisition, or commandeering, or in any other way they found it advisable to acquire them. They began the work. They worked intensively at the problem, and yet we were called upon to send the most of our troops in French and English ships. It was an impossible thing for the administration to provide the ships in time for the immediate urgent need. Nobody expected the administration to be able to do that. They did the best they could under very difficult circumstances. When the war was over we had ships to bring the troops back, and the administration did a first-class job in returning the soldiers from France. I think it may be safely said that no such achievement was ever accomplished in so short a time. We have been trying to operate the ships that the war left us. That was an inheritance of the war. Everybody agreed that we must have the ships. They were built in response to a great national need. Of course they cost a lot more money than you can sell them for, and much more than you could build them for now. But everything cost more then than it cost before or will cost after.

Mr. LITTLE. Will the gentleman yield?

Mr. MADDEN. I will.

Mr. LITTLE. I notice the gentleman speaks of bringing the troops home. Do I understand that we transported no troops until after war was over?

Mr. MADDEN. Oh, no; we did transport some of the troops, but the most of the troops were sent over in foreign ships. We invested $3,300,000,000 in these ships. They were built for war purposes and war purposes only at the beginning. It was thought by the administration then in power that we ought to establish a merchant marine, and they built many more ships than were needed for the war. They did not cease the shipbuilding program until April, 1921. When the war was closed we had 437 ships as the result of our effort to meet the needs of the war. When the shipbuilding program was completed we had about 2,300 ships, and we find ourselves with over 10,000,000 deadweight tons of shipping.

Mr. GARNER. Will the gentleman yield?

Mr. MADDEN. Yes.

Mr. GARNER. Do I understand the gentleman to say that after the armistice was signed any additional contracts for building ships were made?

Mr. MADDEN. I did not say that. I said continued building ships.

Mr. GARNER. But the inference would be that they continued to build ships after the armistice as public policy. As I understand, no ship was built except what had already been contracted for.

Mr. MADDEN. I would not like to say about that definitely, for I do not know.

Mr. GARNER. I am asking for information. My impression has been that no new contract was made after the armistice was signed.

Mr. MADDEN. I do not desire to make any misstatement in connection with anything I may say here. I have no desire to bolster up anything for the present administration or run anything down that was done by the previous administration. I am trying to state the facts. But I would like to state that if the existing shipbuilding contracts had been canceled when the armistice was signed we would not now be confronted with the present problem and the Treasury would probably be two billions better off.

Mr. GARNER. If any member of the Committee on the Merchant Marine knows about it, I think it would be interesting. I do not know.

Mr. MADDEN. I think there were, but I would not be certain about it.

Mr. HARDY of Texas. If the gentleman will allow me, I think there were no new contracts made after the armistice, except it was for some minor ships to round out and carry out the program. It was of a negligible amount.

Mr. MADDEN. So, you see, the gentleman from Texas [Mr. HARDY] admits there was a program. What could the program be if not to establish a merchant marine? The war was over, and unless a merchant marine was contemplated wisdom would have dictated the cancellation of the contracts. But they were not canceled, and now we have the solution of the problem before us.

Mr. HARDY of Texas. It is scarcely worth considering, whatever it was.

Mr. GARNER. But no public policy was adopted toward increasing the merchant marine—that is, a Government-owned or a Government-built merchant marine—other than what was arranged for, for war purposes.

Mr. MADDEN. I do not know about that.

Mr. LITTLE. Am I correct in the understanding that they built about 1,900 more ships after the war closed?

Mr. GARNER. Yes; on contracts made before the armistice.

Mr. MADDEN. However that may be, we find ourselves in the possession of about 10,000,000 dead-weight tons of ships as the result of those contracts.

Mr. J. M. NELSON. Mr. Chairman, will the gentleman yield?

Mr. MADDEN. Yes.

Mr. J. M. NELSON. How much has the Committee on Appropriations been called upon for to complete the ships since the armistice?

Mr. MADDEN. Between four hundred and fifty and five hundred millions, and no one knows how many hundred millions previously appropriated was unexpended when the armistice was signed. We find that in the attempt to operate these ships since the war very great losses have been incurred, something about $200,000,000 a year, up to a year ago or a little more. We find that if you add the losses which were incurred in the operation of the ships to the cost of ship construction that we have about $3,900,000,000 invested in the enterprise. Under the present Shipping Board management we have been able to reduce the losses to about $48,000,000 a year. Thirty-six million dollars of those $48,000,000 of loss is not due to ship operation; it is due to the cost of maintaining the ships that are tied at the docks or tied together in the streams—the ships that are idle; and about $12,000,000 a year is lost because of the operation of the ships that are in service.

Mr. J. M. NELSON. Will the gentleman please explain how there can be that expense to take care of idle ships tied up?

Mr. MADDEN. You can not take care of idle ships without putting men on board of them, and you can not take care of them without hiring docks in many cases against which you can tie the ships, and then there is the expense, whatever is necessary, that must be incurred in order to prevent the ships from deterioration and from sinking at the places where they are tied. That involves the expenditure of a large amount of money.

Mr. Chairman, as I say, we have reduced the losses to about $48,000,000 a year. It is said by those who presume to know that the total cost of a so-called subsidy under this act, if it becomes an act, will never exceed $50,000,000 a year. It must be manifest to everybody that if we are losing $48,000,000 a year to-day, that we are paying it, and how are we paying it? We are paying it out of the Treasury of the United States, of course; so that in effect we are paying a subsidy to-day. It must be manifest also to everyone that if we continue as a Government agency to operate the ships we will continue to operate them at a loss. More than that, at the end of a period, and I do not know how long the period will be, we will find that we have no ships to operate or to compete in the transportation of commodities with the ships of the world.

Why do I say that? Because we are not going to rebuild ships. We are going to operate the ships we have already built, and if we operate them long enough they will wear out, and if we substitute nothing in their place the American merchant marine will go off the seas. Everyone will agree to that. The question now arises whether we would prefer to have the Government, through the Shipping Board, operate the ships with a certainty at the beginning that the ships will be operated for only a certain period of time until they wear out, and that during all that period of time we will be losing at the rate of forty-eight or fifty million dollars a year, or shall we turn these ships over to private enterprise and have the private enterprise accept the ships at a reasonable price upon condition that we pay them something in order that they may successfully meet the competition against the ships of the world; and I understand we propose to sell the ships only upon the condition that the men who take them will renew the ships as the present ships wear out. In that way we will continue to have ships flying the American flag, carrying American commerce to every nation in the world.

Mr. EDMONDS. Mr. Chairman, will the gentleman yield?

Mr. MADDEN. Yes.

Mr. EDMONDS. Does the gentleman think his committee would look kindly on a request from the Shipping Board for $125,000,000 with which to round out the fleet at the present time?

Mr. MADDEN. I do not think we would; and, as far as I am concerned, I am not in favor of granting to the Shipping Board any such power or placing at their disposal any such sum of money for any such purpose.

Mr. HARDY of Texas. The gentleman said that these ships would be sold to private enterprise under obligation that the private enterprise continue to keep the ships in operation.

Mr. MADDEN. If they are not sold upon that condition there would not be any use of selling them.

Mr. HARDY of Texas. Is there anything in the bill that provides for that?

Mr. MADDEN. If there is not, there should be. I would say that personally I have never voted for a subsidy bill, and I am frank to say that I would not vote for one now if I did not believe that we have an obligation to meet which ought to be met courageously. What is that obligation? We are the trustees for $3,300,000,000 of an investment by the American people. How are we going to manage this trust? Are we going to permit a Government agency to attempt to operate the ships, when everyone knows, on the face of the facts, that they can not do it without loss? Everyone knows that a Government agency can not operate a business as economically as a private agency can. Why is that so? In the first place, it does not matter how patriotic the men may be who are in charge of the Government agencies or how much they may favor system or economy in the conduct of the business with which they are charged, because every time they try to economize anywhere by cutting expenses there will be an avalanche of protests from men in every walk of life, and many times from Members of Congress, against the reduction they propose to make, and if it means that the forces are to be reduced, then everybody everywhere who wants the patronage will demand that the employees be retained. Therefore, after all, no matter how able the Government agency may be, it is always handicapped; no matter how honest those in charge of it may be or how determined they are to economize, they are forced into a system of extravagance by the pressure that is brought to bear upon them.

Are we ready now to say that that is what we want to continue, or are we ready to say that we want to eliminate the possibility of any such practice? There can be no state of doubt in the mind of anyone that we can not conserve this property under a Government agency, but there is every reason to believe that if we turn the property over under proper conditions to private management we will be able to keep our merchant marine flying the American flag, carrying the products of American labor to every port in the world.

I do not say, and I suppose no one can say with definite assurance of the outcome, that any bill we pass will do what is anticipated, but we have an obligation to try. If we can not sell the ships under the provisions of this bill, there will be no subsidy paid. That is as sure as that the sun will shine to-morrow. If we do sell them and they are operated successfully, we have a reasonable assurance that we will have a merchant marine and that the cost of the merchant marine will not exceed the cost which is now being paid out of the Federal Treasury. Are you willing to continue to pay because you can do it without saying "subsidy," or are you willing to say that you will not pay under another system because you will have to say "subsidy"? It is as broad as it is long, so far as the payment goes. You will have to pay in any case, but in the one case you have a reasonable assurance that you are going to get returns, that you are going to get a merchant marine flying the American flag, that you are going to have auxiliary ships to operate in a war-time emergency, whereas if you let the fleet that now exists fade away from the face of the earth and from off the seas you will be again confronted with the problem that confronted us in the early days of the war just closed, and you will have to solve it again.

Mr. GARRETT of Tennessee. Will the gentleman yield?

Mr. MADDEN. I will.

Mr. GARRETT of Tennessee. May I ask the gentleman if he looks with favor upon the provision of the bill with respect to permanent appropriations?

Mr. MADDEN. Well, I can say this: I think that ordinarily a permanent appropriation ought not to be made in any event in connection with any activity that engages it, but it must be clear to all—it is clear to me—that unless you make a permanent appropriation you can not enter into a contract under this bill with anybody who may want to buy American ships. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. GREENE of Massachusetts. I yield 10 minutes to the gentleman from Illinois [Mr. MICHAELSON].

Mr. MICHAELSON. Mr. Chairman, as an aftermath to the war which cost the world so much of blood and treasure the United States finds itself in the possession of a fleet of 1,700 or more ships, built and acquired during that war to serve an emergency and paid for with approximately $3,000,000,000 of the people's money, which it has been repeatedly admitted was expended feverishly, extravagantly, wastefully, and impractically.

The Government, through its Shipping Board, has been engaged for the past three or four years making use of a good many of these ships in the shipping business, thereby competing with old-established, highly successful shipping corporations, with the result that the profits of these corporations have been considerably reduced and the Government has sustained losses and deficits now reported to be at the rate of $52,000,000 per year.

The wail and the cry of those who complain of and condemn the meddling of Government in business has been heard. Behold! It is now proposed that the Government retire from the shipping business, thereby reducing the people's losses and deficits in this instance by 50 per cent, contract for the sale of the ships to those now engaged in the business or desiring to engage therein at a greatly reduced price, and to pay to these persons or corporations so engaged a bonus to insure them against possible losses or deficits, and further, to exempt from the payment of Federal income tax the money so invested or set aside for such investment and also to provide a loan to shipowners of a revolving fund of $125,000,000 at 2 per cent interest for 15 years at a time and up to two-thirds of the cost of the ships upon which the loans are to be made.

All this, if enacted into law as proposed in the bill now before us, will, its proponents assure us by extending the fervent hope that it will, provide a market for our idle, unused ships, save millions of dollars to our already overtaxed people, and give to the United States a great merchant marine commensurate with our commercial importance.

Let us stop a moment and view the situation as it really exists. It may be we are not familiar with the facts.

Is it not a fact that the fundamental law of supply and demand governs in the shipping business as in every other trade activity of the human race? Does it not follow then, as a matter of course, that if there are more ships than cargoes some of the ships must be idle?

Is it not a fact that as a result of the war emergency there is now a great surplus of ships and that even with the passage of a ship bonus bill the surplus would still exist and remain idle?

Does anyone believe that any amount of legislation or any particular bit of legislation having for its purpose the granting of a bonus to the owners of ships or exempting them from the payment of income tax will create cargoes of goods where there are none or provide a market for idle ships which must of necessity remain idle?

And is it not a fact that even if a demand for ships was suddenly created a good many of our idle ships could not be brought into service for transocean trade because of the fact that they were built with bunker capacity insufficient to carry the fuel necessary to take them across the ocean?

What evidence has been presented that the demand for ocean trade will at any time in the near future be great enough to supply even a part of our idle ships? Does anyone contend that by any kind of legislation the sum total of the world's shipping can be increased?

The disturbing element in this entire situation is the fact that in our feverish haste during the war emergency a large proportion of the ships were impractically built. Let us not then in our haste to legislate attempt by passing laws to make from bad ships a proud merchant marine or to turn a white elephant into a modern locomotive. In either case the offer of a substantial bonus would but serve to make the effort more ludicrous.

The great item of expense which bears most heavily upon business and cuts deepest into its profits is the overhead. So it is with government. With added legislation creating new activities comes added expense in the form of overhead. The Government produces nothing. It levies taxes and spends. The people pay, suffer, and complain as the cost of government steadily advances due to added governmental activities. When overhead in business reaches the point where it becomes greater than the earnings, thereby closing the door to credit or the ability to borrow, bankruptcy follows. When the overhead burden of taxation laid upon the people assumes the same proportion, government will break down and revolution will follow. The efforts of Congress now in all its legislation should be directed toward reducing the tremendous overhead cost of government, which now runs into the billions and is steadily on the increase.

The question is, Will this bill reduce overhead? Where are the figures that say so and how much?

Nothing more definite than a hope that it will has been suggested. On the contrary, if this bill is passed the already irresponsible, extravagant Shipping Board will be clothed with greater powers, greater authority, greater permission to spend, waste, and give away than it has had heretofore.

Nowhere in the bill is it even suggested that a single $35,000 a year lawyer be dispensed with.

In fact, the bill, if passed, will not only fail to reduce expenses to the taxpayers but will increase them, because it commits the Government to a permanent, unknown, undefined expense for at least 15 years and bargains away income for the next 10 years which would otherwise be paid by the shipping interests into the Public Treasury as income tax, and in addition gives a bonus to shipping corporations estimated to reach the sum total of $500,000,000 in 10 years.

Is it not a fact that the bill contains no provision for lower freight rates or for anything that would benefit the people at large by reducing the cost of commodities carried on these ships?

If the passage of this bill will bring about the results and produce the conditions so fondly hoped for by its proponents, why has it been found necessary in urging its passage to appeal to sentiment and patriotism?

If, then, after due consideration, it becomes apparent that the passage of this bill will not reduce the expenses of government, and that it will not create a market for our ships, what, then, is the real purpose of the bill?

Does it not appear that the only purpose the bill can serve is to put an end forever to troublesome competition in the shipping business caused by the operation of the Government-owned ships engaged therein and the granting to the ship-owning corporations, representing billions of dollars of invested capital, that which was denied to our soldiers and sailors—a bonus?

There are in the United States to-day at least 76 ship-owning corporations which own and operate 1,952 ocean-going ships of 500 tons and over, no one of which owns less than 6 ships and ranging in number from there to 79 owned by the Standard Oil Co. of New York, many of which companies are capitalized for hundreds of millions of dollars and paying enormous dividends, which by the passage of this bill would be granted a bonus insuring them even larger profits, said bonus to be paid from taxes paid into the Treasury by the people of the United States.

The 14 following-named ship-owning corporations, representing assets of $5,046,000,000, are among those who will receive help from the Government in the form of a bonus to be paid to them from taxes levied by Congress and collected from the people:

ASSETS.

Standard Oil Co. of New York	$333,000,000
Associated Oil Co. of New York	100,000,000
Atlantic, Gulf and West Indies Steamship Lines	103,000,000
Atlantic Refinery Co	111,000,000
Gulf Refinery Co	272,000,000
Pan American Petroleum & Transportation Co	111,000,000
American International Corporation	69,000,000
Reading Co	333,000,000
Southern Pacific Co	395,000,000
Standard Oil Co. of California	276,000,000
United States Steel Co	2,339,000,000
Texas Co	335,000,000
United Fruit Co	160,000,000
Vacuum Oil Co	109,000,000
Total	5,046,000,000

Should this bill pass it may be rightly said that we have millions for the ship-owning corporations but not one cent for the soldiers. [Applause.]

Mr. BANKHEAD. Mr. Chairman, I yield one hour to the ranking member of the minority on the committee, the gentleman from Texas [Mr. HARDY]. [Applause.]

Mr. HARDY of Texas. Mr. Chairman, if I understood the gentleman from Illinois [Mr. MADDEN] right, he is what might be termed a "recent convert" to the idea of subsidy. I thought he said he had never voted for a subsidy heretofore, and the basis of his conversion appears to be that we have a great merchant marine now, owned by the people, in charge of the Shipping Board, which board can not find cargoes enough to fill and operate, and that it was costing $50,000,000 to pay upkeep and repair, and operating expenses and overhead charges of the Shipping Board. If I remember aright, he thought about $32,000,000 of this alleged $50,000,000 of annual expenditure by the Shipping Board arose out of the care and repair of existing ships not now being used from lack of cargo, and his statement was that some $12,000,000 of losses occurred, as I understood him, from the actual operation of the ships we are operating.

I wonder if we sold those ships to private owners would those private owners be able to furnish cargoes for a greater percentage of the ships than the Shipping Board can get now. In other words, would not the private owner have to carry the same $32,000,000 losses growing out of care and repair of idle ships, and would they not operate the ships for which cargoes are found at the same loss at which they are now operating them, since our only prospective buyers are the very companies that now operate them for the board? It is a strange thing when a man who has always fought ship subsidies comes before us and says that because we have a great property we must therefore give it away and add a magnificent bounty or bonus to the gift in order to get rid of what we can not use ourselves. That is substantially the gentleman's position. We have the ships. We can not use them; nobody else can use them except at a loss. Why not sink them or burn them?

Mr. YATES. Will the gentleman yield?

Mr. HARDY of Texas. I am going to ask not to be interrupted at this time, because I can not get through in an hour's time with what I have to say. If I have the time later, I will be glad to yield.

Mr. YATES. The gentleman is quoting the gentleman from Illinois [Mr. MADDEN] as making a certain statement.

Mr. HARDY of Texas. I try to quote him correctly, and if not I apologize.

The CHAIRMAN. The gentleman from Texas desires not to be interrupted.

Mr. HARDY of Texas. I wish to refer to the argument of the gentleman on that side of the House [Mr. WOOD of Indiana] who preceded the gentleman from Illinois [Mr. MADDEN]. It was a lengthy résumé of facts and figures persuasively put together in favor of this bill of graft, particularly to a certain great industry. You know our line-up is generally largely influenced by our sympathies, and it is a remarkable fact that the gentleman from Indiana [Mr. WOOD] has been quoted all over this country and his speech in Congress has been sent all over the country by the Steel Trust, after the Standard Oil the biggest beneficiary, perhaps, under this bill that there is to be found. What is the Steel Trust? Mr. WOOD, whose address was mailed by the corporation all over the United States, calls it "a corporation with a soul." Well, maybe it is, but let me give you some of its soul as I showed it here in a speech on the tariff. The Steel Trust is not only one of the most magnificent beneficiaries under the tariff generally, with its hands out to receive money from the people, but they have always, as proponents urge this bill, urged their high tariff on the ground that they wanted to benefit labor—the American workingman. What do I find in reference to the Steel Trust? From the report which Mr. Schwab himself made I quoted, on the 22d day of September, a statement giving the number of employees of that vast corporation, the number of dollars of the pay roll, and the total net earnings of the company. From 1902 to 1915, inclusive, this great industry has claimed protection for the benefit of its labor employed during those years an average approximately of 200,000 laborers, and they paid to labor the total sum for those 15 years of $2,122,001,774 as a total of wages, while the total net earnings of that company amounted to $1,669,148,034. The net earnings of that great corporation in 15 years nearly equaled the gross amount of wages paid to 200,000 employees.

Mr. J. M. NELSON. Do they still maintain the 12-hour shift for labor?

Mr. HARDY of Texas. These laborers were many of them foreigners who can not speak our tongue, and they work 12 hours. So in 15 years this great corporation with a soul has taken out in net profits an amount nearly equal to the entire wages paid all their employees, and those employees, many of them, had to live hard in order to live at all on the wages received. It may be a corporation with a soul, but it is the same corporation that in 1908, as testified by Mr. Carnegie, permitted independents to run if they did not get in their way, but which wrung from the masses of the people just such profits as they were enabled to do by virtue of being allowed to fix the price of their products as they saw proper. Let me tell you who this bill is going to favor; the Standard Oil Co., the Steel Trust, the United Fruit Co., and all that kind and class who ship their products in their own vessels and come and use the United States for a hand-out by way of subsidy, and every man on this floor who votes for this bill ought to know and figure how much is given to the United States Steel Trust, the Standard Oil Co., and the United Fruit Co. It has been stated here that the Standard Oil has 1,600,000 tons of tankers. These, I think, are mostly engaged in foreign trade. If they average 10 knots per hour, allowing for two months lost time per year, they would, at the rate of one-half cent per ton per 100 miles, earn $5,760,000 in subsidy. We may allow for one-fourth of their time in port and the Standard Oil Co. would still earn a $4,320,000 subsidy annually. The United Fruit Co. has many passenger ships which draw higher subsidy than the slow tankers of the Standard. What its subsidy would be, I do not know; but perhaps the greater part of the subsidy under this bill will go to the fast passenger ships.

I repeat, that every man on this floor who votes for this bill ought to know and figure out how much he is giving the United States Steel Trust, how much he is giving to the Standard Oil, how much to the American Fruit Co. Let me tell you: Give me the right to fix the price of raw material when I buy it and then manufacture it into the finished product, and then give me the right to fix the price of the finished product, and what have I got? I will illustrate it, not by the Steel Trust, but by the Standard Oil, because it is clearer and plainer. The Standard Oil goes into every oil field in the United States. All over Texas it establishes its pipe lines, and immediately after it has established its pipe lines it puts over its window this little sign:

We take your oil at 50, 60, or 70 cents a barrel, as long only as you are willing to deliver it and we are willing to take it.

As a result of that little contract with the oil producers, both the landowner as to his royalty and the man who operates the well, they buy the oil from the producer at 50 cents or $1 a barrel, or whatever price they fix, because the producer can not help himself. He has nowhere else to sell it. Then they refine the oil. For 20 years they have refined the oil in the district that I live in and turned it into kerosene oil. From a barrel of crude oil they make 22 gallons of kerosene. And then they state that the things made in addition to the kerosene, by-products, you might say, pay all the cost of refining and the marketing and the pipe-line cost.

What does that mean? It means they bought a barrel of oil at a dollar and turned it into kerosene, 22 gallons, worth 10 cents a gallon. That gave them out of every barrel of oil that came out of the ground in the Corsicana field $1.20 profit. It is clear that the Standard Oil made more money in that field than all the owners of the land that it came from and all the wildcat operators in the field combined. They received more net profits than the gross receipts of everybody else in the business put together.

Gentlemen, all over Texas they have done the same thing. A new field is opened up. At Beaumont, Tex., the prices got so low that it sold for less than 5 cents per barrel. I was interested in a company that in 1901 sold 150,000 barrels at from 3 cents to 5 cents a barrel. Yet the gentleman from Wisconsin [Mr. FREAR] says that when they send it to Shanghai they sell it for $7 a barrel. They were paying in 1901 50 cents a barrel at Corsicana, and from 3 cents to 5 cents a barrel at Beaumont. Now they pay $1, or maybe $1.25, per barrel at Corsicana.

Gentlemen, if you will let me buy the crude oil at the price I fix and let me sell the finished kerosene at the price I fix, and let me make from the sale of by-products an amount equal to the total expense of operation, I can levy on the people of the United States such a tribute as no Roman provincial governor ever thought of levying in the days of widest Roman supremacy. Yet this is one of the great beneficiaries of this bill.

Ship owning is one of the economies that this company uses. It uses its own vessels to send its cargoes of oil from Mexico and the United States across the western seas to far-away Shanghai and the other ports of the world over there; and we propose by this bill to give to this autocratic concern, which has the power of making levies on the people at its discretion and

making such a profit as they see proper—we propose to give them out of the Treasury one-half a cent per ton for every hundred miles they sail. They buy the oil in Mexico; they take it to Canton, China, or to Shanghai. We never get a touch or a smell of it—as pleasant as the smell of oil is—when we pay that subsidy. I do not know how many miles it would be to go around from Tampico, Mexico, through the Panama Canal and on over to Shanghai or Canton. Perhaps it is 12,000 miles. You can figure it out yourself. If we do not belong to the Standard Oil and Steel Trust to-day, this bill will help give them and like concerns a clear title to our bodies and souls.

The rate I have figured on is the cheapest rate that we are to pay. If they can increase the speed of the vessel on a trial trip, they get more. They do not have to make 12 knots on a regular voyage to increase the subsidy; but if they make a trial trip and they go over that, they get an increase of the subsidy.

Gentlemen, I am limited in time, and I find I am incapable of getting an argument together that will read coherently and logically; but I want to take up certain things about this bill. I maintain that the bill will not eliminate the $50,000,000 that it is claimed the Shipping Board is now expending beyond its receipts in administering this property. I think it has been shown by the gentleman from Alabama [Mr. BANKHEAD] and the gentleman from Tennessee [Mr. DAVIS] that if you pass this bill, for the first year or two the overhead charges of the Shipping Board and the care of the ships will remain practically what they are now, because in the first 12 months you might sell only 20 ships. I think they could sell 13 of them pretty soon. Why do I think so? Because Thomas H. Rossbottom, directly operating these ships for the Shipping Board, has demonstrated that his line to Liverpool and Bremen can be operated and is being operated at a profit, and consequently private shipowners will be glad to buy the ships which constitute that line, which is the only illustration existing in the United States of what can be done under Government operation. Mr. Rossbottom running these ships directly for the Government has made a success, and private capital will want to take them from the board.

Mr. MADDEN. Mr. Chairman, will the gentleman yield?

Mr. HARDY of Texas. Yes.

Mr. MADDEN. I would just like to ask the gentleman whether he thinks that is a fair illustration? Those are the greatest ports in the world.

Mr. HARDY of Texas. I think it is more than fair, because those ships go to the ports where they have the most vigorous competition that there is in the world. [Applause on the Democratic side.] If there is anywhere under the shining sun a route where the American ship operator can not compete, it is between here and Liverpool and Bremen. Yet Mr. Rossbottom appeared before our committee and said, "Gentlemen, I came up here because the Shipping Board asked me to take charge of the American Line, a line that was sold to a private corporation at a high price, and they got tired and came and asked the Shipping Board to take it back, and they took it back, and then they sent for me to run it."

The Shipping Board, in this one instance, found already in Government employ Thomas H. Rossbottom, who for 20 years had run a Government line from Panama to New York and other ventures at a profit, and they put him in charge. It is a great pity they did not employ other good ship operators at a salary to operate other ships of the board instead of turning them all over to great corporations owning their own ships and not in any way interested to make the board's ships a success.

Mr. MADDEN. I hope the gentleman will allow me to interrupt him just a moment.

Mr. HARDY of Texas. Certainly.

Mr. MADDEN. The gentleman did not mean to say that this shipping company that preceded the United States Line asked to have the ships taken back. They were forced back. They took them back under a court order.

Mr. HARDY of Texas. I understand so; but how much monkey business there was in that I do not know.

Mr. MADDEN. That is the truth.

Mr. HARDY of Texas. I know they were sold shortly after the war, and sold for a good price, and the company that bought them by easily surrendering them to the Shipping Board got out from under and vanished into thin air, and the Government had them on its hands. What did they do? They got Mr. Rossbottom, a practical shipping man, a man of ingenuity and American initiative, a man who had made a success of what it was prophesied would be a failure when he took charge of the Panama Steamship Co., a man who reduced the cost of the Panama Canal by hundreds of thousands if not millions of dollars. He reduced that cost by taking the freight necessary to construct that canal at 50 per cent less than private shipowners were asking to take it. He reduced the cost by carrying their workmen, their laborers, their employees at $25 a head when other ships would have charged $75. With all those savings to the Government and its employees he still maintained a profit after allowing for insurance, repairs, depreciation, and interest on the capital investment of the ships.

For 20 years he has proved a success, and they sent for him. I would not impute sinister motives, but I doubt if the Shipping Board thought when he got in charge of this United States American line that he would make a success of it. They may have expected that he would only add to the proof that the Government can not operate these ships successfully or do anything except fold its hands and look up to some master capitalist, some captain of industry, and say, "Come and deliver us, ride us, tax us." He did not do that. What did the Shipping Board do? They gave him 13 ships. Among them were 4 first-class ships, 2 moderate-class ships, 2 very poor ships, and 5 ships that rank from worthless to worse than worthless, so that, as a whole, his fleet was one that almost precluded successful operation. Nevertheless, he gave us his receipts and expenses, and during the three months before he came and testified before us, he had a net balance from operating of some $600,000 with these ships all on his hands. Some of them ran him in debt, some of them made good profits, some of them made less profits; but he said, "Gentlemen, if you will give me a fleet like the four best ships I have got, I will not take off my hat to anybody. I will run in competition, without a subsidy, with any shipping nation on the face of the earth," and he demonstrated that he could do it. Well, as I said, gentlemen have contended, with a plea they have made here, based on assertions which they hope will be impressive, that the effect of this bill will be to save $50,000,000 annually that the Shipping Board is paying out now for operating losses, and will only convert that $50,000,000 loss into $50,000,000 or $30,000,000 subsidy. But let me tell you what is the fact. The subsidy, the first year, may not be over $30,000,000, because you will not have to pay subsidy to any but privately owned ships and the Shipping Board ships will not draw a subsidy until they are sold; but there are already quite a number of ships owned by private individuals, and all these will begin to draw subsidies at once, without lessening the Shipping Board expenses in any way.

There are enough ships owned by private individuals to-day to cause the Shipping Board, with its extreme sensitiveness to private interests, to take out of the trade many of the Shipping Board ships, lest they might compete and interfere with the profits of some privately owned ships, and the Shipping Board is not doing what it ought to do in order to reach out and try to get trade for its ships, because it is afraid it will interfere with some privately owned ships. They tried to take the Government owned and operated ships of the Panama Steamship Line away from Rossbottom, at the behest of private shipowners, because he was making it pay and extending its operations by able administration. I do not know how many privately owned American ships there are now, but those privately owned ships will begin to draw their subsidy at once. I understand there are about 2,000,000 tons of such ships, and they will draw under this bill at least $15,000,000 per annum. I presume that somebody would take over the *Leviathan*, upon which we are spending $8,200,000 to put it in good repair. It is generally understood—and that from the intimations of the Shipping Board—that after we get it in good repair the Shipping Board will sell it for about $7,000,000 or $7,500,000. In other words, we are now going to spend as much or more on the *Leviathan* as we expect or anticipate by any possibility to get out of it when we turn it over to private ownership. Do you know what you will do when you do that? You are going to turn over the *Leviathan* to a private owner for less than we are now prepared to spend on it and are spending on it to put it in good repair, although she could not be replaced for twice as much. It must be remembered that the subsidy is based on the speed traveled. When the *Leviathan* is turned over to the private owner it will run over 23 knots an hour, and when it goes on the seas it will earn, on the basic rate of this bill, 2.6 cents, or in round numbers 2½ cents, per ton per hundred miles. Now figure that up.

My colleague, the gentleman from Tennessee [Mr. DAVIS] said the vessel was 54,000 tons. I have it as 58,000 tons; but we will take it at 54,000 tons. Now, you figure its mileage and let it run 23 knots per hour 10 months in the year, and you figure the subsidy at 2½ cents per ton per hundred miles. It will naturally travel in 10 months over 144,000 knots. It will travel 480 knots, earning 12 cents per ton, or $6,480 for the whole ship per day, and this multiplied by 300 will give $1,944,000 a year, which you will pay on that ship alone to

the party to whom you have given it. Oh, you did not simply give it. They would not take it, they said, and consequently the Shipping Board have decided to spend $8,200,000 and give it to somebody for $7,500,000. And that is to help the farmer, who never will see even the outside of the *Leviathan* and will never be benefited a dollar. Surely the farmer will be benefited, because he will have to dig for the money, and the "Lord loveth whom he chasteneth." You propose to give this money to the purchaser of the *Leviathan* notwithstanding the United States Treasury, according to Mr. Mellon, faces a deficit of between a half billion and a billion dollars for the coming year, and notwithstanding you have no money to pay the soldier bonus.

Mr. MADDEN. Will the gentleman yield?

Mr. HARDY of Texas. I yield to the gentleman from Illinois.

Mr. MADDEN. The gentleman will admit that the Government was ready to sell that ship for $4,000,000, in its then condition, and an injunction was issued against the sale.

Mr. HARDY of Texas. I am glad to say that I was on the Committee on the Merchant Marine and Fisheries, and we tried to help the then chairman of the Shipping Board, John B. Payne. We tried to help him to sell it, but we had one of the big fish in the country, William R. Hearst, the editor of great papers in this country, who came down here and enjoined the sale. He prevented the sale of that ship for $4,000,000, as it then stood net to the Government. He attacked Chairman Payne viciously, and said he was sacrificing our ships for too little. Now, with all his great papers he is backing this bill to give away the *Leviathan* and sell all our ships for a song. Mr. Hearst must have seen a great light. Maybe so the people will see a great light before this bill is passed. Surely, sir, we could have gotten $4,000,000 net for the ship two and a half years ago.

Mr. J. M. NELSON. Will the gentleman yield?

Mr. HARDY of Texas. I will.

Mr. J. M. NELSON. Was there a law passed to prevent ships being sold to foreign countries?

Mr. HARDY of Texas. It was then on the statute book.

Mr. MADDEN. They were authorized to sell ships to Americans, and had some ships offered for sale, but there was a resolution passed by the Senate suggesting that they withdraw it.

Mr. HARDY of Texas. Yes; Congress butted in and, as usual, muddied the waters. We had a chance to get $4,000,000 out of the coffers of some great company, and then it was stopped by William R. Hearst and Congress, and since then Members of Congress have never ceased to criticize the old board for not selling ships.

Gentlemen, I have shown you the subsidy that will be paid on one ship. The Shipping Board will make a 10-year subsidy contract with the purchaser of the *Leviathan*, under which the Government will pay back all the purchase money and more.

Now, these gentlemen say that the Government must further help the farmers by loaning ship companies the money to build two bigger ships than the *Leviathan*, at 2 per cent interest. So you will have thirty million to build those two vessels loaned by the Government at 2 per cent interest added to the subsidy of 2½ cents per ton per 100 knots, and then the two new ships would cost in subsidy about three millions per year. In 10 years' time the Government will pay on the *Leviathan* and these two new ships more than enough to wipe out their cost to the owners, and be ready to make another 10-year contract. Well, who does it go to? It is not necessary to say.

Let me read a little article that, I think, presents a fair question:

> Those who oppose the subsidy policy for developing an American merchant marine also oppose Government ownership and operation of ships in peace time, yet say they want our flag on the seas.

That is absolutely true, as to permanent Government ownership and operation. The article continues:

> By what plan can our flag be restored to the seas if Uncle Sam is not to do the job himself or encourage private enterprise to do it?

Well, by what plan can we raise cotton if Uncle Sam, when cotton is selling at a loss, refuses to do the job and refuses to pay bounties to those who do it? Every farmer in the United States has sustained a loss, if he is a big farmer, in the last two years. Did we hear the Government proposing to hand out anything to keep him in business? Not at all. The article continues:

> We have waited long for private enterprises to accomplish the purpose unaided, and we have waited in vain.

That is absolutely true, and I want to tell you why we have waited in vain. We have not waited in vain for private enterprise to have a merchant marine engaged in the coastwise trade, have we? We have the biggest merchant marine of any country except Great Britain to-day. Up to the war we had a great merchant marine, but it was all engaged in the coastwise trade. To hear some of the advocates of this bill you would think that we had no ships prior to 1914. We had many magnificent ships prior to 1914, ships capable of sailing all the seas, capable of carrying any amount of cargo, but they were engaged in the coastwise trade. We did not have them sailing under our flag in the foreign trade, but we had them under our flag in the coastwise trade. We had under our flag six or eight million tons of shipping engaged in the coastwise trade, and we had under foreign flags owned by American citizens something like a million tons engaged in the overseas trade. Why is it that American private capital prior to 1914 put what ships it owned under some foreign flag and declined to build up our foreign-going merchant marine under our flag? That is the question, is it not? If you know the cause that prevented Americans before 1914 from engaging in overseas trade in ships under the American flag and compelled them if they engaged in such trade at all to do so in ships under foreign flags, ought you not to try to remove the cause? I can surely and clearly show you what that cause was.

Judge DAVIS yesterday went over the history of our merchant marine, and he showed that we had the greatest merchant marine up to 1860 in the world. Why, let me tell you. Up to 1860 in our shipyards on the coast of New England, at Baltimore, and other places in the United States we built the cheapest ships that were built in the world, character and quality considered.

That sounds strange, does it not? But it is true. They built the best ships and you could not get as good ships for the same money built anywhere else. We paid bigger wages in the shipyards than Great Britain did, and we built a better ship for the same money. We paid better wages to the seamen on the ships, but we carried the cheapest freight. The fact was that up to 1860 the United States seagoer carried the cheapest unit of freight in the world. Why? Because he could sail faster—he could make two trips in a clipper-built ship from Baltimore to Liverpool while the English ship was making one and a half trips. In other words, he could make four trips to the English ship three. What else? By superior ships, by better running, having abler seamen, our owners could get better rates of insurance. We could outinsure them, we could outsail them, we took less time to turn around in the ports, and we could get cargoes when they could not. As was said the other day, our ships in a foreign port could get a cargo at a higher price than other ships, because the owner or shipper of the cargo knew that it would go faster and safer, and knew it was a better venture even at a higher rate. What else? Under these conditions the American commerce spread in proportion to our production all over the world.

Under these conditions the American ship sailed the seas everywhere and paid higher wages to the crew. And without any Government aid to our ships or any Government burdens or restrictions or discriminations against foreign ships coming to our ports, we carried from 68 per cent to 90 per cent of all our outgoing and incoming commerce, and carried millions of dollars' worth of commerce between foreign ports; that is, the international commerce of foreign countries. But our shipbuilders hustled; they were building ships for the world. Our seamen hustled; they were beating the seamen of the world. Our ship captains hustled; they were better paid than any other captains; they earned the money; and with the better crews they made better time, had fewer repair bills, and secured better cargoes. Our ship companies were backed by the bankers and merchants at home, and they hustled. They had their agents and business scouts and connections in all countries, and generally the shipowner himself was like Robert Dollar tells you in an article published recently, a wide-awake, hustling business getter. They did not build up their business connections and success overnight, but through patient, persistent effort.

When the honest student of merchant-marine problems grasps the lessons of merchant-marine history he will know that it is not cheap labor or subsidy or discriminations that bring success, but business enterprise and administrative ability, that adopts the best ship equipments and improvements and time and labor saving devices, and secures the best business connections at home and abroad, and the best and fullest cargoes to and from every port the ship enters. But initially you must give to American capital the privilege of putting the cheapest ship he can get in the world under our flag, or he will buy the cheapest ship he can get, and put it under some other flag, which is what was happening all during the years from 1865 to 1914.

But to go back: From 1830 to about 1855 or 1860, when we were building better ships for the money than England, what happened?

What happened then? When we began to build ships cheaper than England could, then England, with the wisdom that has characterized her conduct of shipping operations always, said that if America could build a better or cheaper ship than England could, she would let her merchants go to America and buy the ship and put it under her flag and sail that ship in competition with ours, lest British capital should invest in ships under the American flag. So England repealed her old law that prohibited any but British-built ships from flying the British flag. She made her British builders compete with the American. But what happened later? Along in 1854 England had been progressing in iron and steel manufactures because of the proximity and the immense quantity of coal and iron ore there. She was producing iron and steel cheaper than we, and she began to build ships of iron and to put steam motive power in them and so to build superior ships. Some of our New Englanders, wedded to the past, said that it was not reasonable to suppose you could make iron float and do the service of a wooden ship on the seas as cheaply as you could build and sail wooden ships, and they clung to their old sailing vessels and their old wooden ships, which they would have had to junk if they got up to date and bought the British ships, and from 1854 to 1860 the British shipping was gaining on us because they had a newer and a better type of ship for the money. What did we do? Did we do as Great Britain did? Did we say to our merchants who wanted to engage in the overseas trade: "Our builders have gotten behind; you go and buy your ship in Great Britain and put it under our flag so you can compete with Great Britain."

Oh, no. Of course, those were troubled times; the war was coming on, and we can not greatly blame the statesmen of that day for not resorting to the wiser course. They had too many other troubles. The war came on in 1860, when we were in that condition; and yet, notwithstanding that fact, when the war came on we were carrying, mostly in the antiquated sailing ships of ours, 68 per cent of all of our commerce, incoming and outgoing. After 1860 the Confederate cruisers became a menace to the merchant shipping of the North. Some of them were sunk—I do not know how many—but 800,000 tons of New England shipping were sold abroad, and who bought that shipping? Why, Great Britain, in utter disregard of any protest that may have been made by British shipbuilders, and she put her flag on those ships and sailed them in all her trades. Under the same circumstances, I regret to say, that we would have allowed—in fact, we did allow—ourselves to be throttled by the shipbuilders of the United States. Great Britain merely said to her shipbuilders, "We are going to buy these ships, and you will build ships for us when you can or when we need them if you can build them better or cheaper than we can get them elsewhere."

We have been the victims of our foolish purpose to build up and maintain a shipbuilding monopoly in this country at the expense of every other interest and industry in the United States. We coddled and hothoused our shipbuilders until they became, in their own eyes at least, helpless and hopeless incompetents, and they ceased to try to build a ship except for the protected coastwise trade. Uncle Joe, you remember the days when our ships were the best ships on the ocean. I was born about the time the English began to creep up with their iron ships, and we clung to our old law that forbids buying any ships built anywhere but in the United States.

In the sixties we added to our shipbuilders' difficulties by placing a very high tariff on shipbuilding material. We did this to coddle the steel industry. There should never have been a day when there was one cent of duty on material imported into the United States with which to build ships. Yet, after 1860, we laid a duty of 50 per cent on shipbuilding material, and in 1874 the Committee on Merchant Marine and Fisheries appointed a committee of investigators to go out and find out what was the matter with our overseas merchant marine. They came back and said that because we laid a heavy tariff on shipbuilding material we thereby prevented our shipbuilders from competing in price, and that we ought to take off the tax on shipbuilding material. However, they were so wedded to the iron and steel interests that instead of taking off the duty frankly and freely and fully, they passed a law taking off the tax on shipbuilding material but providing that a ship built with any imported material should never touch our coastwise trade, and if it did ever engage in our coastwise trade it would have to go back and pay the duty. The result of that limitation was that but one ship was built with foreign material, and the owners of it were in such constant fear all of the time that the vessel would touch and carry a cargo in the coastwise trade and they were so hampered by the prohibition against carrying any coastwise cargo that they never repeated the experiment and built another ship with foreign material.

When the Democrats came into power in 1914 we absolutely took off all duty on shipbuilding material so that an American shipbuilder could get his steel and iron—if he saw proper—in Great Britain or in Germany or in any other place and pay no duty upon it. That was the hardest fight in which I ever engaged since I have been in Congress. Why? The Steel Trust said that if we put shipbuilding material on the free list we would destroy the iron and steel industry of the United States in shipbuilding material. But what happened? We put it on the free list and the shipbuilders of the United States did not have to go anywhere except to our own manufacturers to get all the steel and iron they wanted at the same price they could get it in England.

Our iron and steel manufacturers did compete from that time on with the manufacturers of steel and iron in Great Britain. Not only so, but they were competing before that time, only they would not sell to our shipbuilders at foreign prices until they were forced to. They were selling ship plate cheaper in England than they were selling it here, and Mr. Schwab before one of the congressional committees testified that they could produce a ton of steel in the United States for $12 and deliver it over there, while England could not produce it at home for that price, much less send it here at that price—and, mark you, our steel industry is supposed to pay American wages, as much as our shipbuilders.

Mr. EDMONDS. Will the gentleman yield?

Mr. HARDY of Texas. Yes.

Mr. EDMONDS. What would have happened in 1917 if we had not had the shipyards?

Mr. HARDY of Texas. I will tell the gentleman. In my judgment, had we pursued the policy I have been advocating, first, of giving the shipbuilder untaxed shipbuilding material and then of allowing the American ship buyer to buy where he could find the cheapest ship, the American shipyards in 1914 would have been bigger and stronger than they were and would have for many years been building the far greater part of the ships in our overseas and coastwise trade and at the same time been running a neck and neck race with England in building ships for all the world.

John Roach, a great shipbuilder, appeared before the Merchant Marine Committee in the eighties and testified that if you would give him free iron and steel he could build ships in competition with any country. Other shipbuilders then and since that time have given the same testimony, and their ability to compete was demonstrated even under the tariff on steel when under competitive building American shipyards secured the contract to build a battleship or battleships for the Argentine Republic a few years ago. Moreover, the commerce on the Great Lakes has been competitive between Canada and the United States, and in Lake ships the United States shipbuilders have had to compete with foreign shipbuilders, and they—that is, the United States shipbuilders—have put it all over the shipbuilders of other countries in the building of the Lake type of vessel.

Mr. Chairman, not only would our shipyards have been bigger and stronger in 1914 than they were, if my policy had been in force for 50 years but every ship owned by American capital in the foreign trade would have been under the American flag and not subject to British requisition, and, in my judgment, instead of the few hundred thousand tons we had in the foreign trade under our flag and the half million American-owned tons in the foreign trade under foreign flags we would have had at the breaking out of the Great War some four or five million tons of shipping in the foreign trade under the American flag.

When was it that J. P. Morgan started to organize a great shipping combine? Some 10 years ago, was it not? He would have organized it, too, if he had not been prevented by death or Government interference. The syndicate would have been American owned or controlled, but the ships would have been under foreign flags unless our shipbuilders had competed with foreign builders, because Mr. Morgan would not have paid higher prices for his ships in order to place them under the American flag. I am persuaded, however, that if the American shipbuilder had been confronted with the question of whether he would compete or lose all chance of building any of those ships he would have competed.

I was about to touch upon this very subject when the gentleman from Pennsylvania asked his question. I ask a similar question. What would have happened in 1914 if we had not had the steel plants? They said if we put steel on the free list they would go out of business. The shipbuilders

now say that if we put ships on the free list they will go out of business. The same thing will happen in the shipping industry as has happened in the steel industry. They never lost the sale of a ton of steel because of the removal of the tariff on ship material, and when you put ships on the free list our American yards will build for our American owners and for shipowners and operators all over the world. Let me get that plain. The Steel Trust said that if we put shipbuilding material on the free list they could not compete with the British producer of iron and steel and that we would destroy the industry here. We put it on the free list and it did not destroy the industry. They continued to manufacture and they undersold the British. They then manufactured not only for our shipbuilders but for the British shipbuilders and for the shipbuilders of Europe, of France, of Italy, of everywhere.

You let the American shipbuilder alone, let him have free shipbuilding material, and then tell him to go out with his infant industry and fight for his success and his prosperity. Mr. Chairman, I repeat it, man after man from the shipyards and from the shipbuilding companies of the United States came before our committee and said that if we would give them as cheap material as other countries had—and I can give you the names of those companies—as cheap material as they have in England, and then give them standardized ships to build—that is, give them ships in quantity—they could build as cheap a ship as they could on the Clyde. You can find that scattered all throughout the hearings, and I know they can do it.

We have got cheaper coal and more abundant in the hills of Virginia and the other mining sections of the country. What else? We have got timber right here in our country, while England must import it. What else? We have got on hand a supply of 1,500 ships, nearly 10,000,000 tons of ships good to be used. If the shipbuilders of the United States now do not go out and build ships in competition with the builders in any other part of the world and sell their ships abroad they will have to go out of business for 10 years. The point I am making is that the shipbuilders of the United States, purblind as all interested parties always are, ought to be able to see that unless they can build in competition with the world they must go out of business.

Let me revert to the reason why our flag left the foreign trade. Mark it. Our foreign shipping flourished when we had the cheapest-built ships and furnished ships for the transportation of the world. After 1860 and after the destruction and sale of our shipping from 1861 to 1865 we were still carrying about 32 to 38 per cent of our ingoing and outgoing commerce. What carried that? We carried it in the old ships that the New England shipowner still had left over that had neither been sold or sunk, and that amount of tonnage was still engaged in the foreign trade. They were mostly sailing ships, mostly small ships, all old ships. What happened then? We had then a duty on steel material. Then we had a law that no ships not built in the United States should fly the American flag. Consequently when one of those old ships sunk—when a storm came and the ship of 2,500 or 5,000 tons went down—and the owner looked around and wanted to replace it, he found that if he bought an American ship it would cost him 50 per cent more than he could buy the same ship for in Great Britain. Why? Because the Government of the United States said, "You can not fly my flag on a ship unless it was built here." And the shipbuilder said, "Because my ship can engage in the coastwise trade and the British ship can not, you have got to pay more for my ship." Well, what do you do? You make up your mind whether you want to go into the coastwise or the foreign trade, and if you want to stay in the foreign trade you perhaps enlarge the size of the ship and buy a 10,000-ton ship, foreign built, and put it under a foreign flag.

In 1910 a 10,000-ton ship built here cost about a million dollars, and you could go over to the Clyde and buy that ship for $600,000 and put it in trade between New York and Liverpool. What would you have done as a business man? You would have bought the British ship and put the British flag on it. Consequently when one of the American ships went down it was not replaced. Gentlemen, from 1865 to 1914 the condition was this: Every time a ship went down on account of weather at sea, every time one of those old American ships which were carrying 32 per cent of our commerce at the close of the war was lost the owner, if he replaced it at all, went over to the Clyde and bought a ship there and it went under the British flag. Now, gentlemen, do you want any better demonstration of why it was that one by one as the autumn leaves fall and the snow begins to gather that one by one American ships sunk beneath the waves and never came back, or if replaced went under the British flag? I know I am giving you the right solution of why our flag disappeared from the sea.

I know it was because of the higher cost of the American ship, and that higher cost was because of the duty on shipbuilding material and the monopoly given to American-built ships in the coastwise trade. Suppose you are in New York and you want to buy a ship to use in trade to Liverpool and you find two ships just alike, sister ships, in the harbor, both for sale. One of them you can sail both in the coastwise trade and the overseas trade; the other you can sail only in the overseas trade. Will not that privilege alone make one bring a premium on the market? And just because it brings that premium it can not be used in the overseas trade where the cheaper ship can be used. The American-built ship brings a premium because the owner in the case of a sorry season or small cargo for Europe can go from New York to Savannah and carry a cargo to Savannah, and from Savannah to Pensacola and carry a cargo there, and from Pensacola to Galveston and carry a cargo, so he can carry a cargo to those various points and then at Galveston load cotton or grain, whereas if his ship was a foreign-built ship he has to make an empty voyage or in ballast to Galveston.

Let me try to make plain the dilemma our laws have left our shipowners in. Any American citizen wishing to go into ship operations has been compelled to choose between two evils. First, buy a cheaper foreign-built ship and put it under a foreign flag. In that case he can not engage in our coastwise trade at all. When he brings a European cargo to New York and has to go to New Orleans for a return cargo, he is not allowed to carry any goods from New York to New Orleans, but must go empty or in ballast, at great cost, or if business should be slack between America and Europe our rich coastwise trade is closed to him; his ship must find business somewhere else or lie idle. Second, buy the far higher-priced American-built ship and put it under our flag. In that case he may participate in our coastwise trade. He may carry goods or passengers from all our American ports to all our other American ports, and in this trade he is protected by absolute prohibition against competition of any foreign ship. But he is practically barred from the European or foreign trade, because his ship cost is so much greater than the cost of the ship of his competitor. The result has been that the American ship operator has retired from the foreign trade almost entirely, or if he has engaged in it at all he has done so by buying the cheaper foreign-built ship and sailing it under some foreign flag. He has in fact confined himself in the main to our coastwise trade. For that reason when the Great War came we had practically no ships in foreign trade under our own flag. While our citizens owned considerable tonnage in the foreign trade under foreign flags, the amount of such tonnage so owned is hard to get at, and it was all subject to requisition by foreign governments.

Why, James J. Hill, when he was asked why the American merchant marine disappeared from the seas in the foreign trade, said it was clearly because it cost the American merchantman 50 per cent more to buy a ship and put it under the American flag than to buy the same kind of ship and put it under a foreign flag. It is that dilemma I wish to solve by giving our ship operators the same right that the nationals of every other country in the world have; the right to buy a ship where he can buy it cheapest, and sail it either in our coastwise or overseas trade.

Gentlemen, that is what I want to urge, because it is the only way we ever can or will have a great overseas merchant marine. I know I am up against the pet doctrine of the Republican Party, the protection absolutely of the shipbuilders of the United States against any foreign competition, not by a tariff but by the absolute exclusion of foreign-built ships from our flag, and the question that was asked me just now, "What would you have done if we had not had any shipyards?" means to assert that we could never build ships in competition with the world. I deny this and I assert that without this law of exclusion we would have had bigger and better shipyards. We would have had the shipyards just as we have got the steel industry to-day. Do you tell me that America, with cheaper coal, with cheaper iron, with cheaper steel, simply because it pays a little higher wages—although the wages are not so much different—can not build a ship? "Oh," they say, "we are talking about a subsidy now." It used to be that the only sound argument for a subsidy was the greater initial cost of our ships, but to-day, even without any change in the law, we have got 700 first-class ships, according to the testimony of the chairman of the Shipping Board, ready to be sold to the American ship operator cheaper than any other ships in the world can be

bought, so that the ship owner to-day does not have to pay a dollar more for an American ship than if he bought it abroad. We are offering those ships, and the bill of 1920 authorized and directed the Shipping Board then to sell the ships at world prices for ships. Why, then, should they have a greater initial cost? Why should they be given a subsidy?

Mr. MONDELL. Mr. Chairman, will the gentleman yield?

Mr. HARDY of Texas. Assuredly.

Mr. MONDELL. The gentleman is assuming that there is no handicap against the American shipowner. If that is so, why does it happen that, with all the capital and all the enterprise of America, we have not gone into the shipping business?

Mr. HARDY of Texas. If the gentleman had been here a moment ago he would know. I have said that the gentleman as a sensible man would not buy a ship and pay a million dollars for it for the privilege of putting it under our flag when he could buy the same ship for $600,000 and put it under the British flag. If the gentleman can not see that, he is hopelessly blind. But now American ships are offered by the Shipping Board for less than world market price, and have been offered at world market price ever since 1919.

Mr. MONDELL. If so, why has not American capital embarked in the trade, if there is no handicap against them?

Mr. HARDY of Texas. The answer is that American capital did embark in the trade, or tried to. In 1920 the best shipping man in the United States, Mr. P. A. S. Franklin, the head of the International Mercantile Marine Co., wrote to the Shipping Board and said: "I want to buy a good many of your vessels. I want to put them in the lines between New York and Liverpool and between New York and Bremen." He said, "I have got my connections in the interior of Germany, and I have got my connections all over Europe, the port and the inland connections, and I can run those ships in competition with anybody in the world. I want them at the market price." That was in 1920. Later in the same year he wrote to the Shipping Board and said, "As soon as you are able, give us the price." That was at the time we had the trouble with Hearst about the sale of the *Leviathan* and other ships. "If you can not sell them I want to charter them," he said. "Give me a bareboat charter," he said, "to run them to those ports, and I will guarantee that I will keep up the lines."

There is the answer to the gentleman's question. Franklin knew what he could do, and he was not alone in wishing to buy these ships and run them without any subsidy. But what happened then? The gentleman knows we had a Republican Congress criticizing the Shipping Board for everything it did or did not do. Congress spent weeks and months wrangling over a policy for the Shipping Board as to the sale of these ships. The great depression came in shipping, as in everything else. Investors quit buying anything. And then they began to talk subsidy, and the American Shipowners' Association met. They said:

> We can put one over now. We are now able to get Congress, in the presence of the world-wide shipping losses and this vast number of ships they must carry till times get better—this white elephant that they have on their hands—to give us the ships and a subsidy, too.

And so they concoct this bill.

Mr. MONDELL. The gentleman was undertaking to give facts a while ago. Now he is dealing in fancy. As to the facts, if Mr. Franklin and others can run American ships, why do they not buy them and run them?

Mr. HARDY of Texas. I have just answered that question.

Mr. MONDELL. Yes; but the gentleman answered it by getting into the realm of fancy.

Mr. HARDY of Texas. Let the gentleman keep himself in patience for a moment. I have given the facts on which I am basing my reasoning. Those are the facts. Mr. Franklin did offer to do it, and he did it more than once. He persistently asked the Shipping Board to name him a price, and others also were seeking to buy the ships. John Barton Payne testified that they could sell a great many of these ships, but he was enjoined, and finally the subsidy proposals of the present Shipping Board put an end to any possibility of sale until prospective buyers have exhausted their efforts to drive Congress into giving them a subsidy. The constant desire of the shipowner is to get something for nothing, seeking to acquire additional profit, and he has been right here periodically. The strongest men in Congress—Republicans and Democrats—have turned them down, but every once in a while we find a stalwart opponent falling into their meshes and then coming out on the other side, like my friend from Illinois [Mr. MADDEN], who is now for this subsidy, and he is for it now in the presence of a condition that is more favorable to American shipowners than ever before, and of a condition of the Treasury that is less favorable to granting this graft than ever before.

Gentlemen, if you represented a great corporation, a great association of corporations, as Winthrop L. Marvin does, and you thought there was a chance of getting for your great corporations such bounties and bonuses as the world never dreamed of before, would you spoil all that by saying, "We can build a merchant marine without any subsidy; we can run ships without Government bounties?" Not at all. [Laughter on the Democratic side.] And so, when the Ship Owners' Association got together under this administration, with the present Shipping Board chairman formulating and promulgating and doing all kinds of "ating" that you can think of, they said they could frame a bill; and I do not believe there is a paragraph in this bill that was not framed by the Steamship Owners' Association and sponsored by them. [Applause on the Democratic side.]

Mr. MONDELL. I take it that the gentleman's position is that America has not gone into the shipping business in the last 50 years because those who might go into the business are all hoping for a subsidy?

Mr. HARDY of Texas. No; I did not say anything of the kind.

Mr. MONDELL. That is what I understood the gentleman to say.

Mr. HARDY of Texas. I said since 1920; since Mr. Lasker was made chairman of the Shipping Board they had bought no ships; first, because of injunctions, and later because with Lasker promising them a subsidy——

Mr. MONDELL. What was the trouble prior to that time?

Mr. HARDY of Texas. Prior to 1920 we had sold a goodly number of ships to buyers who were not expecting a subsidy. In 1920 the Republicans passed a bill authorizing the appointment of a new Shipping Board. The term of part, at least, of the old board expired and the remaining members were acting by a kind of sufferance, and President Wilson could not appoint one that had any chance of being confirmed by the Senate, and everyone knows, and the gentleman knows, that all things were in a state of confusion, and it was not known what could be done; and then the President put Mr. Lasker in charge.

Mr. BANKHEAD. If the gentleman will allow me——

Mr. EDMONDS. Mr. Chairman, will the gentleman yield?

Mr. HARDY of Texas. Yes.

Mr. EDMONDS. The gentleman made the statement that he did not believe there was a paragraph in this bill that was not written or inspired by the American Ship Owners' Association. You do not want to make that statement, do you?

Mr. HARDY of Texas. Let me say right here that Winthrop L. Marvin was introduced before our committee, and an article was read, written by him, in which he claimed most of the credit of having written the bill, and he boasted of his handiwork.

Mr. J. M. NELSON. Was there not a committee of shipbuilders and ship operators that went before the Shipping Board—I do not know whether it came before your committee or not—and formulated a specific series of demands? And are they not practically all incorporated in the bill?

Mr. HARDY of Texas. The gentleman is right, and Winthrop L. Marvin's testimony shows that this bill was gotten up for and by the United States Ship Owners' Association, of which he was the paid representative, with the assistance, I do not doubt, of able men like my friend from Pennsylvania. [Applause and laughter.]

Mr. EDMONDS. No steamship owners' association assisted me in framing the bill.

Mr. J. M. NELSON. It is recorded in the Journal of Commerce, and you will find it in the Library, that this shipowners' association did meet with the gentleman from Pennsylvania. His name is specifically mentioned, as well as that of the chairman of the other committee, and they discussed these demands with him.

Mr. EDMONDS. That is true.

Mr. HARDY of Texas. The real fact is that this is the shipowners' bill.

Mr. EDMONDS. I want to say to the gentleman right now that the 10 per cent limitation was put in by myself. It was never suggested by the shipowners.

Mr. HARDY of Texas. What limitation?

Mr. EDMONDS. The 10 per cent limitation on profits.

Mr. BANKHEAD. That was very kind of you.

Mr. HARDY of Texas. Oh, I do not doubt there is some little trimming here and there, some little something that you did not get from them; but ask Winthrop L. Marvin, and he will say that substantially all the demands of the shipowners' association are in this bill, and that 10 per cent limitation you speak of is one I would be ashamed to father. Why, it requires

the Government to subsidize ships up to a 10 per cent net profit, and the Esch railroad bill had been damned by the people because it directs the Interstate Commerce Commission to let the railroads earn a net 6 per cent profit.

Mr. EDMONDS. There are 15 or 20 sections of this bill written by the subcommittee that aided me in drafting the bill—the subcommittee of the Committee on the Merchant Marine and Fisheries.

Mr. HARDY of Texas. We talk to those favoring a measure and get their views and demands, and become so permeated with their views and desires that they might just as well be handling the pen as you or me. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. HARDY of Texas. Will the gentleman yield me some more time?

Mr. BANKHEAD. How much time does the gentleman desire?

Mr. HARDY of Texas. Oh, give me an hour for the present, and I will get through as briefly as I can.

Mr. BANKHEAD. The gentleman from Texas is the ranking minority member of the committee, and he is entitled to that time. I yield to the gentleman one hour.

The CHAIRMAN. Without objection, the gentleman's time will be extended for one hour, or such part of it as he may wish to use. Is there objection?

There was no objection.

Mr. HARDY of Texas. I have shown, gentlemen, how it was that from 1865 to 1914 every ship that bore our flag in the overseas trade, if it sunk was replaced by one bearing another flag, and how under those circumstances our flag gradually disappeared from the ocean until in 1914 all the ships we had were a few old sailing craft, 30, 40, or 50 years old, and two or three big liners that bore a subsidy paid from the Treasury of the United States; that was all.

Mr. MONDELL. Now will the gentleman yield?

Mr. HARDY of Texas. I have got only an hour and want to get through, but ask your question as quickly as possible.

Mr. MONDELL. The gentleman just stated that in 1914 we had practically no merchant marine except such as was subsidized. Now, if that is true, as the gentleman insists, that Americans can run a merchant marine as cheaply as foreigners can, why did we not have a merchant marine at that time, with all the capital and all the seamen in America?

Mr. HARDY of Texas. I have answered this question more than once, but the gentleman asks it again and I will try to enlighten even him. The reason was because if you are a business man and you go to New York and you find two ships there, and you desire to engage in the overseas trade, and one of those ships is British and one of them is American, and you find you can buy the British ship for $600,000 and that the American ship will cost you $1,000,000, if you have any sense at all you will buy the British ship and fly the British flag because you are not permitted to fly the American flag. Consequently no man who wanted to engage in the overseas trade before 1914 ever bought an American ship.

Mr. MONDELL. Then except under extraordinary conditions there is a handicap, which without Government subsidy can not be overcome by the man who wants to sail ships under the American flag.

Mr. HARDY of Texas. There was a handicap that did exist when American ships cost 50 per cent more than British ships, and an American citizen was not allowed to put the American flag over any but an American-built ship.

Mr. MONDELL. And the gentleman——

Mr. HARDY of Texas. Wait now. Hold on.

Mr. MONDELL. And the gentleman was just as much opposed to a subsidy then as he is now—just as much against it then as he is now.

Mr. HARDY of Texas. Just wait a minute. Will the gentleman just hold himself until I can answer. There was that handicap, and no man denies it, but the answer was then to remove the handicap and let your American buy a British ship. The answer to-day is that there is no handicap, because American ships are freely offered to American citizens at the lowest price ever known anywhere in the world.

Mr. MONDELL. In other words, let the foreigner do our work.

Mr. HARDY of Texas. That is the gentleman's idea, that no American can compete with a foreigner in building a ship, and that if you give the American the cheapest ship in the world he still can not compete with the foreigner. I deny it.

Mr. MONDELL. The gentleman himself just said that.

Mr. HARDY of Texas. I said no such thing. Do not interrupt. Let me make my own speech. You said I favored letting the foreigner do our work. I deny it. You said we could not compete. I deny it. After we made the hardest fight in the world to get free shipbuilding material, men like the gentleman from Wyoming then said we wanted England to make our ship iron and steel; we denied it. We put it on the free list, and then the American steel and iron industry competed with the foreign steel and iron industry and continued to produce all our ship iron and steel, and if you will put ships on the free list the American shipbuilder can and will compete and will build ships for Americans and for foreigners also. That is all there is to it.

Mr. MONDELL. That is, if you let the foreigner build our ships, then the American will build them.

Mr. HARDY of Texas. I did not say that. We said, "When you put iron shipbuilding material on the free list the foreigner will not furnish it, but the American steel and iron industry will furnish it," and we proved to be right. After we put iron and steel on the free list the American manufacturers of iron and steel sold to our shipbuilder the material cheaper than he could get it on the Clyde; and our steel plants furnished not only material for our shipbuilding but they began to sell it to shipbuilders all over the world. I trust the American people are not too dense to understand that.

Mr. EDMONDS. Will the gentleman yield for me to say a word?

Mr. HARDY of Texas. The gentleman wishes to ask a question?

Mr. EDMONDS. No.

Mr. HARDY of Texas. Then I can not yield to the gentleman.

Mr. MOORE of Virginia. Will the gentleman yield for me to ask a question in relation to a question propounded by the gentleman from Wyoming [Mr. MONDELL]?

Mr. HARDY of Texas. Certainly.

Mr. MOORE of Virginia. I understood the gentleman to say that along in 1920 Mr. Franklin, who, as I understand, operates ships under the American flag, wished to buy some of these ships owned by the Government, and he made some definite proposal in that regard. Since this agitation for a ship subsidy has arisen, has Mr. Franklin followed up his desire to acquire the ships, or is he waiting for the enactment of this bill?

Mr. HARDY of Texas. I have not heard from Mr. Franklin, and I presume he is waiting; I presume he is like all the rest of us—he is for his own interest. If he can get a bonus of a million dollars for running a great passenger ship he will be glad to get it.

Mr. J. M. NELSON. Will the gentleman yield?

Mr. HARDY of Texas. Certainly.

Mr. J. M. NELSON. I notice that the J. P. Morgan firm is interested in the White Star Line and some others—will these ships come under this proposition?

Mr. HARDY of Texas. Every ship that flies the American flag, with the full right to fly it, will come under this bill, if I understand it right, and I think I do. The bill says, "The board is authorized to enter into a contract with any citizen of the United States who is owner of a vessel for the payment," and so forth.

Mr. EDMONDS. Will the gentleman allow me to correct him there? The ships flying the American flag will have to be owned by a line before they can get a subsidy.

Mr. HARDY of Texas. That is a qualification that I had not seen, not even in any paper. If that is so, it only adds to the viciousness of the bill. If an independent owner can not get a subsidy, and only the great lines can get it, you are building up worse than ever.

Mr. EDMONDS. The gentleman knows that that is not correct.

Mr. HARDY of Texas. I do not think it is correct, but the gentleman just said it was.

Mr. EDMONDS. What I mean is, and what the gentleman must know is, that a man owning 50 per cent of foreign ships and 50 per cent of American ships can not get the subsidy.

Mr. HARDY of Texas. Oh, that is an attempt to confine the ownership to our country. Am I right that every ship that flies the American flag can get a subsidy unless the owner is interested in a foreign line?

Mr. EDMONDS. Yes.

Mr. HARDY of Texas. I do not find any fault with that restriction, except that I think it can be easily evaded and will be evaded by every big ship-owning interest. They will organize one corporation to operate the foreign-built ships and a different corporation, which will be "a citizen," to operate the American ships and draw the subsidy.

Now, I want to tell you another thing: Mr. Franklin in 1920 was anxious to buy these ships, and not only he but others were

anxious, and the chairman of the Shipping Board thought he might sell several hundred thousand tons of ships, but our policy was in the balance. Congress was debating it, but the chairman of the board, I think, did all he could, hampered as he was. He offered some and did sell quite a few ships, perhaps all he could sell, but he was rightly directed to sell only at the market price; and after the Hearst injunction he sold no more. What else? Not only Mr. Franklin seemed to have strong faith in the ability of American ships to run without Government aid, but another man, who appeared as a witness before the committee, Thomas H. Rossbottom—and I have said something about him before—took 13 ships, more than half of which were not first class, and with those ships he did engage in competition and he did sail them and is sailing them now under the American flag at a profit. One of the ships made $625,000 in three months' time, clear profit. And, further, he said that if you would give him a fleet of ships like that he would enter into competition with the strongest lines in the world and would come out with a profit. His expression was that if we would give him a fleet of first-class ships he would not take off his hat to anybody.

Now, gentlemen, what I wanted to do was to ask this question: What would I do, what would you do, if you had a great property, with unlimited capacity and capital to hold and manage it? What would you do with these ships if they were yours and you were not hard pressed for money so that you had to sell them, but could hold them as well as could anybody else? Would you give them away and then give somebody to whom you gave them a bounty to take them? No. You would say "I am going to keep these ships for the present and either operate them myself or sell them to somebody who will give me what they are worth and operate them; I have operated some of these ships without a loss, and some I must maintain at a loss, anyhow, because at the present there is no cargo to fill them, either for me or anybody else."

Do you believe that by throwing them all on the market and selling them that you are going to increase cargoes? The simple truth is that we might possibly sell the 400 ships now in operation and the balance of the 1,500 will remain unsold and idle, and you have got to expend the money required to take care of them. You will sell those that are in commission, now being operated, and you will keep the others and have to care for them. I say that the bill presents this phase, that private owners might possibly come in and buy the ships already operating on definite lines with a profit, or with such income, as with the subsidy added, would make it a profit. Nobody is going to buy the useless ships now, but as times get better ship companies would begin to come in and buy those which you had been keeping all the time, and as times got even better they would come in and buy some more. The result of this bill will be that in the immediate future you would begin to pay the subsidy to all the ships now privately owned, and you would begin paying subsidy on each of the present Government-owned ships, as the board gave it away or sold it for a song. You would not decrease the actual loss that you are paying for overhead, for repairs, and for care of the idle ships. You would have that to pay still.

Mr. GRAHAM of Illinois. Mr. Chairman, will the gentleman yield?

Mr. HARDY of Texas. Yes.

Mr. GRAHAM of Illinois. What proportion of the $50,000,000 a year probable loss on these ships now is occasioned by taking care of the 1,500 ships that we are not operating?

Mr. HARDY of Texas. Apparently all of it is occasioned by that, and by the overhead charges of the Shipping Board, since, I understand, there is very little, if any, loss now on ships actually running.

Mr. GRAHAM of Illinois. Then the gentleman means that the shipping that is being operated is just about paying expenses?

Mr. HARDY of Texas. Now; yes.

Mr. GRAHAM of Illinois. And the gentleman figures that for 10 years to come, or at least during the life of these loans, we would probably have to maintain that same Shipping Board organization?

Mr. HARDY of Texas. We would have to maintain that organization, and at the end of the 10 years it would be costing twice as much as it should legitimately cost us to-day; and in the meantime the creeping up of the subsidy would continue. There never would come a day when the subsidy and the Shipping Board expenses combined would be as little as they are to-day.

You ask me what I would do. I will tell you what I would do if this property were mine, or what I think ought to be done. I would pursue very nearly the policy very clearly defined in the Jones Act of 1920. It was under that act, that does not hint of subsidy, that Mr. Franklin made his offer. He made the offers—to buy ships, to charter ships, or to run them under commission as an agent. In trying to show that the great ship companies can not operate ships for the Government but could do it for themselves Mr. LEHLBACH made a magnificent indictment of all the shipowners of this country. If I believe what he says about it, then I believe they would gouge and steal and do anything else. He says that these same companies who are to-day operating these ships, without any investment at all, without any capital or depreciation or repair or interest charges and losing money for the Shipping Board, if they bought the ships, would turn them into a profitable venture. If a man like Mr. Munson, if companies like the great companies to whom the Shipping Board has farmed out these ships under what is called the M. O. 4 contract—a contract by which they get 5 per cent of the outgoing and incoming freight and 5 per cent of the outgoing passenger fare and 10 per cent of the incoming—if men like that can buy these ships even for a song and work them for themselves, the same managers and operators, and make a profit and can not or will not now make an operating profit for the Shipping Board, then something is rotten in Denmark.

The very statement is an indictment against the honesty and the integrity and the patriotism of those men, which puts them down with the thieves and the thugs of this land or any other land.

I think that Mr. Rossbottom has demonstrated that if the Government has to do it, it can pursue the policy declared in the Jones Act. The Jones Act said, "Here, you have a great number of ships belonging to the Government, obtained at a vast cost to the people, and you have got to do something with them," and that act directed, first, that they sell the ships if possible to American citizens, but that in selling them they must not sell as a debtor forced to sell at a sacrifice, but at a fair world market, and it then directed if they could not sell them to charter them to private operators who will pay a proper price to the Government for them and operate them as charterers. And then directed that if they could neither sell nor charter the ships, then the Shipping Board should put those ships into operation themselves, and with their operation establish such lines of trade as the commerce of our country needs to help build up our commerce and our trade with the world. That act provided that if they could not get private capital to either buy or charter the ships to operate, say, between here and the Argentine, if that is a desirable route, they were then to put them in and operate them themselves.

That is a clear policy, an affirmative policy, but it has not been pursued.

That act provided that if they could not get private capital to buy or charter ships to go between New York and Liverpool they were to put them on that route themselves and operate them. They were to continue to operate them along those lines until they had so well established the trade that private capital would come and buy out the line. It also provided that if they could not make a line profitable they would stop the operation of the line after its failure was demonstrated. It was a clear, strong policy.

Mr. GRAHAM of Illinois. Mr. Chairman, if the gentleman will permit, here is the thought in my mind along that line: How can you interest private capital in buying a line of that kind if constantly over them is the threat of the Government possibly competing with them?

Mr. HARDY of Texas. There never was any such threat. I am very glad that the gentleman has asked that question, because the Jones Act answers it by providing that any line established should be sold to citizens as soon as a buyer could be found.

Here is a line, we will say, to Habana, Cuba, from New Orleans. We think that the commerce of the country demands that line. Nobody is willing to buy a ship from the Government and put it on that line. Nobody is willing to take the chance of its being prosperous enough to warrant their chartering the ship. Therefore we say to the Shipping Board you start that line. As long as losses are being incurred no one would expect anyone to come and buy it, but if they finally establish the line as a profitable line then private capital will want to buy it, and the Jones Act directed the board to sell it to them, and the Government then goes out of that line.

Mr. DAVIS of Tennessee. I would state in that connection that one of the Shipping Board witnesses—I believe Mr. W. J. Love, one of those $35,000 experts—stated that there were no Shipping Board vessels at all now being operated in competition with any private lines; that they had taken off all that were in competition with any private line.

Mr. HARDY of Texas. That is true. The Shipping Board is so sensitive to private ship-owing interest that they always place that above the interest of Government ownership.

But I want to discuss another feature of this bill. Its advocates say that we must have a subsidy in order to compensate for the difference in wages paid to American labor and to the labor of other countries. Here is an article written by Daniel J. Sullivan, and read at the Society of Naval Architects and Marine Engineers held in New York November 8, 1922. Mr. Sullivan is an advocate of subsidy, but I want to read some of the things that he says in answer to some of the arguments that are made. He says:

So in the efficient operation of any ship, every person who has had a part in designing, in building, and then in operating that ship is responsible for his part, and if each and every one has produced perfect results, then the result as a whole should be perfect.

In theory this is true, but in practice we find too many exceptional conditions, which expression has been used to cover a multitude of blunders in the past, as well as in the present. So in the study of this subject we must admit to ourselves that each of us is responsible for the results attained and that on the blunders of the past we can erect a perfect organization for successful operation.

Further:

In studying the cause of the gain or loss of the supremacy of the seas, it appears to be true that the nation which can build ships for less than others, and whose vessels can transport cargoes faster and cheaper than others, will rule the seas.

Mr. Chairman, if we do not reach the point where we can build ships in America as cheaply as they can anywhere in the world, we will never rule the seas. If we do not reach the point where we can transport commodities as cheaply per unit of freight as any other nation in the world, we will never be supreme on the seas. I want to call your attention to the fact that those who can build the ships for less than others, and whose vessels can transport cargoes faster and cheaper than others, will rule the seas, and until we make up our minds that with all of the advantages that the immense cargoes this country furnishes, the United States can build and operate ships in competition with the world, we will never get anywhere on the seas.

But now they say, leaving out the question of building, leaving out the cheapness of the ships, we can not operate them because of the greater cost of our labor in running the ships. It is absolutely necessary for the subsidy advocate to make that contention to-day, because we are going to give the American ship buyer the cheapest ship in the world. Is the labor-cost claim honest and candid or is it a mere pretext?

Mr. Chairman, we passed the seaman act in 1915, and one of the great purposes of that act was to equalize the labor cost on foreign and American ships. It is too large a subject to go into here, but I make the positive assertion that since 1916, when the seamen's act went into effect as to foreign ships in our ports, the wages of seamen on American and foreign ships entering and leaving our ports have been practically equal. The Labor Review of October, 1919, of the Department of Labor, proves this. Moreover the entire wage cost of a cargo ship is only from 8 per cent to 12 per cent of the whole operating cost, and any difference in that cost therefor is negligible.

Subsidists have even tried to make the public believe that the difference in subsistence cost requires a subsidy.

Now let me give you what Mr. Sullivan says about this. He compiled the actual cost of the different elements of operation. Here are three different ships, and the cost of operation is not the same on any two ships. An efficient manager will cut down the cost where a poor one will increase it. What do we find? I am going to give the whole of this table. Here it is:

EXHIBIT A.

Efficiency in the operation of steamships.

	Example A.	Example B.	Example C.
	Per cent.	*Per cent.*	*Per cent.*
Fuel	23.6	29.9	27.9
Stevedoring, tally, watching, clerks	20.6	16.0	22.9
Wages on ship	11.2	14.4	13.0
Insurance	10.4	8.1	12.0
Wharfage	7.7	1.9	2.2
Agency and brokerage	4.9	3.4	2.7
Grain fittings	3.1	2.9	.....
Food for crew	3.0	3.0	1.4
Stores department	2.0	2.9	2.9
Stores engine department	2.5	3.4	3.6
Stores steward department	0.2	0.3	0.25
Advertising	2.4	0.4	0.3
Towboats	1.8	1.5	1.4
Pilotage	1.3	1.3	1.4
Port charges	1.4	1.8	1.6
Repairs	1.6	5.1	3.6
Miscellaneous	2.1	3.5	2.6
Laundry	0.2	0.2	0.25
Total	100	100	100

Take Example A: Wages, 11 per cent, and food for crew, 3 per cent, makes 14 per cent as total cost of food and subsistence for the crew. The other items make up 86 per cent of the total cost of operation. Now let us get his figures comparing American and British wages of officers and crew. I want to show you. This man who favors this bill gives these facts, and I am going to put them all in.

Wage scale effected on July 1, 1922.

	Private owned American actually paid.		British.	
			£.	$4.40
Master	.....	.....	£45	$198.00
First mate	$150.00	$150.00	21-10	94.60
Second mate	125.00	115.00	16	70.40
Third mate	100.00	95.00	13	57.20
Wireless	90.00	80.00	13-10	59.40
Carpenter	45.00	40.00	12-10	55.00
Boatswain	45.00	40.00	11-10	50.60
A. B. seaman	35.00	35.00	10	44.00
Ordinary seaman	25.00	30.00	5-10	24.20
Chief engineer	240.00	225.00	24-10	107.80
First assistant engineer	150.00	150.00	20-10	90.20
Second assistant engineer	125.00	115.00	16	70.40
Third assistant engineer	100.00	95.00	13	57.20
Deck engineer	45.00	.....	11-10	50.60
Oiler	40.00	42.50	11	48.40
Fireman (oil)	35.00	.....	.....	.....
Fireman (coal)	.....	40.00	10-10	46.20
Wiper	25.00	.....	.....	.....
Coal passer	.....	35.00	10	44.00
Steward	100.00	90.00	14-10	63.80
Cook	80.00	75.00	13-10	59.40
Baker	45.00	60.00	9-10	41.80
Messman	35.00	40.00	8-10	37.40
Mess boy	35.00	35.00	.....	.....

Gentlemen, I hope you will read these tables, that do not come from me and do not come from an opponent of this bill, but come from a man supporting this bill. You will find the difference in labor cost on an American and British vessel is just the difference between tweedledum and tweedledee. Our ship officers get some more pay, while the crew generally get more on the British ship.

Mr. J. M. NELSON. It is higher than Sweden?

Mr. HARDY of Texas. The able seamen and ordinary seamen get more on Danish and Swedish ships than on our ships, but our officers get more. Put the two together—that is, officers and unlicensed members of the crew—and the aggregate labor cost on a British and American ship are practically the same, and the Swedish and Danish ships also are nearly equal.

Mr. J. M. NELSON. Did not Mr. Hurley, after viewing conditions in Europe, come back and report to the Shipping Board that the labor cost was about equal?

Mr. HARDY of Texas. Every impartial man who has investigated it tells the same story. The difference is small, and here is a man who stands for this bill and yet admits that the wages of seamen are higher in Great Britain and Denmark and Sweden than they are here, and they are our competitors. Mr. Sullivan makes one statement I want to impress on you. He says:

From a study of the data available, the writer is of the opinion that American ships can be made efficient and, excepting the excessive first cost, depreciation, and overhead expense, can hold their own against any competition. To accomplish this result there should be closer relations between the executives of companies and the masters of their vessels. Masters should be selected for their efficiency and given absolute authority over the operation of their vessels. Chief engineers should be selected likewise and given absolute authority over their own department. The master should be furnished with complete cost data so that he can remedy high cost over which he has control and show the owner the excessive cost over which he has no control.

In the statement just quoted Mr. Sullivan strikes at the very root of the alleged inability of American ships to compete. They simply need efficient and economic management, because we now have to give to our shipowners the lowest priced ships in the world.

Mr. Chairman, the Shipping Board will probably sell the ships in time to the American capitalists, perhaps to a syndicate, who will distribute it and dominate it and make a combination of it. I think we are making a mistake in refusing to sell to anybody but Americans. The United States had 10,000,000 tons of shipping that cost the people $3,000,000,000. I would not let these ships rot; I would put them on the market, and say to the Americans, "If you do not buy I will sell them to anybody who wants to buy them," and when I got the money I would put it in the Treasury. I would then operate the ships that I could not or did not want to sell, for the benefit of American commerce, to take the products of the farmers of this country to all the markets of the world as cheaply as any competitor can do it. I would put Rossbottoms in charge to run

these ships until American capital gets tired of waiting for the carcass to stink and ready to pay what this property is worth. You can not expect private ship operators to come and buy ships as long as they can get them for nothing, as they can apparently from the present shipping policy. Let us have a little sense. If an American wants to buy the ships, I would give him the preference, but if he will not buy I would sell to somebody else, and when he gets ready I would let him buy the ship of me or anybody else. If the American ship operator after awhile comes to the conclusion to buy that ship elsewhere, I would say to him, "You go and buy that same ship from that party who bought it from me and bring it here and put it under my flag." By all means let us sell these Government-owned ships if we can do so, and at the same time keep up all our essential trade facilities and lines, but let us not so limit the sales that we practically prevent any competition among buyers.

When we shall have sold all the Government's ships, I would say to the shipbuilders of the United States, "You are full grown; get out and compete with the world." [Applause on the Democratic side.]

Oh, that is the only salvation for our merchant marine. Let your American commerce be free. Knock the shackles from off your merchant marine. Give us the same right and liberty on the ocean that every other nation has, that England has always asserted; give us the same privilege that England gave her people when we sold them 800,000 tons of our shipping during the Confederate war. Give us the right that England gave her marine interests when we were building cheaper and better ships here than she could build. She said, "We will give you the right to buy your ships in America."

With our supply of coal, unequaled anywhere else in the world, our shipbuilders should go ahead. With our oil supply, enabling our ships to operate with oil burners, with all our fuel here cheaper and more plentiful than elsewhere, with our oil selling at $7 a barrel in Shanghai and selling at $1 a barrel here—with cheaper fuel, I say, and cheaper everything except human labor, and that only a difference between tweedledum and tweedledee, if we can not be free men now and compete we shall never be free men and compete. It is time for America to awake. It is time to quit allowing the American Steamship Owners' Association to dictate a policy of graft to the United States. It is time for us to go out into the world and compete in shipping, because we can not do otherwise and survive. Gentlemen, it is not right. You do not want to impose this burden.

They say this is a tariff proposition. No, it is not a tariff proposition. My friend from Tennessee [Mr. DAVIS] and I differ a little on that proposition. He says one thing that keeps us from operating our ships is the fact that our tariff laws keep us from importing anything, and that our ships that go out laden must come back empty on account of the tariff. That is true, but the same situation is met by foreign ships trading to our ports. They, too, must come here empty. It applies to both of us. The difference is very plain between a subsidy and a tariff. A subsidy is a bounty. We tried it once in sugar. We said our sugar growers needed aid, but we said the people needed cheap sugar. We said if we put sugar on the free list the Louisiana cane growers and the beet-sugar men would be bankrupt. But the people would not stand for high-priced sugar produced under a high tariff, and therefore we tried to satisfy the people by free sugar and the sugar growers by a bounty, but the people would not stand for the sugar bounty.

Gentlemen, give us free ships. Give to the United States, to the American, the opportunity to go in and compete, even while paying higher wages. From 1830 to 1860, though paying higher wages, we built better ships; we sailed them all over the world. We can do it again. But we never will do it as long as the ship owner thinks that there is pap in the Treasury of the United States that he can get.

The elements of success in competition are full cargo, quick voyage, quick turn-round, safe navigation, small repair bills, economic appliances, economy in handling cargo on ship and shore, good business connections, and good business management generally.

In comparison with these, the wages paid, even the higher first cost of the ship, are minor matters.

But any owner can make as quick trips, secure as good cargo, and do all the things that give success just as well when he pays only $60 per ton as he could if he should pay $100 per ton for that same ship or one just as good. Therefore he buys the cheaper ship, and under our law if that ship is foreign built he must put it under some foreign flag. J. P. Morgan, Robert Dollar, or P. A. S. Franklin will not pay more for his ship just to put it under our flag. That is the whole story of our flag disappearing from the foreign trade in the years between 1865 and 1914.

Inability to compete never drove our flag from the sea, but unwillingness of sensible men to pay more for a tool to work with than they had to pay, did. The remedy, the only remedy, is to give our merchantman the right to buy the cheapest ship he can find, and put it under our flag, with all the rights and privileges of an American vessel.

I wanted to dwell at some length on the Shipping Board powers under this bill. I can only mention some of them. What are those powers?

Mr. J. M. NELSON. Will you review those?

Mr. HARDY of Texas. Yes. They have the right to say first to the big man or to the little man, "We will not give you a dollar of subsidy; or we will give you a double subsidy." Here is a ship line that runs in competition with you, and they will say, "We will give them a half of one cent on each ton per hundred miles, but you can not get a dollar." They will say, furthermore, to this corporation, "If that is not enough we will double it. We will give a cent a ton for each hundred miles." They will say, "Here is a company that has a big passenger ship. Two and a half cents is not enough for them. We will given them five cents." All that is absolutely in the discretion of the Shipping Board. It says to this man, "Live," and he lives, and it says to that man, "Die," and he dies.

Then, further, when you have one of these ships belonging apparently to the American people, but really belonging to the Shipping Board—we thought we owned it, but really it belongs to the Shipping Board—if Mr. NELSON comes along and says "Here is a 2,000-ton ship, and I want to buy it," they may refuse to sell it to him, but here is a corporation they wish to favor, and instead of selling it to Mr. NELSON for $250,000, according to Mr. NELSON's offer, they may sell it to a corporation for $125,000. It is so outrageous a situation that there is no comparison with anything ever existing before. They can go ahead and act as though they were the Treasury Department and determine what the real profits are, under rules prescribed by themselves.

Not only that but when you have passed this bill they will never come to Congress for an appropriation. They will have a revolving fund of $125,000,000 there that they can do as they please with. They can loan this fund to their favorites at 2 per cent, and all this without coming to Congress, simply by Mr. Lasker drawing his draft on the United States Treasury.

Ten per cent of all the tariff duties that you collect at your customhouses does not go into the Treasury of the United States, except as a special fund which you can not touch for any other Government need. You might want money with which to enforce prohibition, but you can not touch this 10 per cent. That money is paid out on warrants of the Shipping Board, and the Treasury is bound to validate them.

Mr. J. M. NELSON. That is in reference to contracts?

Mr. HARDY of Texas. Yes; the 10-year subsidy contracts to be made by Chairman Lasker. If you pass this bill you turn the birds of prey loose to fly in the free air of heaven and incur any expense that it seems proper to them to incur, limited only by the amount of revenue set aside.

Mr. J. M. NELSON. What about contracts?

Mr. HARDY of Texas. Why, if you pass this bill the Shipping Board can make enough contracts in a year or two years or three years' time to tie a millstone around the Treasury's neck for 10 years.

The people may get sick of the law and want it repealed. Can you do it? No; because by the terms of this bill you permit this Shipping Board to enter into a contract with the Standard Oil for 10 years, by which the Standard Oil will be given one-half of 1 cent, or 1 cent, for every ton per 100 miles traveled in transporting its own commodity. It can do the same thing with the Steel Trust. It can do the same thing with railroad-owned lines. This Shipping Board can contract with every passenger ship that runs or can run 23 knots to pay that ship 2½ or 5 cents per ton per 100 knots for 10 years. It can give that great subsidy to one line or one ship and refuse to give any subsidy to another.

Suppose you have got in competition a very extensive shipping line of fast passenger ships. You want 5 cents per ton for every 100 miles. They may say, "We think it is reasonable," and then they give you a contract for 10 years to give you 5 cents per ton per 100 miles. Then suppose they refuse to give your competitor any subsidy whatever. That means you will have no competitor; you can have no competitor.

The *Leviathan* seems to be destined to some great ship company on which perhaps the Shipping Board even now has its favoring eye. And there is talk of building two more ships even bigger than the *Leviathan* out of the 2 per cent, $125,-

000,000 loan fund. Suppose you try to compute the aggregate subsidy that will be paid to these three ships under a 10-year contract at 5 cents per ton per 100 knots.

A company owning these three ships alone can draw from the Treasury between thirty and sixty million dollars in 10 years, at 2½ cents per ton per 100 knots. After these contracts are signed under this bill the people may squirm, but they are helpless. The Government will be bound for 10 years from the date of any contract the board may hereafter make.

Gentlemen, when you pass this bill you put your hands together and tell the Shipping Board and the big Shipping Trust, "Put the handcuffs on me, and bind me forever and ever." As soon as this bill is passed they will make contracts for the 10 years, but whenever they see an agitation in Congress for the repeal of this law they will make renewal contracts, they will abandon the old contract and make others to operate for 10 years from the date of the new contract. If you ever repeal this law you will find every contract made for 10 years extending from about the time you repeal the law, and you will have it in force for 10 years after the repeal.

Mr. J. M. NELSON. Would we not have to pay in the Court of Claims, even if this were broken, where there were damages on account of contracts, in honor as well as legally?

Mr. HARDY of Texas. It might be called damages. It would be a straight contract that we pay that subsidy for 10 years from the date of the contract, whatever the date of the contract was, provided it was during the time when this law was on the statute books. If the law expired the next day, and the contract was made for 10 years, the contract would be good, and we would be bound to pay it in conscience and in law. The Government might say it was deceived and defrauded into passing the law and repudiate its contract, but I take it that the United States will never do that.

Mr. GERNERD. What did our Government pay to Great Britain for every soldier she carried across in her transports, and what did that amount to?

Mr. HARDY of Texas. I do not know and I do not care. I know that we paid what we had to pay, and I know that if you will get the figures you will find that Great Britain did not charge us as much as some of our own shipowners charged us in the Spanish-American War for the use of the old hulks that we then had.

Mr. GERNERD. My recollection is that we had to pay $57,000,000, or $183.50 per man.

Mr. HARDY of Texas. The gentleman will have to verify his own figures.

Mr. GERNERD. I thought you knew.

Mr. HARDY of Texas. It is a matter to which I have paid no attention.

Mr. GERNERD. I think it is important.

Mr. HARDY of Texas. I will wager you that if we hired ships of any American shipowner, we paid him as much as we did the British shipowner, but that matter does not bear on this bill.

Mr. GERNERD. Here is another question.

Mr. HARDY of Texas. Does it bear on this bill?

Mr. GERNERD. Exactly. I think it is mighty important.

Mr. HARDY of Texas. Go ahead and be quick.

Mr. GERNERD. You said there was no free competition, and that you desired to have free competition. Now, why was there not free competition in shipbuilding prior to 1914?

Mr. HARDY of Texas. My friend, if you have not heard that, you have not heard anything I have said.

Mr. GERNERD. I have listened to you.

Mr. HARDY of Texas. I said that the United States passed a law under which no ship could fly the American flag unless it was built in the United States. Perhaps the gentleman does not know it, but that law was on the statute books until 1914.

In 1914 we permitted them to come under our flag to engage in the foreign trade. That law, absolutely prohibiting an American from buying his ship where he could buy it cheapest, killed our merchant marine, and that law, if continued, will kill it again. Not only so. We put shipbuilding material on the free list in 1914 or 1915, and your last tariff act puts it back on the dutiable list, and you are going to travel the same old pathway that you trod for 60 years, which will result as it did before in the destruction of your merchant marine. That will be the fate of the American merchant marine if you let your party adopt the policies that you seem bent on adopting now. You are going to adopt a policy that will kill the American merchant marine naturally, and then you are going to depend on riding on the backs of the people to support an abnormal and unnatural enterprise—that is all. [Applause.] Gentlemen, you can not do it.

Mr. J. M. NELSON. May I ask the gentleman to give his opinion as to the value of tax exemption to the shipowners and the value of the 5 per cent to the shippers?

Mr. HARDY of Texas. It was claimed prior to the World War that we were paying foreign shipowners an average of $300,000,000 per year for freight. Our total freight bill now is perhaps twice that much. If this bill should ever be a success, our freight bill at present rates being doubtless twice that, the total freight paid would be $600,000,000. If this bill is a success and half of our freight is carried in American bottoms there will be $300,000,000 of freight money paid by American shippers to American shipowners. Five per cent of that sum would be $15,000,000 a year, and that $15,000,000 a year is what the great big capitalists, the shippers, would deduct from their income taxes otherwise payable into the Treasury of the United States, and I do not doubt that that feature of this bill will keep from going into the Treasury, which is the same as taking it out of the Treasury, $15,000,000 annually on these deductions of taxes. Now, what was the gentleman's other question?

Mr. J. M. NELSON. The total value of the tax exemption to the shipowners on all the foreign freight, which Senator RANSDELL says is a billion dollars, and which the committee says is a fabulous amount.

Mr. HARDY of Texas. He says it is a billion dollars earnings?

Mr. J. M. NELSON. Earnings.

Mr. HARDY of Texas. If I remember aright that is an exemption going to ship operators from any tax on any of their income.

Mr. J. M. NELSON. On European trade.

Mr. HARDY of Texas. Yes. On any of their income from the overseas trade. Now, they are not required to pay any tax on that income. A big overseas shipping line may earn a million dollars per year clear profit. If it earns it in the foreign trade, it is not required to pay any tax on it.

In other words, it operates so that ship corporations engaged in foreign trade will escape all income taxation of the Government of the United States. Mr. Lasker himself said that the indirect benefits of the bill were incomparably greater than the direct benefits. The subsidy is the direct benefit. The tax exemptions and forced Government patronage and other features are the indirect benefits. There are indirect benefits of many kinds, and he says that they are more than the direct. We know or can compute what the direct benefits are. There are annually $450,000,000 of customs, and 10 per cent of that is $45,000,000, and that all goes to subsidy, and there are other sums specifically set aside for subsidy.

Gentlemen, there is no way of estimating what the bill will cost the American people as a whole, but the most careful and conservative estimate I can make is that it will be between $75,000,000 and $100,000,000 a year.

Mr. J. M. NELSON. Will the gentleman yield?

Mr. HARDY of Texas. Yes.

Mr. J. M. NELSON. Will the gentleman give us an estimate of the transport service?

Mr. HARDY of Texas. You mean for the Army and Navy. I have understood that the transport service would represent a profit of $6,000,000 a year, but I am not definite about that.

Mr. EDMONDS. The transport service will not cost that sum.

Mr. J. M. NELSON. The mail services are in the thing, too?

Mr. HARDY of Texas. They are to take the place of the present mail subsidy.

Mr. J. M. NELSON. The foreign secretary says that it will amount to $6,000,000 in this country. Is that correct?

Mr. HARDY of Texas. I expect it is.

Mr. EDMONDS. The gentleman is incorrect. This bill does not put any mail service into the subsidy. The amount involved is $1,800,000, but that goes direct to the ships, as it does now.

Mr. HARDY of Texas. The whole mischief of the business is that you turn it loose and you have no control over it; the amount to be spent can not be controlled by Congress. And yet the bill does not give even the Shipping Board any control of rates.

Now, there is one other thing. Under the terms of this bill the great transcontinental railways that control all the freight going out of this country may become the owners of great ship lines, and the great ship lines were in combination before the war began and they will be in combination hereafter. The lines running from New York to Seattle, to San Francisco, the Southern Pacific running up to San Francisco will own their conjunctive steamboat lines, and your independent shipowner, if there ever is any such, will have no more chance than the

snowball in that tepid or torrid and far-famed country below. [Laughter.]

Mr. J. M. NELSON. Did not Mr. Munson find that before we went into the war these shipping lines did not compete?

Mr. HARDY of Texas. We got undisputed proof, when the Shipping Board bill was before us, of that fact; that every line was in the combination, and if you pass this bill the great railroad lines of the country will combine. They will buy the shipping lines, and when they buy them the European and the American shipping lines will combine, and there is no power in this bill to regulate the freight rates. They will fix the rates themselves and ride the people to death.

Mr. EDMONDS. There is nothing in the law to-day that prevents the great railroad lines from that.

Mr. HARDY of Texas. I do not think there is, but there ought to be. Instead of making things better you are making them worse. [Applause.] Up to to-day there was no one power that owned such a vast number of ships that could turn them over to one combination of capital. I mean that under this bill the Shipping Board may turn over from seven to ten million tons of shipping to one syndicate or combination.

Mr. J. M. NELSON. There was some bar against railroads owning ships passing through the Panama Canal.

Mr. HARDY of Texas. I do not know whether that is repealed by this bill or not. A rail-owned ship can not now go through the canal unless the present Congress has repealed that law. If it has not it will do so, I think.

Mr. J. M. NELSON. What is the value of the preferential rates to the railroad?

Mr. HARDY of Texas. I have not time to go far into that, but it will enable the railroads to route all foreign commerce over their ship lines. The railroads in order to favor a particular shipping line can give preferential rail rates to goods going by their ships and refuse such preferential rates to goods carried by other ships. If you have an independent ship it does not get the benefit of the preferential rates fixed by the railroads. The fact is you have got the Government now in one concentrated body owning 10,000,000 tons of shipping that it is ready to sell. You have got the great railroads concentrated in management and operation, and we have heard a capitalistic official who says it is likely that a great syndicate can be formed to buy the ships in part or in whole. You make conditions under which the railroads can easily combine and a great syndicate can go to the Shipping Board and make them an offer to take these ships and that will automatically throw the ships under the management of this vast combination which can fix the rates at their sweet will, and they will do it to the oppression of the people, and you do not reserve one single thread of authority to regulate or mitigate these rates by this bill. There is nothing else but a sure prospect of combination, monopoly, and outrageous oppressive rates governing the freight of the American goods by these lines which will go to the Japanese, the British, the French, and the German lines and combine with them, and nothing will prevent them from fixing the rates at their own sweet pleasure in order to levy on the American people the tribute that commerce must pay.

It is the old story—tax the traffic all it will bear and then go into the Treasury and get what you can out of the Treasury by virtue of your tax exemptions and your subsidy. [Applause on the Democratic side.]

Mr. Chairman, with a subject too vast and varied in its aspects for any brief presentation, and with interruption frequent and welcomed, my discussion has been desultory and disjointed, but I have done the best I could to give to the public such high lights as may expose the most vicious features of the bill. I have for 10 years had a vision of an American merchant marine, self-sustained; in giant strength breasting the seas bravely, meeting and conquering the competition of the world. Pass this bill and my vision vanishes, our merchant marine shrivels to a milk-fed, puling baby and dies. Defeat it and pass a law to give us free ships and the dawn of our commercial and maritime supremacy is here—my vision comes true. [Applause on the Democratic side.]

Mr. GREENE of Massachusetts. Mr. Chairman, I yield 25 minutes to the gentleman from Ohio [Mr. BEGG].

Mr. BEGG. Mr. Chairman, after listening for a couple of days to the discussions of the bill, the inaccurate statements that have been made lead me to believe that I am meeting the Democratic campaigners out in the field. It is the same old cry, the same old story, when you listen to any kind of a debate. Either the opponents to this bill willfully misrepresent the figures and the facts or carelessly state them without making a search. There is another peculiar thing to which I would direct your attention. If you make a little study of where the opposition to this bill lies, on either side of the House, you will find that 90 per cent of the opposition lies in the States that will pay only about 10 per cent of the subsidy, whether that subsidy be $50,000,000 or $300,000,000 a year. It is a rather significant thing to me to hear the cry of sectional benefit raised from a section that does not pay but a fraction of the subsidy, from a section of the United States that has been the chief beneficiary of more direct Government subsidy since they have been opening it up than all of the rest of the country together. It would seem to me that if those arguments were true that the East and the Coast States were going to be the chief beneficiaries of this subsidy, that your generosity ought to go to the extent of permitting us to pay our own bills, because I will show you by the figures before I am through that you people who are raising the loudest noise in objecting to the passage of this bill will pay, per capita, the very least of anybody. In Tennessee and in Texas and in some of the States where you are crying aloud against it your people will not pay more than one-third of what it will cost the people in my State and in New York, Pennsylvania, and Illinois.

Mr. DAVIS of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. BEGG. No; I can not yield. The gentleman consumed three hours and would not yield to me yesterday. When you are making a speech and have no thought of being checked up, it is the easiest thing in the world to cry graft and scandal. The gentleman from Tennessee [Mr. DAVIS] yesterday in his remarks said that if this bill were passed there would be the greatest scandal ever in American history grow out of the Shipping Board. The thing that puzzles me is how he knows that fact. There is no argument in such a statement. It seems to me it is about time, that men who come to Congress begin to vote as they believe, and not be influenced by scare headlines or scare speeches about scandal and graft, and the hearings are full of graft and scandal talk. The man who is always hollering scandal and graft is the man that I want to watch. I think the Members of this Congress are honorable and honest men, and with the man who does not agree with this bill I have no quarrel, if he is honest and conscientious; but I do not like to see anyone as prominent as the gentleman from Tennessee try to scare the public mind by crying that there will be a scandal and that it is an open bid for graft. He owes it to the country to prove his case or withdraw such statements. Such thoughtless statements from a distinguished gentleman like the gentleman who made them brings the whole Government into disrepute with the uninformed class.

The statement was made on the floor the other day by the minority leader [Mr. GARRETT], and, I think, by the gentleman from Tennessee [Mr. DAVIS] yesterday, in arguing the question of the rule, that if the President were correct in admitting that the Government under Republican administration is unable to operate the merchant fleet without a loss, it is a sad commentary on Republican efficiency. On the contrary, it is the highest eulogy, because the figures, which are an open book to any man, show that the Shipping Board is being operated at a cost of about $7,000,000 annually less than it was under the gentleman's own party, and yet even in the face of the economies that are being practiced, even in the face of every kind of cut that has been made, we are running behind at the rate of $50,000,000 a year.

Under the Democratic administration there were 8,324 employees and at the present time there are 4,479, and that means a saving annually of $7,628,677 in salaries alone. If you call that Republican inefficiency, what adjective would describe the management under the Democratic control?

We have had enough of Government ownership to eliminate that. We have the merchant marine, and the question to be decided is not whether we will acquire a merchant marine. The only question that is before this Congress is, What will we do with that which we have? The fact that the war produced the merchant marine is conclusive proof that if we have another war we will have to have a merchant marine, and it seems to me that we should not put it into the discard. The only question is, How will we continue to maintain and build up the merchant marine which we already have? With those who advocate Government ownership of public utilities, I have no quarrel. The United States Government every time that it has touched a public utility in the way of operation and control has been successful in making it expensive and inefficient, and until we can demonstrate that Government control of great utilities is both economic and efficient, I stand on the side of private operation of all public utilities. That being true, there is nothing to do other than get rid of this fleet. The opposition has offered no solution but contented themselves with destructive criticism. That never solved a problem.

I would like to ask the gentleman from Texas [Mr. HARDY], who is opposed to this proposition, why it is, if it is possible to operate this fleet without a subsidy, that never before has any man been found with astuteness for finance—and we have produced some of the greatest financiers in the world—sufficient to induce him to go into the shipping business and make a success of it on a big scale. That answers the whole proposition itself. If American ships can be operated without a subsidy, and pay two or three times the wages of other nations, their competitors and they subsidized, why have not men invested their capital and gone into the shipping business?

Mr. HARDY of Texas. Does the gentleman wish an answer to that question?

Mr. BEGG. Oh, I heard the gentleman speak for two hours, and I could not get any answer to that.

Mr. HARDY of Texas. Then the gentleman does not ask the question with the view of having it answered.

Mr. BEGG. It would seem to me that American business would have produced some man with genius enough to operate this fleet during the past 100 years. Remember, the United States flag flew on the seas alongside that of every other nation on the globe at one time. After the invention of the steel ship the United States was driven off the seas because of the competition, and we are now confronted with the proposition of maintaining the flag on the seas or seeing it disappear again. Let me put this proposition to you: Suppose I were to go into business alongside of some other man in New York or Philadelphia —and I am perfectly willing to take any one of the great businesses of either of those cities. Permit me to do his hauling of the different articles he offers for sale from the point of shipment, the dock or the freight house, and at the same time let me compete with him in the running of the store, and I will put him in bankruptcy inside of a year. Is not that exactly the position of the United States to-day? We are in competition with every nation in the world. Are you going to ask Great Britain or France or Italy or Belgium or Japan to come to New York or Philadelphia or Boston and load on the American products and haul them to the markets of the world and sell them in competition with their own? If you do that, then you have absolutely signed your own death warrant economically. If your competitor does your draying and can charge what he will you are at his mercy. The fact is so flagrantly potent that the smallest merchant does not allow his business to become dependent on his competitors' hauling charges. Would Henry Ford let John Willys do his draying and charge what he wanted to? If he would there would be no Ford cars on the market. You men who oppose this bill put yourselves in the attitude of forcing the United States to look to her competitors, Great Britain and Japan, to haul our products to market from our ocean ports. The United States might build up the finest transportation system in the world, but if it stopped at the ocean front she would be a helpless nation pitied by her very rivals for her short-sighted policy.

When war opened the United States found herself in just that condition. No transportation beyond her boundaries. Suppose, men, England and Germany had been allies in the last war, could America have gone to the defense of civilization? Who would have carried her men and munitions? The loyalty of the opponents to this bill must be unquestioned but their ability to visualize the national future can certainly be doubted. Your policy will keep the United States a second-rate world power while the policy established by this bill will make her a world power on the sea as well as on the land, and in commerce as well as in war, and will do more to establish those unselfish American principles and civilization throughout the world than all the other devices of man down to date.

When the Boer War came Great Britain raised the freight rate from New York and Boston to the markets of the world 30 per cent, and if you will take the time to figure the amount of money on the tonnage that passed at that rate you will find that you have enough money to pay a subsidy for the ten years, or for the life of this law.

Mr. HARDY of Texas. Will the gentleman yield for a brief question?

Mr. BEGG. If it is brief.

Mr. HARDY of Texas. Does the gentleman think that American-owned ships under the British flag would play us false also? We had a great many of them.

Mr. BEGG. It is not a question of what I think, and the trouble with the gentleman seems to be that most of his argument is as to what he thinks. Go and look at the freight rates before the Boer War; look at the 30 per cent increase during the war. Go to the Department of Commerce and make the calculations yourself and you will find that we almost paid for the English cost of the Boer War out of the American cost for our drayage. Are you willing to continue to be dependent?

Mr. HARDY of Texas. Does the gentleman mean to say that in the Boer War the entire ships were British?

Mr. BEGG. All.

Mr. HARDY of Texas. Did the ships owned by Americans charge as high?

Mr. BEGG. Now, in my speech I want to show the cost of this subsidy which would fall on the men defending it or on their State, and I want to give a few figures to back up that statement. The State of Tennessee seems to offer the most pronounced opposition to this bill. The total amount of money paid into the United States Treasury by Tennessee, according to the Treasury reports in 1921, was, in round figures, $35,000,000, which is one-hundred-and-fortieth of all the revenue. Now, supposing the subsidy is $30,000,000, the State of Tennessee would pay one one-hundred-and-fortieth of the $30,000,000 or $214,286, or 9 cents per capita. I would like to ask the Congressman from Tennessee—you admitted in your speech, every one of you, that the United States must have a merchant marine, and the only argument made here against it, putting it in a nutshell, is this, that now is not the time. I ask you, even though now is not the most propitious time, would you be willing to cripple the whole United States merchant marine in favor of some foreign country for 9 cents per capita tax on your people? Is that the measure of your statesmanship?

Mr. DAVIS of Tennessee. Does the gentleman want me to answer that?

Mr. BEGG. On the other hand, the National Government this year subsidized the State of Tennessee for educational purposes alone $131,045, which is more than 50 per cent of the total assessment against Tennessee if the subsidy is really $30,000,000.

Mr. MADDEN. They are paying this subsidy now out of the Treasury of the United States just the same.

Mr. BEGG. They are paying more than that. I am trying to show that the subsidy is not a payment against their State, even though they are not paying it right now. For health for the State of Tennessee they are receiving $12,978 out of the Federal Treasury. For roads they receive $6,228,137. What for? To build highways so that the people in Tennessee can have better methods of transportation for their products to the market. We people in Ohio pay taxes to build your roads in Tennessee and subsidize you to get to the market, and yet you are not willing to vote 9 cents levy to enable the Eastern States to get an outlet for their products on the high seas. [Applause.] Even though it would be more benefit to the East than to the West, the whole Nation should be benefited, and the man who argues otherwise is certainly narrow as to his viewpoint in regard to the national welfare. South Carolina pays $29,000,000, which would be one one-hundred-and-sixty-eighth of the total subsidy. On a basis of $30,000,000, it would pay $178,690. She received for educational purposes alone $105,000 as a direct subsidy from the United States Government out of the Federal Treasury. Alabama paid $18,000,000 last year, which is one two-hundred-and-seventy-second part of the total amount paid, and her share of the subsidy of $30,000,000 would be $110,000. She received out of the Federal Treasury $129,000 for education alone, and it would seem to me that opposition to a subsidy bill on a basis which makes 5 mills against every man, woman, and child in that State ought to be quiet when they are getting more for one item than it would cost them for the ships. They received for roads $5,776,000. Where is it to come from? Certainly not out of the taxpayers' pockets of that State alone, but it comes mostly from those States now asking for a merchant marine. Can not you see that by helping get a merchant marine you are making it possible to continue to help educate your children and improve your roads?

Mr. BANKHEAD. Will the gentleman yield for a question?

Mr. BEGG. The State of Texas. There is a good deal of opposition from that State. Texas paid $81,000,000, which is one one-sixtieth of the total revenue. Their part of subsidy would be $500,000 that the State would be compelled to pay if the subsidy was $30,000,000. The State of Texas alone received $200,000 for education, $23,000 for health, and $16,000,000 for good roads. Texas's share of the subsidy would levy a per capita tax of 11 cents per annum against her people, or in 10 years $1.10. Do you men from Texas believe your people would begrudge $1.10 in 10 years to insure the American flag flying over the boats carrying their cotton, beef, and oil to the markets of the world, or do you think your citizens would prefer to keep their 11 cents annually and then see the British

and Jap flags fly over United States products. Tell them what it will cost and then ask them which they prefer. Would you rather pay tribute to Great Britain and Japan to carry your products to the markets of the world than tax your people 11 cents a head annually? [Applause on the Republican side.]

We have had a good deal of opposition from Wisconsin. Seventy-one million dollars is the total amount of revenue paid by that State in 1921, or one sixty-sixth of all the revenue. Four hundred and fifty-five thousand dollars would be the assessment against the State of Wisconsin if the subsidy is $30,000,000 and no more. Yet the State of Wisconsin received $150,000 last year for education alone. In 10 years that would be $1,500,000, or nearly the cost of four years of subsidy. For health they received $14,000. For roads they received $7,400,000 that has been appropriated to build highways in Wisconsin; and if this subsidy bill is passed and costs $30,000,000 each man, woman, and child in Wisconsin will pay 17 cents in order that Duluth and the lake ports bordering on that State may have an outlet and incentive and inducement to build a boat line that will go through the canal loaded with the grain of the Northwest and dock in Liverpool or anywhere else abroad.

Mr. J. M. NELSON. Mr. Chairman, will the gentleman yield for a question?

Mr. BEGG. I regret I can not yield.

I want to ask the advocates of the Great Lakes and St. Lawrence waterway, Where are you now? There could not be a piece of legislation going on the statute books that could help us out in the West and Middle West more than this. We realize the importance of the Great Lakes and St. Lawrence waterway, but we want men to invest in boats big enough to dock in the ports of the world. Every time a ship enters a foreign port it is entitled to a subsidy under this bill. But if she comes back and sails through the Soo and unloads at any of the Lake ports, she again becomes entitled to a ship-subsidy award. And you gentlemen who are advocating the Great Lakes and St. Lawrence Canal should get awake and realize that this is a distinct contribution to our cause, instead of champing the bit on the theory that it is going to benefit New York or any other particular State.

Most of you men in Ohio and Illinois and New England and New York and Pennsylvania are favorable to this legislation and believe that it is a national asset to build a merchant marine along the line we have outlined. I want to show you gentlemen what it is going to cost us. Take the State of Illinois. She paid into the Treasury $398,000,000, or one-twelfth of all the revenue collected in the United States. Think of it, one-twelfth of all the revenue came from the State of Illinois. Now, get this: There may be some Congressmen from Illinois opposed to this bill, but I have not heard of them if there are any. But if this subsidy passes and it costs $30,000,000, the State of Illinois will pay $2,500,000 of that alone, or an assessment on her people of 39 cents per capita. Now, if the boys from Illinois are not afraid to put a tax of 39 cents per capita on their people to insure the Stars and Stripes continuing to fly on the high seas, why, in Heaven's name, are the boys in Tennessee scared at a 9-cent tax?

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. GREENE of Massachusetts. Does the gentleman desire more time?

Mr. BEGG. I would like to have more, if I could have it.

Mr. GREENE of Massachusetts. How much?

Mr. BEGG. Oh, 15 minutes.

Mr. GREENE of Massachusetts. I yield to the gentleman 15 minutes.

The CHAIRMAN. The gentleman from Ohio is recognized for 15 additional minutes.

Mr. BEGG. Now, let us take the State of Ohio. It is fair for me to speak of my own State, favorably or otherwise. We paid $208,000,000 into the Treasury last year, or one-seventeenth of the total, and if this subsidy passes and it costs $30,000,000, I, by my vote, will help to impose upon my home people a tax of $1,764,706, or a per capita tax of 31 cents. There has been a good deal said about whether the poor farmer will get anything out of this or not. My farmers are intelligent. My farmers prefer to tax themselves 33 cents per year to having Great Britain and Japan tax them any amount they wish by increasing the freight rates 30 per cent, as they did during the Boer War. Our ancestors fought Great Britain to escape taxation, but the opponents of this bill are fighting their own people to make it possible for Great Britain and Japan to tax us indirectly at will. The people of my district would pay any necessary tax levied by their own Government, but they refuse, as did their fathers, to pay a tribute even if levied as an indirect tax.

I am convinced that this bill if made a law will be a national asset, and I would be false to my oath and untrue to my constituency and the Nation if I did not do that which I believe to be right, even if some of them, through a lack of understanding, should be opposed to it. [Applause on the Republican side.]

Mr. MONDELL. Mr. Chairman, will the gentleman yield?

Mr. BEGG. Yes.

Mr. MONDELL. The gentleman primarily is not looking for a personal life raft, as some gentlemen seem to be doing?

Mr. BEGG. No; I think I have an opportunity of getting more information than anybody in my district, and although it may sound like conceit, I think that my people believe I have the courage to come and tell them the truth; and if you present the facts to my people, that for 31 cents assessment per man they can have a permanent merchant marine over which flies the Stars and Stripes there would not be a single criticism, but, on the other hand, all would applaud my stand. [Applause on the Republican side.]

Take the State of Michigan. Two hundred and seventy-four million dollars were paid into the Treasury by her last year, or one-eighteenth of the total revenue. If this bill passes they will pay $1,666,667, which is a 45-cent assessment against the people of Michigan for every man, woman, and child in that State; and so far as I have been able to find out, nearly all the Congressmen representing that State believe that this bill ought to be passed. It may be with some amendments; I do not know. But the principle of the subsidy ought to be enacted into law, so that our merchant marine can compete with Great Britain and Japan.

Pennsylvania paid into the Treasury $598,000,000, or one-ninth. I do not know any Pennsylvanians who may be opposing this bill, but Pennsylvania's contribution under this subsidy would be $3,303,000, or a 38-cent tax on each man, woman, and child. Now, if the people of Pennsylvania and Ohio and Illinois and Michigan and Indiana are going to be taxed and their Representatives are not afraid to put that tax on, why should Representatives from the other States be afraid?

Now, I want to give you the figures relating to New York: They pay $1,330,000,000 taxes; they paid that last year, or one-fourth of all the revenues; and if the ship subsidy becomes a law and the cost of it is $30,000,000, the State of New York alone will pay as her share $7,500,000. I do not know of any New York man who is opposed to the ship subsidy, because they see first hand what it costs the United States not to own their fleet and not to carry the American flag on the high seas. If this bill becomes a law it will cost every man, woman, and child in the State of New York 73 cents. If this bill becomes a law the State of Massachusetts will make an assessment of 43 cents against every one of her citizenship. Why are you from Texas afraid of 11 cents apiece, and from Tennessee 9 cents apiece, and Alabama 5 cents apiece as your tax for this purpose in the face of the above figures? Most taxes are supposed to be equitably levied. It so happens that in this case it will not be an equitable distribution. And if it is true that the East will be the greatest beneficiaries it is also true that the East will pay two-thirds of the cost of the whole bill, let that cost be what it may.

I want to refer to one other criticism of this bill, and then I am through.

Mr. MONDELL. Will the gentleman yield for a suggestion right there?

Mr. BEGG. Yes.

Mr. MONDELL. The gentleman has already called attention to the fact that we are now paying some $50,000,000 for the maintenance of the fleet, the small portion of it that we keep on the high seas; so that after all these sums which the people would be called upon to pay are not new levies or new burdens. They are burdens that they now bear in a larger amount, with practically no permanent benefit, than they would bear under this bill.

Mr. BEGG. That is correct. The President brought that out so forcefully and so well in his speech that it seems to me an utter waste of time to discuss that phase of it. I have tried to accept the argument that has been propounded by the opponents of this bill, namely, that it was going to be a tax on the great mass of the people and no benefit to them, and it has been from their own argument that I have tried to prove my case.

Now, I want to refer to something in the testimony. I want to show you some of the kinds of opposition that there have been to this bill. One Benjamin Marsh testified to the extent

of about 30 or 40 pages in the hearings. On page 1608 Mr. EDMONDS asked him this question:

I understood you made the statement this morning before I came here that the President was lending his help to an insidious campaign to rob the people of the United States.

The reply of Mr. Marsh was this:

I denounce the subsidy bill as an insidious steal. If the President indorses the ship subsidy bill, I repeat that the President is indorsing an insidious steal to put over on the American people, and I am going to go all over the country saying that.

In a statement on page 1581, Mr. Marsh says:

Before I get through, I want to read you the letters I have written to the President asking him to do his constitutional duty and prosecute the men who have robbed the Government of scores of millions under the Shipping Board. He has not done it; I do not know whether he will or not; but why is this invitation to graft put in this bill—this mandate to graft, I might almost say?

Here is something he says about us. In speaking of a financial organization that is interested in the shipping business, on page 1576, he says:

And if this financial syndicate were able to get a high bounty or bonus or subsidy, so as to make their business very profitable on their very small investment in ships, which they are seeking to get, it would not be so hard for them to control certain Members.

Mr. MONDELL. Is this gentleman a shipping expert?

Mr. BEGG. He claims to be a farmer, so I understand. His title shows him to be at the head of some farm organization.

Mr. MONDELL. Who is he?

Mr. BEGG. Benjamin Marsh.

Mr. STRONG of Kansas. He is not a farmer.

Mr. MONDELL. A farm organization that exists only on paper.

Mr. BEGG. I can not give you his biography. He is not in Who's Who, and I was not permitted to search the records of the lower East Side of New York a few years ago, so I can not give it. But I want to say this regarding any man who by insinuation or otherwise accuses any Member of Congress or the President of being a party to graft ought to be confined in the penitentiary unless he proves his charge. Such an assassin of character if called to an accounting would be the first to cry, "Free speech." [Applause.] I do not care who he is, he is a cowardly kind of an assassin who never would say that to your face. It is unfortunate that any man in the discussion of any bill will insinuate that there is scandal connected with it, or crookedness, because if there is, and if he himself is a decent American citizen, he will file his charges and bring the man to an accounting.

So far as I am concerned I am convinced that every man on this side and on the opposite side in his consideration of this bill is motivated only by the highest purposes to serve his country best. If I were a member of the committee I would not permit a man to testify like that unless he filed his charges and proved his case, and I would not waste the paper to record his testimony. When he thus insults the President of the United States and insinuates against the men in Congress, it is the easiest and about the most despicable thing a man could do.

Now, in conclusion, let me say that I know President Harding has only the best interests of all the country at heart in coming before us and advocating the passage of this bill. I know he knows that he will probably lose some votes and support in certain sections of the country for doing it. But history will accord to such a man a place who has the courage to do his duty as God has given it to him to see his duty, and I commend President Harding and I honor him and I honor you for voting your convictions regardless to which side those convictions may lead you. But I want to say for my part that I will do anything I can do to lend support to the acquirement of a merchant marine for to-day's peaceful business and commerce, and for to-morrow's war if we have one, so that when another war comes we will not plead to Germany or England or France, "Please come and take our men and our munitions and our supplies." Why, not one-tenth of 1 per cent of the American men and supplies were carried across in the bottoms of the American merchant marine. The greatest nation in the world ought to have every man and every gun and every cartridge of ammunition transported wherever she wanted her flag to go in American bottoms. If we pass this subsidy bill we will have a merchant marine, not simply as good as that of England but the best merchant marine that flies the flag on the high seas; and the best is none too good for an American citizen in these times. [Applause.]

Mr. GREENE of Massachusetts. Mr. Chairman, I yield to the gentleman from New York [Mr. HUSTED] 10 minutes.

Mr. HUSTED. Mr. Chairman and gentlemen, I can add little if anything to the admirable speech just delivered by the gentleman from Ohio [Mr. BEGG]. But I feel I have something I wish to say on a bill of as great importance as the one now before the House.

The main argument against the bill, and in the last analysis perhaps the only argument, is that it taxes the many for the benefit of the few. Well, it is true that the bill does tax the many for the benefit of the few, and if it did nothing more than that the argument would stand. But it does, I think, vastly more than that. It taxes the many for the direct benefit of the few in order that all may indirectly benefit. We have done that frequently, and we know we were justified in doing it because the growth, development, and prosperity of our country are largely attributable to carrying out exactly that policy.

A few years ago, I think in the year 1916, the gentlemen from the Mississippi Valley came before this House and asked us to authorize the appropriation of a large amount of money to improve the Mississippi River. They said the project was for the general welfare, that it was affected with a public interest. Of course, it proposed to tax the many for the benefit of the few. It directly benefited all the people who owned land in the Mississippi Valley, and yet we passed that bill in this House because we knew that though it directly benefited the people in the Mississippi Valley it was an indirect benefit to all the people in our great land to have the magnificently fertile land of the Mississippi Valley reclaimed and turned over to agriculture.

We now are told, as a result of the war, that the money we then provided is insufficient to build all the levees and do all the revetment work necessary to save this section of our country, and I understand that these same gentlemen from the Mississippi Valley are coming back here to ask for more money in order to complete the work, although we know the expenditure of that money directly benefits the few. It will also directly benefit the few in greatly differing degrees. There are some along that river who are much better off than others and do not need Government aid as much as others do It is exactly so in the shipping world. We passed the beneficial legislation for the people of the Mississippi Valley in order that it might indirectly benefit the whole Nation; but the benefit to the people as a whole is not nearly so clear, is not nearly so sure, as the benefit to all of the people of our land by the upbuilding of an American merchant marine which will give us international commercial contact with all the markets of the world, and which is absolutely vital if we are to market our goods at the best price and the least cost.

I was talking a few days ago with a very prominent admiralty lawyer who happens to represent British shipping interests. He was opposed to this legislation, and he appealed to me to vote against it. He said it was unfair for the United States, with its boundless resources, with its great wealth, to enter the field and drive England from the seas; that England was more dependent on overseas commerce than we were; that she was a little island with little agriculture, and that all her interests were manufacturing; that in order to live she must find markets over the seas; that her overseas commerce was vitally necessary to her. He said in addition to that, "How can you expect Great Britain to pay her debt to the United States if you take away from her the one means of payment, her overseas commerce?"

I said to him, the United States has no idea of entering this field and driving Great Britain from the seas; nothing is further from her thought. We are not animated by the same spirit that moved Germany when she entered on her policy of commercial expansion with the direct purpose of wresting control from Great Britain on the seas if it was possible for her to do so. I said, "Oh, no; we do not expect to monopolize all the commerce of the world; we hope to get a comparatively small share of it; but we do want a merchant marine, in order that we may exchange our products in all the markets of the world on the best possible terms." This is necessary to our continuance as a great commercial nation. The time is past when we can depend on British bottoms to carry our cargoes. In the past Great Britain was the great creditor nation, and we, with all nations of the world, were indebted to Great Britain. It was to her interest to see that our goods were transported to the markets of the world, because when a cargo of American goods went over the seas in British ships it went to pay our British debt. That condition no longer prevails. We to-day are the creditor nation of the world and Great Britain is debtor to us. There is no strong reason now why Great Britain should be so careful, so zealous, so attentive, in looking after our shipping interests. We must now look

after our own; we must protect our rights; we must protect our manufacturers; we must protect our farmers; and we must have our own American merchant marine, built in America, owned in America, manned by Americans, and sailing under the American flag if we are to have a merchant marine which appeals to the virile Americanism of our people. [Applause.]

Mr. Chairman, we once had a great merchant marine. There was a time in the old days, before steam, when our ships sailed the seven seas and carried a large percentage of the cargoes of the world. They were the glory and the pride of the American people. But we laughed at steam. We thought the time would never come when our great clipper ships could be surpassed by any ship that sailed the seas, and when the Civil War came on Great Birtain had her chance, and she attained a supremacy, which she has always held, and which Germany alone has challenged. The Great War gave us our chance, and foolish would we be and deserving of the reprobation of future generations if we fail in our turn to take advantage of it and keep our flag where it should be, proudly flying on all the seas and in all the harbors of the world.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. GREENE of Massachusetts. Mr. Chairman, I yield 20 minutes to the gentleman from California [Mr. FREE].

Mr. FREE. Mr. Chairman, although perhaps my physical condition will not justify me in standing here to-day, yet in view of the experience that California has just had in the matter of transportation, I feel it my duty for just a few moments to say something in favor of this bill. On the western coast we are a long way from our markets. Our markets are on the eastern coast, our products are largely perishable, and unless we can get them to market at the time they are ripe and ready for market they are a total loss to us. In the season that has just passed California sustained a loss of from fifty to one hundred million dollars by reason of the fact that she could not get the transportation to take her products from her land to the markets in the East. There has always been a shortage of refrigerator cars. There has always been a shortage of ventilated cars, and with the strike the combination was such that it was impossible to get to our markets. We turned to the sea because we are on the sea, and yet there we were afforded no relief from the condition that existed. My farmers are for this bill; they want transportation on land and sea, and they want it on the sea in American ships.

My attention was first called to the extreme to which this country was driven a few years ago when I was in the city of Seattle. I met there a manufacturer from the city of San Francisco. I asked him what he was doing in Seattle, and he told me that he was trying to get some goods transported to the Orient. I asked him why in Seattle, and he told me there was no regular line leaving San Francisco for the Orient that would take his goods, and that in order to get those goods to the Orient in time to fill the orders he had to send them from San Francisco to Seattle and then let them lie on the docks at Seattle until a Japanese ship would come along and take them.

While he was there in Seattle such a ship did come, but, owing to the fact that the company that owned the ship was tied up in some sort of way with a company that was antagonistic to this gentleman's company, he had to wait for another ship, and the goods were six weeks on the docks at Seattle before they got aboard a ship to go to their destination. At that time I made a little study of the conditions of transportation in American bottoms; and, bringing that study down to date, I am going to quote some figures.

In 1830 we carried in American bottoms 94 per cent of our imports and 86 per cent of our exports. In 1840 it was a little less—86 and 80. In 1850 it was 78 and 65, and in 1870 it was 33 and 37, and so it went on down until in the year 1910 we carried in American bottoms only 7.5 per cent of our exports and 10 per cent of imports. In a recent normal month foreign ships carried 76 per cent of our exports, while American ships carried but 24 per cent, and of that 24 per cent 19 per cent was carried in ships of the Shipping Board and only 5 per cent in ships privately owned. This decrease from 86 per cent of exports down to 7 per cent and from 94 per cent of imports down to 10 per cent went on while our exports were increasing tremendously. For instance, in 1855 we exported $193,000,000 worth of goods. Five years later it amounted to $316,000,000. Ten years later it was $377,000,000, and each 10 years the exports went up until in 1920 they had increased to $7,949,000,000. The gentleman from Tennessee [Mr. DAVIS] yesterday gave us to understand that our merchant marine had kept pace. Perhaps he said that it did not decrease. What does it matter if it does not decrease, if it does not increase proportionately to the increase of exports and imports of the United States? If you have a city of 10,000 people, with homes to house them, and the city grows to 100,000 people and you still have the same number of homes, you are not taking care of the conditions.

That is the condition in which we found ourselves when the war came on. We then hurriedly built our fleet. True, it is not a rounded fleet. We have lots of slow-going cargo vessels, but we are short of good passenger vessels and we have practically no refrigerator ships. Out of the vessels that we have we have only 16 that will go 15 knots an hour, so taking that fleet as it is it is impossible for the Government of the United States, without spending a lot more money, to ever maintain it as a Government owned and controlled fleet.

This experiment of a partially balanced fleet, carrying but 19 per cent of our trade, nevertheless was costing when this administration went into power $16,000,000 a month, and through the care of the present Shipping Board that has been reduced to $4,000,000 per month. Some 4,000 employees have been discharged, useless in most instances. I am a member of this committee, and I admire the frankness of the members of the Shipping Board in exposing the weaknesses of that board, and I think the Shipping Board is to be commended for what they have done in bringing down this tremendous cost and endeavoring to do what they can for an American merchant marine.

I think there is no question but that all of us here want an American merchant marine. We have tried private ownership and it has failed. My good friend from Texas [Mr. HARDY] goes on in a theoretical way to tell us that we will somehow have it, but we have not got it. The merchant marine has declined for 50 years. Then we tried Government control and Government ownership, and that was a failure. In my judgment it is a failure for this reason: I do not believe that any company or Government can handle a merchant marine unless it has the right to buy cargoes to bring back in its ships, and the Government of the United States may send out its ships loaded, but they come back empty because the Government can not buy cargoes and bring them back.

If those cargoes are sold for no greater amount than merely enough to pay the freight, in addition to the actual cost of the cargoes, they come out whole on the cargo; thus the private concern can outmaneuver the Government owned concern. Both private ownership and Government ownership have failed, and so we have left Government assistance to privately owned boats. Who will benefit by this? A great deal has been said about the farmers. I know that my farmers will benefit because they will get transportation which they need. Glancing casually over the exports of this country I was surprised to find that for over 50 years over 50 per cent of the exports of the United States have been farm products. In 1855 they amounted to 77 per cent, in 1860 to 82 per cent, running down to 1900, 61 per cent, and in 1910 they were 50 per cent.

In 1919, 56 per cent of the cotton of the United States was exported and 23½ per cent of the wheat was exported. And, taking the average of 10 years, the cotton export was 55.1 per cent of our crop raised, while the wheat export was 23.1 per cent of our crop. And I say to the gentleman from Ohio who spoke a moment ago that no wonder his farmers will support him if he will stand up and tell those farmers the truth. I have never listened to a debate or argument where there has been so many extravagant statements and so many half truths told as here. The bugaboo is held before us of serving private interests—subsidy. One statement was made that if the *Leviathan* were taken over we would pay in subsidy on that boat very considerably over $1,000,000 a year. That statement is made utterly disregarding the fact that in this bill we have this provision:

> (b) Whenever the board determines that the rate of compensation authorized under section 404 is excessive under the special circumstances of any particular case, it shall, in making the contract for compensation, provide therein for the decrease of the rate of compensation to such an extent as it deem advisable.

I have not been here long, but I believe most officials are honest and try to do what is right, and I believe that when any vessel is to get too much money under this bill any administration, whether this administration or any other, will take that section of the bill and make a contract so the terms in reference to that vessel will be fair. The most ridiculous statements, however, were made in the speech of the gentleman from Ohio [Mr. GAHN] yesterday, who inserted in the RECORD a newspaper editorial. He incorporated it as a part of his speech, and I therefore infer he approved the statements made therein. I can not refer to all the misstatements, but let us take a few. One is:

> The President did not say that only the owners of ships running on regular lines would receive subsidy.

Well, of course he did not say it because it is not true, and I say to this House that before you vote on this measure for heaven's sake take the bill and read it and see what is in the bill itself. Another statement is made:

Those shipowners who enjoy subsidies—but no other American shipowner—could deduct from their income taxes their profits on the operation of the ships.

There is absolutely nothing in the bill which limits the tax exemption of shipowners receiving a subsidy. Take another statement.

Mr. HARDY of Texas. Will the gentleman yield?

Mr. FREE. I have not the time.

As in the case of the Standard Oil Co.—of the cargoes of ships, 5 per cent of the estimated freight that they paid themselves for hauling their oil.

Section 200 of the bill does not permit a shipowner to transport his property and get 5 per cent of the tax credit. It is only for money paid. Furthermore, the section contains a careful provision to prevent the claiming of the credit by any shipper who is in any way affiliated with the shipowner.

One more:

The President did not say that the "tramp ship," which is what Great Britain and every other country means by the expression "merchant marine," will not get one penny of subsidy under this proposed bill, and their owners will not get any rebate, drawback, or exemptions, or other handouts from, through, or by the Treasury.

That is absolutely false. The gentleman from Texas [Mr. HARDY] a moment ago told you that statement was false, and yet that is the sort of thing that is put in as an argument against this bill. Now, in reference to the gentleman's statement as to Rossbottom handling the various lines. He has been very emphatic that Rossbottom has handled his lines at a profit and would handle these lines at a profit. Let me give you the figures:

United States Line's figures, showing results of operation under commercial conditions.

(P. 363, hearings.)

Outcome for four months:	
September-December, inclusive, 1921 (this does not include repairs nor any fixed charges)	$535,000
Repairs	138,500
Surplus to meet fixed charges	396,500
Surplus per month	99,125
Surplus per year	1,189,500

This figure is what under commercial operation would cover interest, insurance, and depreciation, which can be estimated at a minimum of 15 per cent per annum upon the book value of the vessel. As it is difficult to state just what the book value of that fleet was, the 106,500 gross tons of ships whose operating results are given are estimated at two extremes—a book value of $10,000,000 and a book value of $20,000,000.

At book value of $10,000,000:	
Annual fixed charges, at 15 per cent	$1,500,000
Surplus available to meet this fixed charge	1,189,500
Annual deficit	310,500
At book value of $20,000,000:	
Annual fixed charges, at 15 per cent	3,000,000
Surplus available to meet this fixed charge	1,189,500
Annual deficit	1,810,500

Mr. HARDY of Texas. Will the gentleman yield?

Mr. FREE. I have not the time.

Mr. HARDY of Texas. I just wanted to say there was included in that some old ships which were no good.

Mr. FREE. Three alone cost $7,000,000 each. The gentleman is not claiming that $10,000,000 is an overestimate?

Mr. HARDY of Texas. Some are old ships that lost money and would have lost money under any conditions, and they were charged up; still you have them.

Mr. FREE. Now what have we before us? No matter how favorable you may stretch your imagination you have got to agree that we have no merchant marine that is privately owned. You have got to agree that for 50 years our merchant marine has been going to nothing. You have got to admit that we have no marine. How are we going to get one? We are proposing something constructive which we figure will cost less than we are paying at the present time. What does the opposition offer? The gentleman from Tennessee on yesterday offered this: That we keep these ships that we have and maintain the expensive organization which we have and hold those ships until such time as private owners will take them over. You know and I know that is impossible, because if private owners could not handle them for 50 years they are not going to come in and take ships off our hands in that way. The result would be these ships would deteriorate from year to year and we would have no merchant marine. The only other suggestion that comes out of the opposition is the one of the gentleman from Texas, who says that the way to meet this situation is to buy our ships in Europe.

Personally, I believe in home production. I believe in the maintenance of our factories and our mills and our shipyards and our farms in this country, and I have never been able to get through my poor head how we can build up as a people if we buy manufactured things abroad, if we pull our trees out of the ground, and quit growing our products and buy our stuff abroad. [Applause.]

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. GREENE of Massachusetts. Mr. Chairman, I yield 30 minutes to the gentleman from Wyoming [Mr. MONDELL].

The CHAIRMAN. The gentleman from Wyoming is recognized for 30 minutes.

Mr. MONDELL. Mr. Chairman, I have followed this debate very closely and very carefully in the hope that some of those who are opposed to the pending measure might propose something in the way of a substitute for it.

I assume that something must be done. There was a time when the question of the establishment of an American merchant marine savored largely of theory. We had no merchant marine worth the name, and the question was, first, was it worth our while to attempt to build up an American merchant marine and, second, could that be accomplished at any cost that the people could afford or were willing to pay?

On the questions thus presented there was a very considerable difference of opinion. First, there was the natural objection—the objection which finds lodgment in the hearts of all men—to Government subsidy if it can be avoided and, second, the question as to whether or no, if a subsidy were paid, the result sought would be secured. From these viewpoints of doubt and questioning there came to be, and there was, I think in the country, a majority—not a large one, but something of a majority—unfavorable to what was known as the ship subsidy bill or ship subsidy proposition.

But we are no longer confronted wholly with a theory. We have before us a condition; a condition requiring action; a condition which we can not dodge and can not blink; a condition which we can not close our eyes upon, and which, as honest men and as legislators charged with responsibility, we must settle or attempt to settle one way or another.

During the war we set out to build a bridge of boats. We did the work, as we did most of the work, as perhaps it is evitable most work must be done in time of war, in a very expensive way. We paid out the money of the American people in a sum aggregating nearly $3,000,000,000 for the building and for the management and maintenance of a fleet.

We have the major portion of that fleet, costing $3,000,000,000, on hand. We are trying to operate it through governmental agencies. We are operating it as far as we can under present conditions and under our present plan, and we are able to keep in commission only about one-third of the steel ships of the fleet. It cost us about $150,000,000 annually to operate the fleet over and above all income until the present administration took charge of affairs. By putting into effect first-class business methods, by bringing to our aid first-class shipping men familiar with the shipping trade, we reduced the cost of the fleet, the actual outlay, to $50,000,000 per annum.

But we are utilizing only a third of the fleet, and the balance lies rotting in our harbors. If we utilize more, it would cost us more; and as we utilize less the depreciation of the ships tied up increases the loss to the people.

What are we going to do about it? One gentleman who discussed the matter seemed to rise no further than to view the whole proposition from the standpoint of the now very common slogan of "safety first." His mind, instead of dwelling on the problem as one that must be solved and settled in some way, seemed to be entirely taken up with the question of personal political fortunes. He thought not of the problem of the fleet but of a political life raft or lifeboat.

It is a very great honor to represent an American constituency, and naturally our desires to continue to do so. But, after all, I hope the gentleman who made that suggestion does not ordinarily view his duties here wholly from the standpoint of just how this particular problem or that particular vote may affect his political fortunes.

I think it is true that a very large number of people in the Mississippi Valley, in the day when the question was wholly one of whether or no we should endeavor by public aid to build up a merchant marine by aid of a subsidy, were opposed to that policy. I think there was, in the absence of strong persuasive voices raised in behalf of that policy, a time when practically everybody was going with the tide and running with the hounds against it. I think there was a very general sentiment against a ship subsidy as the matter was then presented. But I have a very high regard for the people of those States. I know they are clear-headed, right-thinking folks, and I do not believe they want us to dodge any question fairly presented to us, and I do not believe that even those folks

would, if the question as now presented to us were clearly and definitely and earnestly presented to them, would be found against it. I can not believe these people would say, "We believe in Government aid in rectifying the banks of our great interior rivers. We favor Government aid in the reclamation of arid lands. We approve large appropriations for flood protection. We want the Government to expend large sums on rivers and harbors. We believe the Federal Government may very properly appropriate great sums of money for aid in the building of roads. We think the Federal Government may properly aid the raiser of hogs and the grower of cotton and the producer of a wide variety of agricultural products by helping him to meet his problems and overcoming the difficulties that confront him. We believe in all these things, calling in the aggregate for many millions of dollars annually, but we can not agree that the Nation should ever expend a penny to keep the flag on the high seas to help transport our products, most of which come from the farms, to foreign markets, to establish and maintain great merchant leviathans which are as essential to us in time of war as are the great warships themselves."

I do not believe that the proposal now before us properly presented would meet with an adverse verdict anywhere in the Mississippi Valley, north or south.

Our Democratic friends in debating this problem take a great deal of pride and pleasure in enveloping themselves in the cloak of political sanctity and in declaring that they stand for "equal opportunity for all and special privileges to none." That is a very lovely figure of speech, and we all believe in it as a matter of political ethics. But, speaking practically, where is the man who can say that any man who has sat in this Chamber within the recollection of any of us has not voted for and has not favored special aid, special assistance. We began to afford special benefits the day we abandoned the idea that the only function of government is to maintain order. We do grant special favors to every locality whose bayous and waterways you clear of snags and water hyacinth; to every community whose rivers and harbors we make available for the use of local as well as general commerce. Who can say that there is no special privilege in calling upon the taxpayer of one section of the country to aid in the building of highways for the benefit of the people who live in other parts of the country? We make these expenditures on the theory that they serve the general interest, but the expenditure is, nevertheless, helpful and beneficial to localities and individuals. In the recent campaign in my State I took some pride in reciting the benefits that we received annually from Federal appropriations, and I was surprised myself when I had summed it all up and found how large an amount flowed regularly from the Federal Treasury into my Commonwealth and into all that section.

Mr. J. M. NELSON. Will the gentleman yield?

Mr. MONDELL. In just a moment. The day is gone when gentlemen who want to be honest and fair discuss these matters on the theory that these benefits convey some special privilege contrary to the spirit of our policy and our institutions. Now I am glad to yield to the gentleman.

Mr. J. M. NELSON. Can the gentleman name a parallel case, where the special privilege has gone so directly to a group, where the money goes directly to them? The gentleman knows who owns the highways that he speaks of.

Mr. MONDELL. It happens in this particular case that by reason of the nature of the business the payment proposed for services rendered—and it ought not to be made unless there is a service rendered—must be to an individual. That does not change the nature of the case or of the character of the payment.

Mr. J. M. NELSON. Can the gentleman name a parallel case in his own recollection as a Congressman?

Mr. MONDELL. Every expenditure I have mentioned parallels what we are proposing. In this case it is proposed not to aid without any direct return whatever, as in some of the cases that have been mentioned, but to make payment for a service to be performed. The flag must be carried on the high seas. American commerce must be transported to the ends of the earth. A real service must be performed. Ships must be maintained that in time of war will be as useful and serviceable to us as are the great battleships of the fleet, and it is for that service that we propose a small payment shall be made.

Mr. FESS. Will the gentleman yield for a moment?

Mr. MONDELL. I yield to the gentleman from Ohio.

Mr. FESS. In the light of the question of the gentleman from Wisconsin [Mr. J. M. NELSON], to whom was the money paid when we built the transcontinental railroads in the west?

Mr. MONDELL. The lands were granted to the railroads, and the loans were made directly to the railroads. In those cases the payments were as directly to individuals as they are in this case.

Mr. J. M. NELSON. Does not the gentleman think that was rather unfortunate? Were there not all kinds of scandals and all kinds of protests against that procedure?

Mr. SNYDER. But we got the railroads, did we not?

Mr. MONDELL. Take it all in all, every man who has lived in that western country, who knows what was done and what has been accomplished, admits that the policy was a sound and a helpful one. If there were excesses in the application of that policy, that is quite another matter. If the gentleman thinks the subsidy too high, let him suggest a reduction. If the gentleman believes there are provisions in this bill that ought not to be in it, let him suggest an alternative. But in my opinion no man can fairly represent an American constituency, in voting against this legislation, unless he shall propose some other concrete proposition which will solve the great problem we have before us. Gentlemen may not dodge this issue. It is here. It is clear. It is definite, and from the standpoint of the party having responsibility here, what shall we say to the American people if, having been called into authority for the purpose of enacting constructive legislation, we halt and hesitate in the face of one of the most urgent problems pressing upon us.

Mr. GARNER. Will the gentleman yield for a question?

Mr. MONDELL. Briefly.

Mr. GARNER. Why is it that American capital does not seek investment in the merchant marine?

Mr. MONDELL. I have asked that question repeatedly, and the answer, sometimes garbed in one phraseology and sometimes in another, has always been, in substance, that it does not pay, that it has not paid, and that it will not pay without some aid from the Federal Government. Let me answer the gentleman's question in another way. The proof of the fact that it has not paid is to be found in the fact that we have not had a merchant marine. Here is a nation, the richest in the world, with more capital seeking investment than anywhere else on earth. We have in America the highest quality of constructive, engineering, and business ability in the world. Yet since the Civil War we have had no considerable merchant marine. The gentleman says that if we allow our people to buy foreign ships we may have a merchant marine. Well, possibly so, though I doubt it, but at a cost that the great majority of the American people are not willing to pay—by closing American shipyards.

Mr. GARNER. Will the gentleman yield for a question?

Mr. MONDELL. Just a brief question.

Mr. GARNER. Does the gentleman agree to the premise that if all restrictions were removed American ingenuity and capital are capable of competing with any other ingenuity or capital in the world?

Mr. SNYDER. It might be, except in the raising of Angora goats. [Laughter.]

Mr. GARNER. The gentleman from Wyoming just paid a great tribute to American ingenuity and American resources. I want to know if he agrees to the proposition that American ingenuity and American capital are equal to those of any other nation on the earth and on the high seas; and if so, why do we not remove whatever impediment keeps us from investing in that enterprise?

Mr. MONDELL. We can only remove the principal impediment by reducing American wages and the standard of American living, and we are not prepared to do that.

Mr. GARNER. Yet this subsidy does not go to American wages at all. It goes to capital entirely.

Mr. MONDELL. In order to enable American capital to pay American wages on American ships carrying the American flag. [Applause.]

After all is said and done, every man who has ever studied the question knows—and there can be no reasonable difference of opinion on that subject—that the only real reason why we have not had a great merchant marine in modern times, that a merchant marine has not been built up, is because we pay in America higher wages, we provide more men for the same service, we feed American seamen better, we give them more space, we have better laws for their comfort and their protection. Our costs of building are higher, our costs of maintenance are higher—every cost from the time the keel of the ship is laid down until the voyage is ended is greater primarily because American wages are higher and American standards of living are higher. It is to overcome that handicap, a handicap which we do not want to have removed, a handicap that we would not wipe out if we could, that we are proposing to

pay for the shipping service that shall be performed a small sum, measuring, as near as we can determine, the difference in cost growing out of American wages and American standards of living.

Mr. HARDY of Texas. Will the gentleman yield?

Mr. MONDELL. Yes.

Mr. HARDY of Texas. Does the gentleman dispute the fact stated in the report of the marine architects that the wages paid in Norway and Sweden are equally as high as the wages paid in this country?

Mr. MONDELL. I dispute any statement made by anybody that wages anywhere on earth are permanently, ordinarily, or regularly as high as American wages.

Mr. HARDY of Texas. Then the gentleman refuses to take that testimony?

Mr. MONDELL. I do not know of any such statement made by reliable authority.

Mr. HARDY of Texas. The gentleman will find it in the hearings, and it is in the article that I read a little while ago.

Mr. MONDELL. Some one may have put such a statement in the hearings. I have not seen it; but the man who attempts to tell me that wages on foreign ships are as high as they are on American ships I would listen to in the same frame and attitude of mind that I would to the man trying to make me believe that the wages in Germany at this time are as high as in the United States.

If there is any one thing that is settled and established beyond peradventure, it is the fact that American wages are higher than the wages anywhere else on earth and that American standards of living are higher than the standards of living existing anywhere in the world. I am proud of the fact and I would not change it.

Mr. HARDY of Texas. Does the gentleman mean——

Mr. MONDELL. Now, the gentleman from Texas had two or three hours in which to make his speech. I have only a few moments.

Mr. GARNER. Will the gentleman allow me to ask just one question and then I will quit?

Mr. MONDELL. Very briefly.

Mr. GARNER. Will the gentleman explain how it is that labor, so far as this record goes, appears to be opposed to this bill? If it is in the interest of labor, are the laboring men so ignorant that they do not know what is for their own interest?

Mr. MONDELL. I differentiate between labor and labor leaders. Sometimes labor is unwisely led by unwise leaders. That occurred to a considerable extent in the recent election. That is something time will adjust. I have great confidence in American labor and in the American laboring men, but unfortunately I can not have equal confidence in some American labor leaders, and the gentleman from Texas will not disagree with me on that proposition. [Applause.]

In conclusion let me say that the fact we have had no considerable merchant marine for over half a century, notwithstanding American capacity and aptitude for the sea, is conclusive evidence that there is a handicap, a differential which American genius and business ability can not unaided overcome. Perhaps it was not wise to attempt to overcome it by Government aid in the building of a merchant fleet. But we have the fleet. What shall we do with it? That is the question.

The CHAIRMAN. The time of the gentleman from Wyoming has expired.

Mr. BANKHEAD. Mr. Chairman, I yield 15 minutes to the gentleman from Tennessee [Mr. GARRETT].

Mr. GARRETT of Tennessee. Mr. Chairman, in the very nature of things those who are members of the committee and before whom hearings have been had upon proposed legislation, are best informed on the subject, and are best equipped, in a serious argument such as this has been, to present the real facts and the proper reasoning based upon those facts to the House of Representatives for its information. I think the members of the Committee on the Merchant Marine and Fisheries have certainly been true to that rule. It has been a long while since I have heard in the House, taking it as a whole, as high-class discussion as there has been on this measure by the members of the Committee on the Merchant Marine and Fisheries.

The gentlemen from that committee who are opposing this bill have presented to those who have heard their speeches and to those who have read their arguments, substantially, it seems to me, all that can be said on the subject; possibly not all that can be said, but at least they have laid before us the facts and every principle that is involved. I shall not attempt to paint the lily which they have developed.

It does seem to me, however, that there are certain superficial arguments that have been made by the proponents of this legislation to which some attention should be given. The President of the United States began that argument and I referred to it in discussing the rule. The gentleman from Ohio [Mr. BEGG] a few moments ago, with perhaps more force than anyone who preceded him, elaborated upon those matters, and the gentleman from Wyoming [Mr. MONDELL], who followed, reiterated what he had said. I refer to the allegation that certain appropriations for certain public purposes are on all fours with this proposition for a ship subsidy. Gentlemen referred to the appropriations for agriculture. Now, let us see about that a moment.

Appropriations for the extermination of boll weevil have been specifically mentioned; also appropriations for the improvement of growing live stock, and a clear intimation has been given that they are solely for the benefit of the farmer or a subsidy to the farmer. I have never understood that to be the theory upon which those appropriations were made.

Mr. MONDELL. Will the gentleman yield?

Mr. GARRETT of Tennessee. Certainly.

Mr. MONDELL. Who made any such suggestion that these were appropriations in the nature of a subsidy, and particularly for the benefit of the farmer?

Mr. GARRETT of Tennessee. I understood the gentleman from Wyoming to say specifically in answer to a question by the gentleman from Wisconsin [Mr. NELSON], when the latter asked him to name any parallel cases, that all he [Mr. MONDELL] had named were parallel to this proposed in the bill before us.

Mr. MONDELL. Oh, I did not say that those appropriations or these appropriations we are proposing in this bill were either primarily or wholly for the benefit of those who receive them or of those on whose behalf they were directly made. They were all made upon the theory that they worked for the public good and the public welfare.

Mr. GARRETT of Tennessee. I propose to undertake to distinguish between those appropriations and the policy that is provided in this bill. The appropriations for agriculture, of course, are made because there is a demand that a full amount of cotton shall be grown in the world in order to clothe the world, and there is a demand that a full amount of meat and a full amount of wheat and other food products shall be grown in order to feed the world.

I refer now to the reference that has been made to irrigation as a subsidy, or as something on all fours with this proposition. I have not so understood that. I have very cheerfully supported irrigation legislation here ever since I have been a Member of Congress, and I never dreamed of the fact that in so doing I was voting a subsidy. I do not think so now. I have understood this to be the situation: That the Government entered upon these irrigation projects for the purpose of improving its own property, that in the end, when this property was disposed of to the citizens of this country, it was required that there should be paid back into the Treasury of the United States for the property an amount sufficient to cover every cent expended by the Government in making it habitable and fit for cultivation, together with interest thereon. If I am in error about that, if it has been a subsidy, then these gentlemen from the West have put one over on me that I was not aware was being put over.

Mr. J. M. NELSON. Did not the Government require a certain amount of pay for the waters that were used, and did the money go to private parties in the way of a gift?

Mr. GARRETT of Tennessee. I have never understood that anything in the way of a gift was ever requested. As I say, when the Government sold its own lands, which it improved, it charged the purchaser sufficient to cover the Government cost, and whenever the private landowner has used the water from the irrigation ditches he has been charged enough to cover the cost of the service.

Mr. CARTER. The cost of production and the water, both.

Mr. GARRETT of Tennessee. The gentleman from Ohio [Mr. FESS] referred to the land grants to the railroads. Those grants were made a good while ago. Some gentleman suggested many scandals had grown out of that. I have no criticism of that policy, but what was the situation? Across a thousand miles or more the Government of the United States owned millions, unnumbered millions, of acres of land that were absolutely worthless until they could be opened up to settlement and cultivation.

The best method to open them up to settlement and cultivation was to have highways of transportation through that territory, and every acre that was given to the railroad companies in order to enable them to construct those lines of railway and open them up to settlement enhanced the value by tenfold of the lands which the Government retained, and which could never have been enhanced in any other way. The Government, the Treasury of the United States, the people of the

United States, had nothing taken from their pockets by those land grants, wherever the laws were honestly administered, but on the contrary the wealth of the whole people was increased by unnumbered billions of dollars by those advances to the construction of railways.

Mr. Chairman, it remained for the gentleman from Ohio [Mr. BEGG] to raise a sectional question in this matter, a question that I did not know existed relative to it, and I yet do not see how it can exist. He referred to appropriations that certain Southern States had obtained for certain purposes, and certain Western States. I do not know, but I sometimes wonder how long it is going to be before the Republican politicians in Ohio learn that the Civil War is over. I think the story lately told along that line must have originated somewhere in Ohio; of course, not amongst the old soldiers, because they would know better, but it must come from certain politicians up there. It must have been one of them who suggested that they better shoot the mail carriers, because they wore gray suits. The poor fellow thought they were Confederate soldiers. [Laughter.]

The gentleman from Ohio [Mr. BEGG] dealt with emphasis on the amount that has been paid out for the construction of Federal highways. I remember the gentleman opposed that last session, and made very much the same argument that I made when it was originally instituted. I opposed it, but I never opposed it upon the theory that it was a subsidy. The gentleman wholly misconstrues when he attempts to put the matter proposed in this bill on a parallel with an appropriation for highway purposes.

Mr. BEGG. Mr. Chairman, will the gentleman yield?

Mr. GARRETT of Tennessee. Yes.

Mr. BEGG. The burden of the argument on the Democratic side against the bill has been upon the question of taxation. I merely showed that it would not cost the gentleman's State anything, or if it did cost it anything it would be 9 cents a head. If that is sectional, well and good.

Mr. GARRETT of Tennessee. I am very glad the gentleman has made that statement, because I probably would have forgotten to refer to it if he had not interrupted me. The gentleman has heretofore spoken of the payment of Federal taxes by States. Of course, from the people of some States there come more Federal taxes than come from the people of other States. Why? Because they have more to pay with. And why do they have more to pay with? Because, following the lines that have been followed throughout all the history of the world, there are great centers of population, great centers of finance, centers of industry, where men build up fortunes, but they are making those fortunes out of the people of the other States as well as out of the sections in which they happen to reside. [Applause.] It is no reflection upon my State that its citizens do not happen to have the income upon which to pay as much tax as do the citizens of the State of Ohio.

Mr. BEGG. Will the gentleman yield to a further question?

Mr. GARRETT of Tennessee. Certainly.

Mr. BEGG. Does not the gentleman think that he is making a mountain out of a molehill in opposing a proposition that is wanted by the States that are going to pay for it, when he concedes that it is not going to cost him anything?

Mr. GARRETT of Tennessee. Mr. Chairman, I hope the gentleman will get my idea. I am opposed to taking out of the Treasury, no matter by whom it is paid in, if it be paid in under any just system of taxation, any sum of money and using it for the benefit of a particular class or of a particular individual. [Applause.] That is a principle of government by which I stand.

Mr. BEGG. Then if certain sections want to tax themselves for something, granting that it is going to benefit them more than some other section, the gentleman believes this system of government gives him the right to say to the people of Ohio, to the people of Pennsylvania, and of New York, that they shall not do it.

Mr. GARRETT of Tennessee. Oh, no. If the shipowners want to raise the fund and run these ships, I do not object to it.

Mr. BEGG. Let us stay right on the proposition. The gentleman surely does not wish to duck it. Is the gentleman in favor of having his State most vigorously opposed to something that he admits will not cost him anything, but that will cost the other States something? Is it any reason why you should say we shall not have it, just because you do not pay the tax?

Mr. GARRETT of Tennessee. Oh, well, the gentleman's argument would lead us to this situation——

The CHAIRMAN. The time of the gentleman has expired.

Mr. BANKHEAD. I extend the gentleman's time for 10 minutes.

Mr. GARRETT of Tennessee (continuing). That so far as Government activities are concerned, there ought to be some sort of severance or separation. The logic of the gentleman would lead absolutely to that end.

Mr. HARDY of Texas. If the gentleman will yield right there, is it not true, Tennessee and Texas having been especially alluded to, that they pay as much in proportion to their wealth as Ohio?

Mr. GARRETT of Tennessee. Undoubtedly, if the tax laws are being fairly administered, and I presume they are. The gentleman from Ohio referred particularly to roads, and many gentlemen referred to roads, and the President referred to highways being constructed.

Now these highways are being constructed for the benefit of all the people. They are open to every individual. If the gentleman from Ohio, as I hope he shall some time, chooses to drive over the splendid roads of his State down through Kentucky and Tennessee, over the roads when we get them completed there, as I hope we shall before long, those roads will be free to him, but we are not going to pay his chauffeur for driving the car over them.

Mr. BEGG. Will the gentleman yield right there?

Mr. GARRETT of Tennessee. If the gentleman from Ohio should hire a car and the Government pay part of the charge, that would be on all fours with this bill.

Mr. BEGG. Right there. The gentleman certainly would not have the gall to charge me to go over those roads when every dollar raised from Kentucky and Tennessee was matched by $2 from Ohio to build those roads?

Mr. GARRETT of Tennessee. The gentleman would be welcome in there.

Mr. BEGG. I hope so.

Mr. GARRETT of Tennessee. Without charge. He would not expect to pay a subsidy for the car that he happened to hire to drive over there, or expect the Federal Government and the State of Ohio to put up two for one for hire of his car.

Mr. BEGG. If I had the choice of riding in my car or a British car or a Jap car, I would ride in mine and subsidize it; yes.

Mr. GARRETT of Tennessee. Well, of course, the gentleman realizes he has laid down a most preposterous proposition. [Laughter.] The gentleman surely does realize that there is a difference between furnishing avenues of transportation and furnishing vehicles of transportation.

Mr. MONDELL. Will the gentleman yield?

Mr. GARRETT of Tennessee. I will yield.

Mr. MONDELL. Assuming the avenue of transportation is available by nature and that avenue can not be utilized for the benefit of the American people, what about it then? Would the gentleman say the Federal Government, which was justified in one case in providing the necessary avenue, would not in another case be justified in providing the means of utilizing the avenue that nature provided? What is the difference?

Mr. GARRETT of Tennessee. The difference is very great. All the nations have access to the seas of the world.

Mr. MONDELL. That makes our problem the greater.

Mr. GARRETT of Tennessee. We, so far as the "avenue" is concerned, stand on an equal footing with all the rest of the world.

Mr. MONDELL. Yes; but we wear better clothes, eat better food, receive higher compensation for our efforts, thank God. [Applause.]

Mr. GARRETT of Tennessee. Oh, well, of course the fact remains that the last act of this Congress before it adjourned was to undertake—it has always been my understanding, I do not know much about the shipping business, but it has always been my understanding that a ship to be successful must have a cargo both ways—as I say, the last act of this Republican Congress immediately before adjournment was designed to prevent any American ship, or any other ship, from bringing a return cargo from abroad [applause] by the passage of the protective tariff law by which they undertook to prohibit importations as far as they dared.

Mr. MONDELL. The gentleman who ran against me in the late campaign voted for that proposition.

Mr. GARRETT of Tennessee. So I have understood. [Laughter.] It was a choice in his State, I presume, between two excellent gentlemen, one of whom had offended the political proprieties in one respect, while the other had offended them in a number of respects. [Laughter and applause.]

Of course, Mr. Chairman, we need not deceive ourselves about what this bill means. It is the institution of a new policy in this country. It is the institution of the subsidy system which has been always rejected when squarely presented to the people.

It is objectionable in many respects; not alone because of the principle involved in it, but because of other things which have already been pointed out by gentlemen who have preceded me, and which will probably be further elaborated upon under the five-minute rule. It is undemocratic. It is a violation of other fundamental things of government. If we subsidize this class, where shall we end? If this class can come to us and appeal, what will be the next class to arise and appeal successfully?

Mr. GREENE of Vermont. Will the gentleman yield?

Mr. GARRETT of Tennessee. I will.

Mr. GREENE of Vermont. It think already we have some evidence of the extension of the subsidy system to the Muscle Shoals proposition. For instance, did the gentleman favor a general subsidy to the fertilizer business?

Mr. GARRETT of Tennessee. Well, I understand these shipowners desire us practically to give them the ships and then pay them for taking them. Mr. Ford asks us to sell——

Mr. GREENE of Vermont. And to give $5,000,000 for the $106,000,000 we have put in and then put $50,000,000 more in, that is all.

Mr. GARRETT of Tennessee. The percentage he offered is about as high as the percentage offered for these ships, but he does not ask us that he be subsidized.

Mr. GREENE of Vermont. One hundred years, and, of course, we shall all live to see the truth or falsity of the comparison by that time.

Mr. GARRETT of Tennessee. Well, that is the difference between those two propositions. Mr. Ford is not asking that the Government Treasury be opened to him.

Mr. GREENE of Vermont. Only to the extent of $50,000.000 to start with.

Mr. GARRETT of Tennessee. No, indeed. The gentleman is very much mistaken. Mr. Ford is only asking that the Government complete the property.

Mr. GREENE of Vermont. Yes.

Mr. GARRETT of Tennessee. That is what is to be done with these ships that are to be sold at 7 per cent of their cost.

Mr. GREENE of Vermont. It depends upon what name you call the jimmy that you break into the Treasury with; but the fact remains that you lose that money out of the Treasury.

Mr. GARRETT of Tennessee. Of course, he is not going to give what it cost, nor do the purchasers of the ships propose to give what the ships cost. But Mr. Ford proposes to pay back every dollar of what the Government puts in.

Mr. GREENE of Vermont. He does not propose to pay it back. He proposes to pay back a sum which, if amortized by our Government, might in time equal that sum. Mr. Ford only proposes to pay back about $9,000,000.

Mr. GARRETT of Tennessee. Well, we hope—and I will express the hope now—that soon we may have an opportunity to fight that question out on the floor of the House. [Applause on the Democratic side.]

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. BANKHEAD. Mr. Chairman, I yield five minutes to the gentleman from Kansas [Mr. TINCHER].

The CHAIRMAN. The gentleman from Kansas is recognized for five minutes.

Mr. TINCHER. Mr. Chairman, I ask to have read in my time the resolution adopted by the National Grange, which I send to the Clerk's desk.

The CHAIRMAN. Without objection, the resolution referred to will be read.

There was no objection.

The Clerk read as follows:

Resolution adopted November 24, 1922, by the National Grange in national session at Wichita, Kans.:

"*Resolved*, That the National Grange in the fifty-sixth annual session, assembled at Wichita, Kans., November 24, 1922, and representing nearly 1,000,000 organized farmers of America, hereby declare its unalterable opposition to all ship subsidy legislation and to every form of direct subsidies to private enterprises; and

"It hereby pledges the full strength of the organization toward the defeat of whatever form of ship subsidy legislation has been or hereafter may be introduced in Congress.

"If upon investigation it is found that the American merchant marine is handicapped in its operation by present conditions and laws, then the grange favors a revision of the navigation laws rather than Government aid through a ship subsidy."

C. M. FREEMAN, *Secretary*.

[Applause.]

Mr. TINCHER. Mr. Chairman, it has not been my purpose even to take any time in the discussion of this matter. But I was requested at noon to-day by the head of the Farmers' Union from my State, which organization, I will state, is also opposed to this subsidy, to present this matter in this way. When I came on the floor to secure permission to present it I was permitted to hear the old stock argument that "We pay the taxes and you do not pay any taxes, and therefore let us do this thing unto you."

I am tired of that argument. And then, to add insult to injury, my friend from Ohio [Mr. BEGG] says Illinois pays so much taxes, while the West pays none. I am trying to get some legislation through the Congress whereby some time in the future maybe the man who produces a bushel of wheat may be able to pay a little income tax, the same as the fellow that profiteers in wheat.

I believe this has been an instructive debate, and I hope seriously that between now and the time this debate closes some of those in control of this bill will answer the charge made here this morning, in which the question was asked, Who will be the beneficiaries of this subsidy? I want to know whether it is true or not that the great corporation that we speak of as the Standard Oil Co., through the subsidiary company, operates these ships and that they simply want a subsidy so that they can keep on paying the big dividends they have heretofore been paying to the company proper; and I want to know whether they will be the first to borrow from the Shipping Board Corporation money at 2 per cent interest. And I want to know whether the United States Steel Corration will be the second beneficiary, and whether the United Fruit Co. will be the third.

I have spoken of this to-day with all the men that I could that are informed about this matter, and if that is not true it should be denied. If it is true, the Standard Oil will not be the first beneficiary of the bill; if that statement is true and can not be successfully denied, then the Democratic Party will be the principal beneficiary by the enactment of any such legislation as this. [Applause.]

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. BANKHEAD. Mr. Chairman, I yield 15 minutes to the gentleman from Virginia [Mr. BLAND], a member of the committee.

The CHAIRMAN. The gentleman from Virginia is recognized for 15 minutes.

Mr. BLAND of Virginia. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent to extend his remarks in the RECORD. Is there objection?

There was no objection.

Mr. BLAND of Virginia. Mr. Chairman and gentlemen of the committee, I do not claim any particular ability to enlighten the committee after the elaborate debates which have been conducted for the last three days. I believe that the Republican members of the committee, the proponents of the bill, have ably presented all of the reasons that could be urged for its adoption, and, on the other hand, the opponents of the bill have presented the case fully and fairly. Further debate could only be repetition of arguments and facts already forcefully presented.

I was struck with one significant statement in the argument of the distinguished leader of this House, the gentleman from Wyoming [Mr. MONDELL]. The gentleman from Wyoming said that he was satisfied that if this question were fairly and fully and clearly presented to the people of the country they would strongly indorse the Republican position. I have considerable confidence in the ability of the Republican Members of this House. I believe that they measure up in intelligence with the average of the country; in fact, I believe that they are a little better. I have considerable confidence in the intelligence of the gentleman from Wyoming, the leader of the Republican majority, and it is indeed surprising to me, if the gentleman from Wyoming and the Republicans felt that the people of the country indorsed this legislation, that they should have postponed consideration of this bill to an extra session called after the election in November, when they had from June until November in which to put the legislation across. [Applause on the Democratic side.]

There was evidently considerable fear on the part of the distinguished leader that they might not be able fairly and honestly and clearly to present this legislation so satisfactorily to the people of the country as to receive their indorsement at the November election.

I was also struck in the course of the debate with another significant fact. The gentleman from Ohio [Mr. BEGG], for whom I have considerable respect, took to task one of the witnesses who appeared before the committee for certain language used, and I do not blame him for doing so, for I think that the language was untimely and unseemly, and I do not believe in unnecessary criticisms or in criticisms of that character upon the President of the United States, even when he does not belong to my own party. But, oh, gentlemen, I thought at that

time how much better it would have been if the distinguished gentleman from Ohio could have been in this House in the Sixty-sixth Congress and in the closing days of the Sixty-fifth Congress, when the animadversions and attacks that were made upon the then President of the United States came not from irresponsible witnesses before a committee but from responsible Members upon the floor of the House. [Applause on the Democratic side.]

I earnestly hope that the sentiment which the distinguished gentleman from Ohio has urged here to-day may be the sentiment that will actuate and impel not only our side of the House while your President has charge of the country's affairs but that it will also actuate those of you who shall be here after 1924, when a Democratic President will very probably have charge of the affairs of the country. [Applause on the Democratic side.]

Gentlemen, it is perfectly useless for me to attempt to go into the minute details of this bill. Like the distinguished gentleman from Tennessee [Mr. GARRETT] I am opposed to subsidies, and in the extension of my remarks I hope to present, if permitted to do so under the rules, an excerpt from an opinion rendered by no less distinguished a jurist than Judge Cooley, of Michigan, in which he explained as clearly as it was possible to explain why subsidies were dangerous either in State or National Governments.

But in the brief time allotted to me there is just one thing to which I wish to call your attention. You have been shown something about the vast powers that are vested in the Shipping Board; and though I do not possess the ability of the proverbial Philadelphia lawyer, to go through this bill and take up all the powers vested in the Shipping Board, yet I want to call your attention to a summary of some of the remarkable powers vested in them.

1. To sell privately ships of the American people without advertisement and without competition and on any terms it pleases.

Of course it is given permission to advertise, but it is given power to sell without advertisement.

2. To destroy any port within certain geographical divisions by selling ships from that port. For, notwithstanding by the provisions of section 2 the board shall not for the period of two years after the passage of the act sell vessels engaged in serving such ports to persons other than those who have the support, financial and otherwise, of the domestic communities primarily interested in such lines, yet the act defines domestic communities primarily interested in such lines to mean the geographical divisions of coast lines of the United States known as North Atlantic, South Atlantic, Gulf, and Pacific coasts; and as a result, since New York and Hampton Roads are in the North Atlantic group, vessels engaged in service from Hampton Roads may be bought by lines from New York, to the destruction of Hampton Roads, and the same applies as between the ports of Galveston and Mobile and New Orleans.

Mr. J. M. NELSON. Will the gentleman yield?

Mr. BLAND of Virginia. I hate not to yield, but I have only 15 minutes.

Mr. J. M. NELSON. I want to know what "financial or otherwise" means? What does that word "otherwise" mean?

Mr. BLAND of Virginia. I can not explain that.

3. The board also have the power to play favorites in lending for construction and equipment, inasmuch as they may select whomsoever they choose to be the beneficiaries of the loan fund.

To give or refuse subsidies as they please, and without any right of review or appeal. You come in, inexperienced, in the opinion of the Shipping Board, and yet running your line for a number of years. I come in, the favorite of the Shipping Board, and we ask for our subsidies, and under the powers of this bill the Shipping Board has the right to say to you, "I will not give you $1 of subsidy, but I will give to the other fellow twice as much as he asks for."

4. The board also has the power to give subsidies to feeders, though they never come to American ports.

5. To pay subsidies for three years to companies on their American-owned ships, though a large part of their tonnage is not under the American flag, and though at the end of that three years such company decides to keep its foreign-owned ships under a foreign flag. This would operate for the benefit of the International Mercantile Marine, only 10 per cent of whose fleet is under the American flag, and 90 per cent sailing under other flags.

6. To double compensation, and after a contract is made, which may be for 10 years, the Shipping Board may, with the consent of the other party, decrease the subsidies that are granted or, without his consent, increase his subsidies.

Do you suppose anybody is going to object to an increase in his subsidy?

The Shipping Board is given the right to say, "We have contracted with this fellow on a basis of so much, but it is not enough; he is not asking for any more, but we want him to get some more profit; we will give him double the basic subsidy." That is the power that is vested in the Shipping Board. Then, another thing—and why this is put in I do not know—that any person receiving a subsidy who has contracted with the Shipping Board may cancel his contract at any time without the consent of the Shipping Board, except that the cancellation shall not affect his obligation to repay subsidies or maintain routes.

Just there, gentlemen, I want to say something about that obligation to repay. We have heard a great deal about this 10 per cent; that just as soon as they earn 10 per cent the balance is coming back into the Treasury—that is, one-half of the excess—until the subsidy is returned. For what period, gentlemen? For the taxable year when the subsidy is received. In other words, the plain effect of this bill is that if the contract is made for double subsidies and payments are made through five lean years, five years when they are making only 9 per cent, five years when they do not pay back anything, and if suddenly there should come a turn in business, if suddenly business conditions throughout the world should be stabilized, if suddenly there should be rich profits to these shipowners, what do they do? Do they pay back the subsidies that they have received during the lean years? Not on your tintype. They do not pay back anything except the subsidy received that year, when they did not need to receive any subsidy.

I should like to know, then, what benefit there is under this provision that we are going to recoup to the Treasury the subsidies that are paid. It creates the impression in the public mind that if there should be an upturn in business the subsidies that have been paid may be recovered into the Treasury, when the plain reading of this bill shows that that is not the case. That is not the report of the gentlemen presenting the bill. The whole truth about the business is that they say if they earn more than 10 per cent one-half of the excess will be repaid, but they do not give the explanation that that is only for the taxable year.

Mr. EDMONDS. Will the gentleman yield?

Mr. BLAND of Virginia. My time is up.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. BLAND of Virginia. Under leave to extend my remarks, I wish to continue further my summary of the extraordinary powers vested in the Shipping Board:

7. The board may make any regulations it deems necessary.

8. The determination of the board as to the amount of compensation to which any person is entitled shall not be subject to review by the General Accounting Office. I submit that such extraordinary power can not be found in any other bureau of the Government.

9. The Shipping Board is given the power to disapprove, cancel, or modify agreements made by carriers, although previously approved by the board. Ordinarily the law seeks to hold parties to their agreements, but this law expressly authorizes them to be made mere scraps of paper if the Shipping Board desires.

10. Pursuant to the policy above outlined, it is made unlawful to carry out any agreement or part thereof disapproved by the board.

11. The board is given power to approve agreements which shall be excepted from the operations of the antitrust act.

I respectfully submit that never before in peace time and seldom, if ever, in time of war have such vast, absolute, and extraordinary powers been vested in any board, bureau, or agency of the Government. Imperative need exists that we shall get away from bureaucratic government. Our opponents promised this, and yet this bill presents a case of bureaucracy run mad.

Though vesting such extraordinary and unusual powers in the Shipping Board, though making the board the distributers of vast funds for the merchant marine without right of review or appeal, without review even by the General Accounting Office as to the distributions made for compensation, though empowering the board to select the beneficiaries of the fund and enabling it to make or break whom it pleases, yet these unusual powers are not enough and the bill proceeds also to permanently appropriate the moneys in the merchant marine fund. This is probably intended to safeguard the beneficiaries of this legislation from any question as to its unconstitutionality and to bring the fund within the operation of United States *v.* Realty Co. and United States *v.* Gay (163 U. S. 427),

wherein it was held that the question of the unconstitutionality of the sugar bounty act was immaterial to the decision for the reason that when the parties manufactured sugar under the provisions of the act they did not know it to be unconstitutional, that equitable considerations can attach to a claim which, among other grounds, is based upon an act that was supposed by all the officers of the Government to be valid and that Congress could legally recognize and pay the claim founded on such act though the act was unconstitutional.

In my remarks about subsidies I referred to a statement by Judge Cooley. The same is to be found in People *v.* Township (20 Mich. 452) and is as follows:

But it is not in the power of the State, in my opinion, under the name of a bounty or under any other cover or subterfuge to furnish the capital to set private parties up in any kind of business or to subsidize their business after they have entered upon it. A bounty law of which this is the real nature is void whatever may be the pretense on which it may be enacted. The right to hold out pecuniary inducements to the faithful performance of public duty in dangerous or responsible positions stands upon a different footing altogether. Nor have I any occasion to question the right to pay rewards for the destruction of wild beasts and other public pests, a provision of this character being a mere police regulation. But the discrimination by the State between different classes of occupations and the favoring of one at the expense of the rest, whether that one be farming or banking, merchandising or milling, printing or railroading, is not legitimate legislation and is an invasion of that equality of right and privilege which is a maxim in State government. When the door is once opened to it, there is no line at which we can stop and say with confidence that thus far we may go with safety and propriety but no farther. Every honest employment is honorable; it is beneficial to the public; it deserves encouragement. The more successful we can make it, the more does it generally subserve the public good. But it is not the business of the State to make discriminations in favor of one class against another or in favor of one employment against another. The State can have no favorites. Its business is to protect the industry of all and to give all the benefit of equal laws. It can not compel an unwilling minority to submit to taxation in order that it may keep upon its feet any business that can not stand alone. Moreover, it is not a weak interest only that can give plausible reasons for public aid. When the State once enters upon the business of subsidies, we shall not fail to discover that the strong and powerful interests are those most likely to control legislation, and that the weaker will be taxed to enhance the profits of the stronger.

The aids contemplated by the bill comprehend so-called indirect and direct aids, the last of which may be more appropriately denominated subsidies.

The so-called indirect aids are—

1. The sale of ships on easy terms with 15 years as maximum time within which to make payment and interest to be at 4 per cent.

2. The creation of a loan fund of $125,000,000 on interest at 2 per cent, and all interest from same to go back into the fund to be used in building or reconditioning ships, one-third of cost to be borne by the owner, the selection of beneficiaries and types of ships to be constructed to be in Shipping Board.

3. Income tax of owner of vessels of 1,500 gross tons and over engaged in coastwise or foreign trade to receive as a deduction from net income an amount which bears the same ratio to his net income during the taxable year attributable to the operations of such vessels as his gross income attributable to the foreign operations of such vessel, provided a like amount be contributed by the owner for building purposes, and within a reasonable time which is not defined such fund may be used in building in private shipyards of United States of new vessels of a type and kind approved by the board, to be used in either foreign or coastwise trade.

4. Exemption of gains on vessels launched prior to January 1, 1914, if set aside in a trust fund to build in private American yards new ships of type and kind approved by board for use in either foreign or coastwise trade.

5. A liberal deduction is allowed from income taxes for depreciation on vessels, for vessels of 1,000 gross tons or more, acquired after August 1, 1914, and prior to January 1, 1921, that is during period of high prices, for taxable year 1922, and each of four succeeding years; the deduction is allowed for the exceptional decrease in value of such vessels since the date of acquisition. This permits writing off high cost as depreciation.

6. Persons shipping either exports or imports are allowed 5 per cent of freights on shipments in American bottoms as a credit on income tax. The only limitation is against persons transporting their own goods in their own vessels or in vessels in which they are affiliated to the extent of ownership of 50 per cent of the stock.

This is a credit on income and not merely a reduction.

As illustrating the operation of this provision, it is to be remembered that Morris & Co. ship a trainload of provisions out of Chicago every two weeks, so that to that firm alone this provision would be highly beneficial.

Great importing and exporting houses would likewise receive material credit.

Mr. Marvin, vice president and general manager of American Steamship Owners' Association, and Mr. Lasker say this is more beneficial than section 34 of the merchant marine act of 1920 would have been, yet shipowners, shipbuilders, and all interested hailed section 34 as salvation of American merchant marine.

The estimated cost of this provision to the Treasury is $10,000,000.

7. The immigration provisions of the bill, whereby 50 per cent of immigrants are required to be carried in American bottoms, and it is said that this would mean $8,000,000 to merchant marine. Mr. Rossbottom says the immigrant business would give occupation to not less than 25 good-sized passenger ships in the North Atlantic where the competition is the strongest.

8. The Army and Navy transport services are to be discontinued, and contracts made with private parties, at a cost to the Treasury of something like $5,000,000, according to some, although this is denied by others. The minority sought to have witnesses produced by the War Department to establish the facts, but the majority of the committee would not summon them and the War Department would not order them to come.

9. Railroads are permitted to own steamship lines, and preferential rates are permitted.

10. Government officials and supplies required to be transported under American flag where practicable.

11. Tonnage duties are to be doubled and this is increased to about $4,000,000.

12. American ships to carry mail to cost about $5,000,000, but this is said to be no increase over present charge.

Even if it be assumed that some of these indirect aids are desirable, that some aid could be furnished upon the principle of postal subventions, or that some form of admiralty or naval subvention could be worked out, if needed for national defense, yet the proponents of this bill gave no opportunity to secure facts from which such a policy might be formulated. The purpose seemed to be subsidy as proposed or nothing. I believe this bill to be uneconomical, undemocratic, and fundamentally wrong. I believe that if such a thing could be possible it is more vicious than the monopolistic tariff system provided in the existing Fordney-McCumber bill. It is said that it is not contemplated that this subsidy system shall be more than experimental. It is well known that it was claimed originally that the protective-tariff system would not be fastened permanently upon the country, and yet there has been enacted recently into law a bill which is more iniquitous than any of its predecessors. The efforts now to collect enormous sums from the pockets of the people, to be turned over to shipowners, are caused largely by conditions which it is, or ought to be, known will be brought about by an iniquitous tariff which will compel our ships to return from many ports empty. It has been said very truly that a ship subsidy would be worse than futile if the present tariff system is to be pursued. Such a course would be a cumulative imposition of a needless burden upon American enterprises and industry.

It is especially significant that witnesses appearing for the Shipping Board were reluctant to discuss the effect of the high-tariff policy on the merchant marine. Mr. Lasker, chairman of the board, said that one of the main advantages for the lack of which we suffer with an American merchant marine is that while we have full outgoing cargoes we have not full incoming cargoes or anything like it. He asks, "Is it due to a high protective tariff?" He then says expressly that it is not his purpose to get into that.

Mr. Love, who is in charge of operations for the Shipping Board, says that if our ships come home in ballast, then our outward voyage must approximately pay the cost of the voyage, and that means our outward freights are so high as to overhead as to curb the export trade of this country. While many of the advocates of this bill attempt to justify their claims upon the ground that this bill is necessary for naval defense, yet Mr. Love, speaking for the Shipping Board, says that this bill is a subsidy for the development of foreign trade.

In my opinion, the policy of direct subsidies entered upon will not stop either with the payments provided in the pending bill or with the merchant marine. Several witnesses appearing before the committee testified to the inadequacy, in their opinion, of the subsidies provided, notwithstanding that under the bill they may be increased to double the amounts specified. Many of the beneficiary shipowners claimed that the period of 10 years was too short. One witness claimed that the subsidy, once commenced, would continue certainly 50 years, while another was of opinion that it would be in perpetuity. The hearings and history of subsidies in other countries lead irresistibly to the conclusion that subsidies, once commenced, will continue indefinitely and will increase in amount. It is said that Great Britain pays subsidies. This is not true if we

use subsidies in the sense of navigation bounties, as the direct aids in the bill may be more accurately called. Mr. Lissner, one of the commissioners of the Shipping Board, said that Great Britain had never given anything, so far as he knew, purely as a subsidy to build up her merchant marine. Mr. Burns, American merchant marine officer, graduate of the Massachusetts Training School, and during the war an officer in the American Navy, in articles contributed by him to the Baltimore Evening Sun, said that it might be generally stated that the British had not subsidized shipping, except that subsidy given for services rendered in conveying mail, and that it was generally admitted that subsidy had not been important in building up British shipping and trade.

It has not been shown that subsidies have anywhere increased the commerce of the country paying the same, but the world's experience is to the contrary.

France is the best illustration of a country which has undertaken to build up her merchant marine by subsidies, both in the shape of navigation and construction bounties. She has even gone so far as to pay sums so large that her ships sailed the seas in ballast to secure the navigation bounties. Yet, notwithstanding the large sums paid by France in navigation bounties, in mail pay, and in shipbuilding bounties, her merchant marine increased in 24 years vastly less, proportionately, than the increase during the same period of the shipping of Great Britain and Germany. France found when her first subsidy measure expired that she was faced with requests for increase, and she has found that, once started, the policy is unending.

The experience of Italy has been similar to that of France.

In Japan, under a policy of subsidies, its shipping only increased from 301,101 tons in 1895 to 1,705,386 in 1914, an increase of 1,407,285 tons during a period of 19 years. In a report on "Marine and dock industrial relations," prepared for the Shipping Board, it is said:

> For a commercially rapidly progressive country like Japan this is far from extraordinary; it could hardly have been less if it had not paid a cent in subsidies. This increase is about 70,000 tons a year, or less than 10 moderate-sized cargo ships.

In a "Report on the history of shipping discriminations and on various forms of Government aid to shipping," compiled by the United States Shipping Board, the following conclusion is reached:

> A study of the authorities on subsidies, taking into account the policies adopted by various countries, would seem to indicate that, with the exception of Japan, the policy has not been important in the building up of a merchant marine.

In the same report it is said that the best discussion of the subject is to be found in Dr. Royal Meeker's History of Shipping Subsidies, printed in the third series, volume 6, No. 3, of the publications of the American Economic Association. That author, after discussing the growth of the Japanese merchant marine, says that a closer scrutiny of history compels an impartial mind to recognize that the testimony of the facts is not at all in favor of the subsidies.

The majority report concludes:

> A permanent and healthy merchant marine can never be established merely by paying subsidies.

Mr. Hurley, once chairman of the Shipping Board, has said:

> This insistence upon a Government subsidy is one of the characteristics that the modernization of the steamship business along American lines and the infusion of new blood infected by the traditions of other days must chance.

Again:

> No progress can be made by people who continually wail that they can not compete.

SUBSIDIES ONCE COMMENCED, OTHERS WILL FOLLOW.

It is almost certain that if this policy of subsidies is once commenced other interests will quickly seek similar aids. The proponents of ship subsidy may seek to distinguish this industry on the ground of national preparedness. Other interests will find equally plausible grounds on which to base their claims, and if a sufficiently strong organization of financial interests can be secured, they will stand a reasonable chance of securing the legislation they desire. Let the limit under the protective-tariff system be reached, as seems to have been the case, and the next recourse will be to subsidies. The dye manufacturers will quickly fall in line. Not many years past the sugar producers secured a bounty, but the law was soon repealed. The woolgrowers have already sought a subsidy. Potash producers have very recently sought to secure a subsidy, and there has been introduced in this Congress a bill to provide for a bounty to growers of long-staple cotton.

There are many other serious objections to the operation of the direct-subsidy provisions. In my opinion, they operate only affiliated concerns without regard to the taxpayers. Already we have a vast tonnage to be disposed of which can be gotten at world prices or less. The fleet contemplated by experts of the Shipping Board comprises 3,600,000 tons of slow cargo ships, and we have already available 10,000,000 tons, one-half of which is said to be in first-class condition. Then, 1,250,000 tons of fast cargo ships, of which we have available 400,000 tons of fast cargo ships and 925,000 tons of passenger and construction vessels.

It is said that a balanced fleet would only require 1,400,000 gross tons of tankers, and yet there are available now privately owned tankers of 1,600,000 gross tons and Government-owned tanker tonnage of 550,000 tons. These privately owned tankers are owned by Standard Oil, Texas Co., and Texas Steamship Co., Tidewater and Sinclair Oil companies, and like concerns. According to Mr. Merrill, as of November 1, 1921, this privately owned tonnage would receive in direct subsidy $4,644,000. These tankers are owned by companies whose dividends show no need for a subsidy from the people, and the money is to be paid notwithstanding the present ownership under American flag of a larger tonnage than the so-called balanced fleet requires.

According to this bill, small combination vessels such as run to the Caribbean, possessing an average gross tonnage of 5,500 tons, with speed probably under 13 or 14 knot rate, and mileage possibly 45,000 miles per year, would receive subsidy which would be $20,000 to $25,000 per year. These are vessels owned by concerns like Atlantic, Gulf & West Indies Co., which made a net profit greater than its capital in 1915–1920, and during 1921, the worst time in the history of shipping, made an income of $1,781,337, after deducting all expenses, taxes, interest, and losses on sale of Liberty bonds.

BURDEN UPON PEOPLE.

According to Mr. Merrill, when the Shipping Board program gets into full effect the direct subsidy alone will cost $32,000,000, or $2,000,000 more than Mr. Lasker's statement, but Mr. Merrill very frankly admits that he does not think that there is any accuracy in either his or Mr. Lasker's statement, and in answer to a question from Mr. BANKHEAD as to how Congress is going to be guided then in its deliberations, says that it is the "best guess" that can be made. He says that this estimate does not include double aids; as to them no one can speak, since under the bill the power to give or refuse them will rest with the Shipping Board, which may make or break any line it pleases.

The above figures leave out of consideration additional burdens upon the people in the shape of tax exemptions, approximately $10,000,000, tax reductions for new tonnage not estimated, mail pay about $5,000,000, loss of interest on loan fund about $3,000,000, and unestimated burden on taxpayers because of increased freight rates on domestic shipments necessary to offset lowered rates on ocean shipments.

It is manifest that it is impossible to estimate the cost of this bill to the public even though the basic subsidies alone are given, and the award of basic subsidies only can not be expected in the face of (1) the insistence of representatives of the Steamship Owners' Association that subsidies are too low and the period too short, (2) statements that subsidies must be continued 20 years, 50 years, and in perpetuity, and (3) the experience of other countries which have tried subsidies where almost uniformly increases have followed.

Already notice has been given that increases will be necessary. Mr. Marvin, speaking for American Steamship Owners' Association, says that cargo ships should get increases to amount to about $4,000,000 more and that the subsidy period should be extended from 10 to 20 years.

Mr. Munson, of the Munson Line, advocates a subsidy twice as large as that provided, but says that even now he is operating at a small profit. Further, he advocates mail payments, as at present, in addition to subsidies. He wishes the subsidies for passenger lines increased. And Mr. Marvin, Mr. Raymond, and others, speaking for the American Steamship Association, say the cargo lines must be increased.

Yet as to the passenger lines, Mr. Rossbottom, who operated the Panama line successfully and who has been loaned to the Shipping Board to operate the United States lines, says that if some old ships are taken off his line and others which are more modern are given to him, with some changes to accommodate trade, he will not take his hat off to anybody. This evidence of Mr. Rossbottom relates to the Atlantic trade, and as to the Pacific, Mr. Lasker says the situation is more favorable there. When hearings were had on the bill which proposed to eliminate the transport service in the Pacific and contract with private shipowners for that service, it was argued that with the adop-

tion of such a measure and with the application of coastwise laws to the Philippines the American flag could be maintained on the Pacific. Yet it is now proposed to give subsidies in addition.

Mr. Pendleton testifying for the bill said the subsidy was not sufficient, though Mr. O'Donnell, chairman of maritime committee of Maritime Association, said that it was his impression that this bill contained all known forms of aids, and it was further said that it might be true that if this bill becomes a law, aside from the indirect aids, it would involve a heavier charge upon the Government Treasury than all the Government aids of every character and description paid by all the other nations on earth combined.

Mr. Raymond, director in Atlantic, Gulf & West Indies Co., president of Clyde Steamship Co., president of Mallory Steamship Co., vice president of Southern Steamship Co., and appearing before the committee for American Steamship Owners' Association, testified that the present rate of subsidy for cargo vessels below 13 knots in speed must be advanced, stating that for all but the largest ships the subsidy provided was manifestly insufficient and would fall short of achieving its purposes. This claim is made in the face of the power in the board to double the subsidies, and in this connection it must be remembered that the owners of the larger lines are making similar claims for their lines.

Already the process of increasing the subsidies has commenced, for in the bill now under consideration and introduced only a few days ago the suggestion of Mr. Munson has been adopted and mail pay is excluded from the merchant marine fund, so as to be paid to ships carrying the mail in addition to the subsidies provided.

Some conception of the maximum burdens possible under this bill may be had when it is remembered that in the case of the *Leviathan* the basic subsidy would be around $900,000 per year and the board could allow $1,800,000 per year.

At the present time business conditions throughout the world are in a state of paralysis. The worst depression in the world's history exists in shipping. It was shown in the hearings that approximately one-sixth of British tonnage is tied up; that France with her liberal subsidies has one-third tied up; that very large percentages of Italian, Belgian, Danish, Swedish, Spanish, and Greek are tied up, and yet in this time of extreme depression it is proposed to fix subsidies and impose burdens which will continue through many years.

Upon what theory is it proposed to pay sailing vessels of over 1,000 gross tons a subsidy, and wherein is the justice of paying a vessel of 1,500 gross tons upon the basis of 5,000 gross tons?

TEN PER CENT LIMITATION ON PROFITS.

But it is said that the provision for a limitation on profits of 10 per cent will serve as a check and recover the subsidies into the Treasury should they prove excessive. I have already shown that this provision only applies to the year in which this profit is made, so that if the company shall have received subsidies during five lean years and thereafter a period of prosperity should follow, the only subsidy to be repaid would be that received during the years of prosperity. The subsidies paid during the lean years would be gone beyond recovery, however great the profits might be. Here, too, the question of overcapitalization and high salaries paid would become very important.

As to overcapitalization and high salaries, Lissner, commissioner of United States Shipping Board, said:

For the purpose of the record I will state, Judge DAVIS, that our best information is that the active managers of some of these large shipping companies do receive salaries in a number of instances running up to $75,000 and $100,000 a year. A number of the officials in these companies receive salaries ranging from $20,000 to $100,000.

Mr. Hurley, former chairman of United States Shipping Board, calls attention to this in his new work on "The new merchant marine," where he said:

Another incongruity is the insistence of shipowners upon lower prices for ships, while in their dealings with the public they have systematically increased the inventory or book value of old ships as fast as they got possession of them. This practice, together with a failure to write off adequate depreciation from year to year, has made possible a degree of overcapitalization that renders the average steamship company more vulnerable in competition than is commonly realized. Like the practice of subsidizing ships, overcapitalization is an entanglement very easy to get into but very difficult to shake off.

Mr. Hurley, in his final report made July 31, 1919, called attention to overcapitalization, and said that a recent statement of one American company frankly admitted that its capitalization of $11,000,000 consisted of $5,000,000 in tangible assets and $6,000,000 in good will.

American steamship companies engaged in 1919 in offshore trade refused to furnish to Statistician J. F. Lane, who was employed by and making investigations for United States Shipping Board, certain specified financial statements which would enable Mr. Lane to ascertain the cost of operating vessels under the American flag, as the board was directed to ascertain under section 12 of the shipping act.

Witnesses called upon at the hearing to give information as to the salaries paid to their officials refused to do so. With one or two exceptions these companies advised that for various reasons they were unable to comply with the request. Manifestly, they did not care to have the public informed, and the same criticism applies to the failure of the steamship companies at these hearings to give that full and frank disclosure which would have enabled the committee to say if, in fact, they were entitled to receive money from the pockets of the public.

This course of conduct and these circumstances may well cause one to regard with suspicion the activities of these companies to secure this bill, and the minority members were justified in desiring the fullest information before imposing upon the American people the burdens imposed by the direct subsidy features of this bill.

Information, deemed important by one member of the committee at least, was called for, and, so far as I can find, the same has never been furnished. On April 14 the following information was called for:

1. Present American shipowners, exclusive of Shipping Board, engaged in foreign trade, fleets owned by them, and under what flags they operate at present time.
2. Estimate, if bill passes, as to the subsidies these companies would receive, first, with their fleets as at present owned, and, second, with their fleets brought under the American flag.
3. What dividends have been paid in the last 10 years by the present American shipowners operating ships in foreign trade under American and foreign flags, or both.
4. What shipbuilding companies in the United States, or shipyards, are owned by American shipowners?

Mr. EDMONDS suggested that Mr. Merrill and Mr. Lissner get a record of the shipyards and the connection between those shipyards and the steamship companies, stating that the Sun Oil Co. operates ships and that it, or a heavy ownership, owns the Sun Shipbuilding Co.; the International Mercantile Marine is held in some kind of a bond with the New York Shipbuilding Co., and said that they were all public documents, both he and Judge HARDY suggesting that they be put in the record.

On May 16, 1922, page 2178 of hearings, the information was again called for, and there was no misunderstanding, for Mr. Merrill said:

Mr. BLAND asked on one of the first days, Mr. Chairman, for a list of all shipowners and their affiliations, the tonnage they had under American and under foreign flags, their connections with shipyards and other industries, their capitalization and the amount of subsidy each would receive under this bill, and where they were running. We can get all of it pretty easily except the affiliations, which require a good deal of digging.

After 33 days of hearing the only answer made to these inquiries was a statement showing vessels owned and vessels controlled through affiliated companies. The first inquiry was partly answered, but it does not appear that any attempt was made to answer the other inquiries, the pertinency of which must be apparent.

I will not undertake to discuss further the opportunity now afforded to shipowners to procure the available Shipping Board tonnage at world prices or less or the fact that the proposed sale of ships would constitute in effect a gift of them to shipowners, since the bounties throughout the contemplated period would far exceed the purchase price; or the considerable evidence to show that the differentials in operating expenses and subsistence charges are being eliminated; or the differential in our favor on oil-burning ships, of which the Shipping Board owns 70 per cent, while other countries own a much smaller percentage; or the large subsidies which would accrue to the Standard Oil Co., the United States Steel Corporation, United Fruit Co., and other large concerns which own their own ships and operate them in transportation of their own products, without any provision in the bill requiring these companies to operate their ships, in whole or in part, as common carriers; or the enormous rates—sometimes as high as 1,250 per cent on prewar rates—charged and profits made by the shipping interests who are so strongly urging the passage of the bill; or the opportunity afforded for the creation of shipping monopolies.

WILL PASSAGE OF BILL AFFECT SALE OF SHIPS?

Lack of present market is due to depressed shipping, which is worst in the history of the world. Lasker, Love, and other representatives testified that all feasible routes are being served. All that Mr. Marvin would venture to predict was that passage of bill would insure within a reasonably short time some hundreds of thousands of tons, which is nothing when there is taken into consideration the millions of tons which the Government has to sell.

J. B. Smull, one of the Shipping Board's $35,000 experts, testified before the Appropriations Committee of the House:

There is no possibility of selling boats to-day at any price.

W. J. Love, another $35,000 expert of the Shipping Board, said:

The foreign lines have been hit just as well as we have, and while they have not abandoned a single essential route or service that they covered prior to 1914, they are reducing their tonnage in keeping with reduced revenue and volume of cargo moving.

The study prepared by the Shipping Board and distributed under its direction on behalf of this bill says:

One of the most difficult problems confronting the Shipping Board is the sale and transfer of Government-owned ships to private owners. The task has been made especially difficult by the present world-wide depression in industry and by the large overproduction of ships. These two important factors have delayed the sale of Government-owned tonnage to such a degree that only a few ships have been sold in the 18 months that have elapsed since the passage of the Jones Act. * * *

The present depression in shipping will doubtless continue for several years. Ships can not, therefore, be sold except at very low prices, as is evidenced by the low prices at which privately owned British tonnage and a few Shipping Board ships have been sold in recent months.

Mr. Farrell, president of the United States Steel Corporation, an authority on shipping and business, said in an address last year:

It is questionable whether under present conditions any considerable tonnage could be sold except at a sacrifice which is not warranted, pending a revival of business in foreign markets, and considering the nominal cost of maintenance laid up.

Even if a sale could be effected, it would be at enormous cost, since at present world prices we would get about $200,000,000 and pay out more than that sum in subsidies in three years.

WILL THE PASSAGE OF THE BILL ELIMINATE THE PRESENT CHARGE ON THE TREASURY?

Manifestly, this will not be done if the entire fleet is sold and the balanced fleet contemplated by the board is secured, for, as shown above, the charge annually upon the American people will be greater.

But the ships can not be sold for a long time to come according to the testimony of the proponents of the bill, and if not sold then the overhead and other charges must continue. The present charge of $50,000,000 annually includes a comparatively small part as loss-on-voyage operations. Taking the months of April and May, 1922, the net voyage losses were respectively $667,751.61 and $376,445.84. The Shipping Board Emergency Fleet Corporation only operated directly 13 ships, yet on April 30, 1922, there were 1,582 employees in the operating department of the Shipping Board Emergency Fleet Corporation. The remaining vessels operated were a small number under bare-boat charter and the remainder under managing-agent agreements by which these agents operate the vessels on a commission on gross revenue. There are only about 46 companies and individuals operating Shipping Board vessels. When the appropriation of $50,000,000 was last obtained, the estimate therefor showed only $5,497,561 for voyage losses, while the residue went to other expenses, such as repairs, betterments, insurance, lay-up expenses, advertising, and $15,000,000 to administration expenses.

Mr. Lasker said:

It will be a good many years before we do not have any stuff left with most favorable legislation. I want to make it plain here that I do not think the proposed legislation is going to, by the wave of a magic wand, give us a merchant marine.

Again, he said:

We believe that of the 700 good freight ships we have, the Shipping Board would feel very happy if, within 30 months from the time of the passage of this bill, it could dispose of sufficient ships to take care of the routes it is now operating and put the Emergency Fleet Corporation out of business as an operating company.

He says nothing of the rest of the fleet. The expenditure of $50,000,000 should be reduced by economies in the Shipping Board itself, and otherwise little hope is seen for many years to come.

Chairman Lasker, W. J. Love, and other representatives of the board testified that Shipping Board vessels in competition with privately owned American vessels had been taken off, and that Shipping Board vessels were not operating in competition with privately owned American vessels.

The Shipping Board has never tried out fairly the provisions of the Jones Act. The board seems bent on subsidy and nothing else. By section 7 of the Jones Act the board was directed to establish routes, and if no citizen can be found to supply satisfactory service the board should operate vessels on such lines until the business is developed so that such vessels may be sold on satisfactory terms and the service maintained, or unless it shall appear within a reasonable time that such lines can not be made self-sustaining; existing lines were authorized to be maintained until, in the opinion of the board, the maintenance is unbusinesslike and against public interests, and the Postmaster General was authorized, notwithstanding the terms of the ocean mail pay act of March 3, 1891, to contract for carrying the mails over such lines and at such prices as might be agreed upon by the board and the Postmaster General.

Instead of making energetic efforts to carry out the provisions of the section, every effort seems to be to discredit the operation of these lines. One thing that might be done would be to get rid of a board which constantly wails it can do nothing and get one that will at least try to do something else than belittle the fleet, advertise its own incompetency, and bend all its efforts to impose heavy burdens on the American people.

Complaint is made that the minority offer no solution. One material factor in the solution would be the abandonment by the majority party of a tariff policy which will stop the exchange of goods. The merchant marine act of 1920 was hailed as a boon to shipowners, but it is said that the inability to put into effect section 34 of that act destroyed its vitality, and yet Chairman Lasker and Mr. Marvin, vice president of the American Steamship Owners' Association, both claimed that the proposed deduction from net Federal income taxes of 5 per cent of the freight paid on goods imported or exported in American-flag vessels, which was provided as a substitute for said section 34, would prove more valuable and effective. It is unreasonable to ask the minority to offer a substitute for the pending bill when the right to summon witnesses was denied and information called for was not produced. Secretary Denby, after testifying in chief, promised to return for cross-examination, but later advised that he would be unable to do so. With as much force it might be urged that the defendant in court should establish an affirmative defense when the right and opportunity to do so had not been afforded. The minority are as anxious as anyone else to terminate Government ownership and to place an American merchant marine on the seas, but it desires to do so with due regard to the taxpayers of America, and it refuses to play the rôle of a rubber stamp for the United States Shipping Board.

The idea seems to exist that unless this bill is passed nothing can be done. That is untrue unless the party in power is false to its trust and recreant to the rights of the people. The committee may assume its proper responsibility and refuse to serve as a mere conduit between the Shipping Board offices and legislative halls, undertake to investigate conditions, and to find remedies, with due regard to the rights of all, rather than to serve as a forum in which the Shipping Board shall register its will.

Mr. GREENE of Massachusetts. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. EDMONDS].

Mr. EDMONDS. Mr. Chairman, I am not a Philadelphia lawyer, and not having the eloquence of the gentleman from Georgia I am probably not able to explain the bill as well as he is. However, I think the gentleman will agree with me that I did the best I could in the hour and a half that I was explaining the bill.

Mr. BRAND. I want to say that the gentleman certainly did.

Mr. EDMONDS. I did the best I could in the time I had. I made no attempt to deceive and say the subsidy did run over a year, because it does not. The subsidy stands on its own basis each year. Of course, if they made only 9 per cent in three or four years it is not possible that they are going to earn 30 or more per cent in one year so as to even return the whole of that year's compensation. We studied the matter very carefully in subcommittee, the committee of Republicans that framed the bill.

Now, I want to answer the gentleman from Kansas. Yes; we pay the Standard Oil Co. a subsidy for their oil tankers. I told you that the other day, and I tell you so now. The gentleman spoke about the United Fruit Co. Nobody knows better than the members of the committee that the greater proportion of the service for this country in the Caribbean Sea is carried in the boats of the United Fruit Co.; they carry passengers and freight the same as any Atlantic liner.

Mr. MOORE of Virginia. Will the gentleman yield?

Mr. EDMONDS. Yes.

Mr. MOORE of Virginia. What would be the maximum rate paid to the Standard Oil Co. and the United Fruit Co.?

Mr. EDMONDS. A great many oil boats will receive the subsidy. We did not want to pay it; we spent several days on it; but gentlemen should not forget that if this country goes to war the first thing you will be looking for will be oil tankers, and you will need them badly. We decided that when it came to the 5 per cent deduction on the income tax they were not entitled to it where they hauled their own freight. But we

decided that in all probability for war purposes we had better pay the subsidy to the Standard Oil ships. However, we put a provision in the bill——

Mr. BOX. Will the gentleman yield?

Mr. EDMONDS. I will yield to the gentleman from Texas.

Mr. BOX. Does the gentleman contend that the Standard Oil Co. is not furnishing all the ships that are necessary to do their business?

Mr. EDMONDS. I have not any idea about it; I presume they do.

Mr. BOX. Does the gentleman think they will build more under this provision?

Mr. EDMONDS. I understand they have built 13 since the war was over. I do not know whether they will build any more or not.

Mr. LARSEN of Georgia. Will the gentleman yield?

Mr. EDMONDS. Yes; briefly.

Mr. LARSEN of Georgia. In the opinion of the gentleman, does he think the Standard Oil Co., in order to carry their products, needs this subsidy?

Mr. EDMONDS. I do not think they do.

Mr. LARSEN of Georgia. Then, why do you give it to them?

Mr. EDMONDS. To keep their ships under the American flag so that in case of war we could take them.

Mr. LARSEN of Georgia. Does the United Fruit Co. need it?

Mr. EDMONDS. Only 20 per cent of their invested capital is in ships. Gentlemen get up on the floor and speak about the enormous profits of the United Fruit Co. If there is 20 per cent of capital invested in ships and they earn over 10 per cent, we get the subsidy back.

Mr. LARSEN of Georgia. Do they need it in order to conduct their business?

Mr. EDMONDS. No; they do not, but they make the most of their profits out of side issues. They run sugar plantations; they run coconut plantations; they run banana plantations; they run all kinds of institutions through Central and South America.

Mr. LARSEN of Georgia. You propose to give them a subsidy, but you do not know how much?

Mr. EDMONDS. We do not want to make fish of one and fowl of another.

Mr. LARSEN of Georgia. Speaking of discrimination, does not the gentlemen think that the agricultural interests are discriminated against?

Mr. EDMONDS. The gentleman is speaking of the subsidies that go to the agricultural interests?

Mr. LARSEN of Georgia. No.

Mr. EDMONDS. Did the gentleman ever find anyone objecting to any money that was given to the farmers?

Mr. LARSEN of Georgia. I have never found any money given to the farmers. Why do you give it to all these other interests and not give it to the farmer?

Mr. EDMONDS. Why does not the gentleman put in a bill to attain that end?

Mr. LARSEN of Georgia. You Republicans probably would not favor it.

Mr. EDMONDS. The gentleman does not know whether we would or not.

Mr. LARSEN of Georgia. Why does not the gentleman put it over? Why does he not give it to the Steel Corporation?

Mr. EDMONDS. I never owned a dollar of stock in the Steel Corporation in my life. I am trying to explain why we did this, and if the gentleman does not like it he can vote to take it out. You say you have got the votes on your side.

Mr. LARSEN of Georgia. You gentlemen are in charge of the bill, but if you left it to me I would take it out.

Mr. EDMONDS. Well, the gentleman is taking up all my time. I want to say another thing. The United States Steel Co. is operating in a commercial business. They carry other people's products around throughout the world, and just because they happen to be owned by the United States Steel Co., you are going to hit at them, but we have inserted a precautionary paragraph in which we say that only a portion of their capital that is invested in these lines can be considered in connection with the 10 per cent profit margin, so far as the subsidy is concerned.

Mr. J. M. NELSON. Do they get anything of the 5 per cent income-tax provision?

Mr. EDMONDS. They do not. A statement was made here by the new recruit of the Democratic Party [Mr. GAHN] that they get 5 per cent income-tax reduction. Of course, after we got through with the bill in June, which the gentleman from Ohio [Mr. GAHN] helped to prepare and was very conversant with, he came to me and said, "Please give me something that I can get on the floor and argue about." I said, "Very well," and I told him to take a certain section and to study it. He took it away with him, went home, and after being defeated came back and joined the Democratic Party, and then decided that he did not like the shipping bill which he had helped construct. He got up on the floor after being in all of the Republican conferences and made the statement that the 5 per cent income-tax proposition was granted to the corporations. We were very careful about that. We fought for two days over the fact of paying the subsidy to these corporations and we did the best we could, using every precaution, so that they would not get anything more than we thought best to give them to protect ourselves in case of war.

Mr. J. M. NELSON. What section does that appear in?

Mr. EDMONDS. About the 5 per cent clause?

Mr. J. M. NELSON. Yes.

Mr. EDMONDS. Clause (b), page 20. Some gentlemen referred to the Atlantic, Gulf & West Indies Line. I think it has 70 or 80 vessels, but only 6 of them are engaged in the foreign trade. Enormous profits are made by that line in the coastwise trade, it is said, and then it is charged that we are going to give them a subsidy. They can only get a subsidy on their vessels engaged in the foreign trade. The word "subsidy" has been killed in this country in connection with the merchant marine by playing favorites, and the first thing we did in this bill was to make up our minds that we would not play favorites; that we would be square with each and every one of the people connected with the shipping industry, and we limited the subsidy given, and when they made 10 per cent profit half of all above that was to be returned to repay the subsidy.

Mr. HARDY of Texas. Would it not be very easy for the United Fruit Co., if they made a profit on their shipping of more than 10 per cent, to juggle their books in such a way that their profit would inure to the other activities of that company?

Mr. EDMONDS. There is an arrangement made in the bill whereby they had to separate their business, and, further than that, the arrangement made for deductions and capital are to come through the Internal Revenue Department of the Treasury.

Mr. HARDY of Texas. I have seen that division of earnings and losses made in other businesses. The United Fruit Co. have banana fields and sugar fields and every kind of property under the sun. It would be very easy for them to make all of their profits inure to those other lines and never get above 10 per cent profit in shipping.

Mr. EDMONDS. What the gentleman says may be perfectly true. I do not want to say they would or would not. If they are honest, they would not do such a thing.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. GREENE of Massachusetts. Mr. Chairman, I yield the gentleman five minutes more.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. EDMONDS. Yes.

Mr. BLANTON. Concerning the disclosure made by the gentleman from Virginia [Mr. BLAND], I want to ask the gentleman a question concerning the President's understanding of this bill. I quote from what the President said in his address on Tuesday last:

> It provides that shipping lines receiving Government aid must have their actual investment and their operating expenses audited by the Government; that Government aid will only be paid until the shipping enterprise earns 10 per cent on actual capital employed, and immediately that when more than 10 per cent earning is reached half of the excess earnings must be applied to the repayment of the Government aid which has been previously advanced.

A fair construction of the President's language is that all of the Government aid that has been advanced through any term of years will be returned whenever the excess of 10 per cent amounts to the subsidy grant.

Mr. EDMONDS. I do not know what the President's idea was. He may have thought that he was putting it into good language, and he meant it. We have it written in the bill that each year stands on its own bottom.

Mr. BLANTON. The statement of the gentleman from Virginia was a revelation to me.

Mr. EDMONDS. If the gentleman had asked me that question when I was on my feet the other day, I would have told him, because I do not want to misstate anything.

Mr. BLANTON. Oh, I know the gentleman would not misstate anything and would have told if he had been asked.

Mr. EDMONDS. We have drawn up the bill as best we could. First, we have done what we think will put an American merchant marine on the seas. You gentlemen object to it, and you have a right to your own views, but I am trying to say to you that this is our opinion.

Mr. HARDY of Texas. In that particular I think the President has misconstrued the bill.

Mr. EDMONDS. He may have. His language is a little equivocal there, and he may have thought that he was expressing what he wanted to express.

Mr. RAKER. Was all of the American tonnage during the last two years in operation?

Mr. EDMONDS. I will answer that question with figures that have come to me to-day, and this will answer the question asked me the other day by the gentleman from New York [Mr. LONDON]. This table which I have received I shall put into the RECORD at this point:

Total American tonnage in the overseas trade, approximately 662 vessels, total dead-weight tonnage 5,076,594.

Percentage Shipping Board vessels	55.7
Percentage Shipping Board tonnage (dead-weight tons)	61.9
Privately owned American tonnage, outside of the Shipping Board, exclusive of tankers, as of July 1, 1922, approximately 294 vessels (dead-weight tons)	1,931,038
Shipping Board vessels in overseas trade, exclusive of tankers, as of Nov. 1, 1922, approximately 368 vessels (dead-weight tons)	3,145,556
Total number Shipping Board vessels, exclusive of tankers, 1,290 vessels (dead-weight tons)	9,059,388
Total number of lake-type vessels, 362 (dead-weight tons)	1,268,965
Lake type, percentage	28.05
Lake type, percentage (dead-weight tons)	14.07

The reason that is made as of the 1st of November in one particular and as of the 1st of July in the other, is because the Shipping Board has theirs up to date, and the last report of the other lines is as of July 1.

Mr. RAKER. Take the amount of American tonnage privately owned during the last two years. What has been the condition financially? Have they made money or lost it?

Mr. EDMONDS. I believe some of the coastwise ships have made money, and in the foreign trade some of the boats made money and some did not. The man who ran a large number of cargo boats did not make much money, probably lost money. I think the Atlantic, Gulf & West Indies Line report shows that they lost $1,500,000 last year. That takes in all of their operations.

During the debate on the shipping bill a number of questions were asked of me which I am now going to try and answer.

One gentleman asked me the present status of subsidies paid by different countries. I have been furnished by Mr. E. T. Chamberlain, of the Department of Commerce, with the following data, which, while in one or two particulars covers amounts which are explained in the summary, shows that there has been a considerable advance in the amounts paid for subsidies recently. I am printing this as received from the department for the information of the Members:

British Empire.

[Pound sterling, par $4.86, current $4.49.]

	Amount.	At current exchange.
GREAT BRITAIN.		
British foreign and colonial packet service (budget, 1922-23)	£672,200	$3,018,178
Naval reserves (budget, 1922-23)	543,300	2,439,417
Royal reserve of merchant cruisers, 1922-23	130,000	583,700
Merchant ships (budget, 1922-23)	45,000	202,050
Total	1,390,500	6,243,345
CANADA.		
Mail subsidies and subventions (budget estimate for 1922)	$1,033,800.00	1,033,800.00
Loss on Canadian Government Merchant Marine Co. (Ltd.), to Dec. 31, 1921	9,116,144.00	9,116,144.00
Total	10,149,944.00 (£2,260,566.59)	10,149,944.00
AUSTRALIA.		
Contract ocean mail payments (1922)	£176,500.00	792,485.00
Fiji Islands	12,000.00	53,880.00
Commonwealth Government Fleet (first cost of fleet to June 30, 1922, was £14,518,789; net earnings without allowance for interest and depreciation, £7,371,053):		
Difference	7,147,736.00	32,093,334.64
Completion shipbuilding program	2,100,000.00	9,429,000.00
Total	9,436,236.00	42,368,699.64
UNION OF SOUTH AFRICA.		
Castle mail contract, October, 1922	9,171,000.00	767,790.00
Grand total	13,258,302.59	59,529,778.64

France.

[Franc, par=19.3 cents; current exchange=7.2 cents.]

	1914	1923	1923
	Francs.	*Francs.*	*Current exchange.*
Construction bounties	18,000,000	Nothing.	.....
Navigation bounties	18,500,000	3,000,000	$216,000
Mail subvention to Corsica	550,000	2,500,000	180,000
Mail subvention to Far East, Australia, New Caledonia, Madagascar, East Coast of Africa, Eastern Mediterranean	17,587,830	40,000,000	2,880,000
Mail subvention to New York	6,000,000	2,500,000	180,000
Mail subvention to French West Indies, Mexico, Central America	4,878,000	4,398,000	316,656
Mail subvention to Algeria, Tunis, Tripoli, Morocco	1,450,000	Nothing.	.....
Mail subvention to Brazil, Argentina, and River Plata	3,218,280	16,000,000	1,152,000
Total	70,184,140	68,398,000	4,924,656
Fisheries fleet	1,800,000	1,000,000	72,000
Encouragement of fisheries	3,060,000	1,534,000	110,448
Grand total	75,044,140	70,932,000	5,107,104

$14,483,519, franc at par=19.3 cents.

Norway.

[Krone, par 26.8 cents, current 18.4 cents.]

	Kroner.	Converted at current exchange.
Subsidies (budget estimates, 1922-23)	15,000,000	$2,760,000

Denmark.

[Krone, par 26.8 cents, current 20.3 cents.]

	Kroner.	Converted at current exchange.
Mail contracts, 1920-21	1,129,341	$229,256

Sweden.

[Krone, par 26.8 cents, current 26.8 cents.]

	1920	1921	Converted at current exchange.
	Kroner.	*Kroner.*	
Loans to shipowners	3,230,000	4,058,000	$1,087,544
Refunds to shipbuilders of duties on imported materials	873,094	(1)	.....
Mail subsidies	80,000	80,000	21,440
Total	4,183,094	4,138,000	1,108,984

[1] Not stated.

Italy.

[Budget estimates 1922-23. Lira, par 19.3 cents; current 4.7 cents.]

	Lire.	Converted at current exchange.
Closing combined navigation and construction bounties under war legislation	308,000,000	$14,476,000
Mail and navigation bounties to Italian contract lines	160,000,000	7,520,000
Mail and navigation bounties to Italian lines formerly Austro-Hungarian	140,000,000	6,580,000
Total	608,000,000	28,576,000

Japan.

[Budget 1922-23. Yen, par 49.8 cents; current 48.5 cents.]

	Yen.	Converted at current exchange.
Mail and navigation contract subsidies	9,965,797	$4,833,411

Brazil.

[Budget 1922-23. Milreis, par 32.5 cents; current 12.8 cents.]

	Milreis (paper).	Converted at current exchange.
Mail and navigation subsidies	23,095,000	$2,956,160

Spain.

[Peseta: Par, 19.3 cents; current, 15.3 cents.]

	Pesetas.	Converted at current exchange.
Mail contracts and subsidies, 1921	21,570,025	$3,300,214

The Spanish cabinet in March, 1922, decided to increase subsidies to an amount not to exceed 50,000,000 pesetas ($7,650,000), and as Spanish subsidies are revised every two years, it is assumed that the revision is under consideration and will take effect in 1923.

Belgium.

The Belgian Government, by the act of July 16, 1916, is authorized to guarantee interest and amortization on 100,000,000 francs of bonds issued by the Lloyd Royal Belge Steamship Co. and to take over 75,000,000 of these bonds issued in 1920 and 25,000,000 francs issued in 1921.

Germany.

[Mark: Par value, 23.8 cents; current exchange fluctuation at between one and two hundredths of a cent.]

The German Government appropriated in February, 1921, 12,000,000,000 marks to German shipowners to pay for their ships surrendered, on the basis of the subsidy law of November, 1917. At the time it was believed this amount would rebuild in German yards 2,500,000 gross tons. Since then the Government has printed paper marks so fast that shipowners and shipbuilders, through the bank which distributes the fund, demanded, in September, 1922, an additional 24,000,000,000 marks, and the arbitration court has decided the Government must add 18,000,000,000 marks to the shipowners' subsidy between September, 1922, and March, 1923. This additional amount, however, has not yet been voted by the Reichstag and printed by the presses. The Berliner Tageblatt says German shipowners insist on freight rates and passenger fares being paid in foreign exchange, while they pay wages and general costs of operation, where possible, in paper marks.

Summary.

In the following summary of the above item it should be noted:

1. That the amount for Australia is very large, because a main item is a statement of the difference between the first cost of the Commonwealth fleet and the amount of net earnings from 1916 to July, 1922, used by Premier Hughes to show the fleet could probably be sold for the amount of the difference. The actual loss or subsidy could be determined only by selling the fleet.
2. The largest Canadian amount is for losses on the Government fleet for several years, carried to the account for the past year.
3. British naval reserve appropriations are included in naval estimates.

Great Britain	$6,243,345	
Canada	10,149,944	
Australia	42,368,199	
South Africa	767,790	
British Empire		$59,529,278
France		5,107,104
Norway		2,760,000
Denmark		229,256
Sweden		1,108,984
Italy		28,576,000
Japan		4,831,411
Brazil		2,956,160
Spain		3,300,214
		108,398,409

Another inquiry was as to the present status of employees of the Shipping Board. I am supplying a table showing the present number of employees of the board, and at different times during the occupancy of the present board, and the amounts of money paid them:

United States Shipping Board Emergency Fleet Corporation.

COMPARATIVE STATEMENT OF PERSONNEL—FUNCTIONAL GROUP.

Functional group.	Employees.			Salaries.		
	June 30, 1921.	June 30, 1922.	Nov. 15, 1922.	June 30, 1921.	June 30, 1922.	Nov. 15, 1922.
United States Shipping Board	145	113	140	$325,511	$316,673	$367,861
President Emergency Fleet Corporation	1,051	440	406	1,707,497	865,380	801,600
Operating vice president	1,845	1,520	1,334	4,066,106	2,978,830	2,754,773
Vice president and general manager	183	186	190	383,010	466,000	460,680
Director of finance	3,430	1,553	1,255	6,398,841	3,250,119	2,681,659
Director of sales	1,498	951	835	2,488,455	1,542,419	1,286,749
General counsel	172	320	319	491,980	1,099,821	1,079,401
Total	8,324	5,083	4,479	15,861,400	10,519,242	9,432,723
Less separations ordered but effective on future rolls			44			136,440
Total			4,435			9,296,283

United States Shipping Board Emergency Fleet Corp.—Contd.

COMPARATIVE STATEMENT OF PERSONNEL—STATIONS.

Stations.	Employees.			Salaries.		
	June 30, 1921.	June 30, 1922.	Nov. 15, 1922.	June 30, 1921.	June 30, 1922.	Nov. 15, 1922.
Home office (Washington)	2,086	1,891	1,730	$4,129,470	$4,584,352	$4,196,978
Boston	152	161	136	293,576	238,871	193,778
New York	1,901	1,093	967	3,638,577	2,156,414	2,020,415
Philadelphia	1,437	780	706	2,664,615	1,256,746	1,074,890
Baltimore	314	89	70	609,735	177,529	133,375
Norfolk [1]	463	285	202	818,990	442,057	329,324
New Orleans [2]	555	218	175	1,017,938	390,387	344,685
San Francisco [3]	738	338	259	1,493,613	666,223	534,388
European	589	141	132	980,463	426,460	399,580
Foreign other than European	89	87	102	214,423	180,203	205,310
Total	8,324	5,083	4,479	15,861,400	10,519,242	9,432,723
Less separations ordered			44			136,440
Total			4,435			9,296,283

[1] Includes Savannah.
[2] Includes Mobile and Galveston.
[3] Includes Portland and Seattle

Another gentleman made inquiry for a report of the comptroller of the Shipping Board. Herewith follows a report from the comptroller with a letter of explanation of same:

UNITED STATES SHIPPING BOARD
EMERGENCY FLEET CORPORATION,
DIVISION OF OPERATIONS,
Washington, November 24, 1922.

HON. GEORGE W. EDMONDS,
House of Representatives, Washington, D. C.

DEAR SIR: Pursuant to your telephone request, I herein beg to inclose statement of estimated operating results of the United States Shipping Board Emergency Fleet Corporation for the four months from July to October, 1922, inclusive.

The word "estimated" is used only because certain portions of certain voyages which have been terminated have not, as to their expenses, yet been confirmed by vouchers which must be received from abroad. That amounts to a very small percentage of the total, and our experience is such that we can very closely gauge what it should be, but for purposes of accuracy we term the statements as "estimated." In fact, they are actual.

You will note that the total loss (without, of course, taking into account anything for capital charges, to wit, interest, insurance, or depreciation) amounts to $13,058,593.37. Out of this, however, there is a general and administrative expense not directly applicable to operation of vessels, of $2,197,513.24 for the period. This general and administrative expense is in connection with the liquidation of the assets that remained over in plant and material from the previous board, as well as expense in connection with settlement of tens of millions of dollars of construction claims.

You will note from the summary that this total loss is divided as follows:

	Loss on operations.	Total loss.
July	$2,242,714.14	$2,783,096.13
August	2,662,728.62	3,268,507.76
September	3,140,860.53	3,652,769.81
October	2,814,776.84	3,354,219.67
Total	10,861,080.13	13,058,593.37

For purposes of round figuring, we will say that the loss for the period of four months has been $11,000,000. As this is one-third of the year, should the loss keep on on this basis it would be $33,000,000 for the year; but anyone who estimates that the loss of the Shipping Board for the year will be $33,000,000 deceives himself. In the first place, the four months covered are the most favorable months in the year as to passenger earnings. I estimate within that period almost half of the passenger earnings of the whole 12 months accrue. It must be remembered that the summer is the great ocean passenger traveling period. The result is that while in so far as cash outlay goes the operations of passenger ships have shown very little loss in the period covered, for most of the ensuing eight months of the fiscal year the loss will be, we estimate, $1,800,000 more than it was for the first four months.

Our total loss of the Shipping Board has been $13,058,593.37 for the first four months. During that period we not only had the peak of passenger earnings but we spent practically no moneys in extraordinary repair of ships. We now find that there are absolutely necessary structural changes which must be made in our twenty-three 535-foot passenger ships within the next four months, which will amount to $3,000,000. These extraordinary structural changes are imperative. There were no sums expended for extraordinary changes in any of our ships in the first four months; thus this constitutes an additional loss.

Because of adverse operating conditions during the next six months our monthly operating loss will increase by $500,000 for that period. The months of May, June, July, August, September, and October are favorable to operation. From November 1 to May 1 are the months of storms on the seas, when the operating expenses increase. So that for the six months' period to come if we operate on the same economical basis as the last four months, the normal increase for the six months in loss for this item will be $3,000,000.

Our fuel-oil contract on the eastern coast expired November 11. We advertised for bids, and had all companies in America bid for renewal

of the contract for a year. Beginning with November 12, we had to make a new contract at the lowest price we got as a result of advertised bids, wherein our cost for oil was increased 50 cents per barrel. We are using 1,000,000 barrels of oil per month, so you see that even with the same economical operations as the last four months the increased cost at the increase of 50 cents per barrel will amount to a total of $4,000,000.

Thus we come to the following totals:

Our loss for the first four months, including $2,197,513.24 for expenses not directly applicable to operation was	$13,058,000
The immediate expenditures for structural changes to be made within the next four months on the twenty-three 535-foot passenger ships will be	3,000,000
Additional losses due to adverse operating conditions for the six months, at $500,000 per month	3,000,000
Increased cost of oil, based upon increase of 50 cents per barrel and the use of 1,000,000 barrels monthly for eight months	4,000,000
Decrease in passenger earnings for winter months, six months, at $300,000 per month	1,800,000
Estimated losses for eight months, November to June, inclusive, on the basis of the loss for the past four months but not including the four added items immediately given above	26,116,000
Total estimated losses for the fiscal year 1923	50,974,000

Of course, in this loss is included the general and administrative expense not directly applicable to operation of vessels. As this was $2,197,513.24 for the first four months, if it kept on at the same rate it would be approximately $6,600,000 for the year. So, taking this off of the total estimate of $50,974,000, the total loss for the year would give us an operating loss of approximately $44,000,000. However, the loss for the current fiscal year will come nearer to $50,000,000, for the reason that freight rates are constantly dropping. Our total estimated loss of $44,000,000 for operating alone is based on the experience now of recorded results to such an extent that as comptroller I do not hesitate to aver that it can not be less, and that the estimate constitutes the only proper and correct forecast obtainable for the Shipping Board's operations for this year. I do not allow myself any appreciable latitude to be wrong.

However, what the decrease in freight rates will be is not within the purview of a comptroller. The figures I am about to give come from our operating officials, who, after we arrived at the forecast of losses given above, brought to my attention the constant drop in freight rates and insisted that we must allow an additional $6,000,000 to $10,000,000 for decrease in this direction.

To give you some actual figures, let me state that in July of this fiscal year the Shipping Board ships carried 794,447 tons of freight, for which they received $5,693,912.86, or $7.18 average revenue per ton.

In August we carried 976,236 tons, for which we received $6,524,620.57, or $6.68 average per ton. In September—the last figures available—we carried 1,029,185 tons, for which we received only $5,614,665.58, or merely $5.45 per ton.

The most interesting part of this is that in the months of August and September of this year we carried the same number of tons, practically, as last year. We received almost $22,000,000 for the tonnage carried for the two months last year, as against a little over $12,000,000 for the same tonnage this year.

You can thus see that with the constant monthly drop in freight rates the loss for the next eight months, even with increased efficiencies in management, must be larger than for the four months actually given here.

The Shipping Board is not cutting rates. Most of the rates are the same on all lines. The decrease in freight rates is due to decrease in general cargoes offered, though the Shipping Board, fortunately, has been able, in face of these hard times, to maintain its volume of business carried.

To sum up, the four months just passed were extremely favorable to the best possible showing, for passenger earnings were at their peak, the season of the year was favorable from weather conditions for ship operations, oil was being purchased at two-thirds of the price on the east coast that will be paid for the balance of the year, and there were no extraordinary expenditures for structural repairs. Further, fortunately, in those four months we had not felt the full effect of declining freight rates. So that, based on the actual losses during the four months just closed, a conservative estimate of the losses for the fiscal year still remains at $50,000,000, in spite of every effort in efficiency that may be made or retained to hold same low.

That the board is making every effort to make the losses as small as possible is evidenced by the fact that the losses from April to September of this year—the last figures available—are something over $30,000,000 less than the losses for the same six months of last year. Of the six months covered last year, three months were under the present board and the major share of the losses occurred under the prior board. Thus the board's record of successful endeavor to curtail losses is attested in the actual audited figures of results. But even with this aggressive curtailment the present fiscal year will show a loss of at least $50,000,000.

It might be of interest for me to call to your attention that the losses in the last fiscal year, November to June, inclusive (during which period the present Shipping Board had gotten operations pretty well in hand), were approximately $30,000,000. The loss for the same period this year must be greater, because of the unbelievably unfavorable freight market now operating, the lowest possibly ever known in modern ship operations. It is obvious to see that no economies, no matter how great, can overcome the more than 40 per cent decline in freight rates this year as against last year. When rates will harden is not to be estimated; the disjointing of world trade, the excess of tonnage existing through the war, Germany's present building program, and the extensive Government operations by the United States are all given by expert shipping men as contributing to the unfortunate situation.

Of course, even if freight rates should improve some time within the next 24 months, the losses of the Shipping Board would not be comparably reduced, for it must be remembered that the fleet is constantly getting older and that the Shipping Board has not spent nearly enough in upkeep and repairs. Upkeep and repairs have been neglected, because the board had to operate within its appropriations, and the entire appropriation it received from the Congress has been used in operations. As soon as freight rates get at all better the board must spend large sums in keeping up its ships if the deterioration is not to be ridiculously fast. Thus, for some period to come, if the assets under the board are to be properly cared for, there is no relief in sight from the losses now being recorded.

If there is any further illumination or explanation needed by you or any Members of the House, it will be my pleasure to promptly furnish same.

Very truly yours,

P. SINCLAIR, *Comptroller.*

United States Shipping Board Emergency Fleet Corporation.

ESTIMATED OPERATING RESULTS FOR FOUR MONTHS, JULY TO OCTOBER, INCLUSIVE, 1922.

Vessel classification.	Voyages terminated.	Cargo tons.	Revenue.	Expense.	Direct— Loss.	Direct— Gain.
Freighters	467	3,512,179	$20,292,805.13	$21,567,969.08	$1,275,163.95	
Passenger and cargo (46,554 passengers)	70	429,501	10,485,897.22	8,948,526.00		$1,537,371.22
Tankers	98	887,746	1,420,973.78	798,723.13		622,250.65
Tugs	86		315,279.57	287,881.30		27,398.27
Total	721	4,829,426	32,514,955.70	31,603,099.51	1,275,163.95	2,187,020.14
Net direct gain						911,856.19
Charter hire earnings						183,764.50
						1,095,620.69
General expenditures:						
Insurance (including P. & I.)				1,757,803.70		
Insurable repairs				773,341.60		
Other repairs				3,749,243.28		
Lay-up expenses				1,631,502.49		
Fuel cost adjustments				761,522.77		
Administrative operating expenses:						
Salaries and wages				2,172,829.37		
General expense				1,110,457.61		
Total general expenditures						11,956,700.82
Net loss on operations						10,861,080.13
General and administrative expenses not directly applicable to operation of vessels						2,197,513.24
Total loss for 4 months						13,058,593.37

SUMMARY.

	Loss on operations.	Total loss.
July	$2,242,714.14	$2,783,096.13
August	2,662,728.62	3,268,507.76
September	3,140,860.53	3,652,769.81
October	2,814,776.84	3,354,219.67
Total	10,861,080.13	13,058,593.37

Numerous statements have been made from time to time as to the tremendous profits made by certain steamship lines. I have reports of the investigation of the principal steamship lines mentioned as made by William Craemer, special assistant to president in charge of finance of the Shipping Board. This report was submitted to Commissioner Lissner and furnished by him to me:

OPERATIONS AND FINANCES OF LEADING AMERICAN STEAMSHIP OWNERS.

AUGUST 2, 1922.

To Commissioner MEYER LISSNER:

In reply to your request that I develop the facts with reference to the contention of some opponents of ship subsidy legislation that American shipowners made such large profits during the war years as to enable them to distribute enormous amounts to their stockholders, and in addition build up such substantial surpluses as to put them in unusually strong financial condition and thus make entirely unnecessary any governmental aid at this time, I wish to say that the examination I have made of the financial reports of some of the larger American shipowning companies demonstrates this theory to be clearly misleading and based only on a most superficial and incomplete analysis of the facts.

At the outset I would like to point out that this contention of the opponents of the ship subsidy, even in its widest application, can apply only to those few companies organized prior to the war and whose tonnage was acquired at "pre-war" prices. It entirely ignores that much larger group of shipowners and operators whose investment was made during the period of high prices and who have either been wiped out by the reduction in ship values, or who are entirely dependent on some form of governmental aid to save the remainder of their fast disappearing investment.

The profits earned by the American shipowner during the war were restricted by governmental action, so that the return on his investment was very materially less than that earned by his foreign competitors. In this way any possible advantage along these lines was more than offset by the larger earnings accruing to foreign owners whose profits were not similarly restricted by the action of their governments.

This is clearly illustrated by the fact that during the period of the highest freights all American ocean-going tonnage was under requisition to the Government, and the owners' return limited thereunder to the comparatively moderate charter rates established by the Shipping Board, whereas at the same time this Government was paying for foreign tonnage rates more than double those established for American owners.

Then, too, Government taxation reduced the earnings of the American owner to a point far below that of his foreign competitors. Japanese and neutral owners were not burdened with the excessive taxes levied in this and other allied countries, and Great Britain by pursuing a more liberal policy with reference to deductions for depreciation very greatly reduced the proportion of war earnings returned to the Government. As a result of these conditions, it is evident the foreign competitors of American shipowners were benefited to a much greater extent by war activities and were enabled at the same time to write off their investment in ships to a value approximating much closer the present world market price for ships.

This makes it evident, I believe, that the period of large earnings which commenced in 1915 or 1916, and terminated so abruptly in 1920, instead of assisting him has made it more difficult for the American shipowner to compete with his foreign rivals because of the much larger advantages accruing to the foreigner during the same period.

An analysis of the financial reports of the larger American steamship companies which are available discloses that their earnings during the war period were not nearly so large as has been suggested by opponents of the ship subsidy, and also that these earnings have been calculated without deducting the depreciation necessary to write down their investment in ships to a normal value. These earnings are also probably much less than the earnings in other industries during the same period.

The Atlantic, Gulf & West Indies Steamship Co. may be taken as an excellent example as, together with its subsidiaries, it owned more American registry tonnage than any other owner (excepting the large tanker fleets owned by some of the oil companies). The net earnings of this company for the six years ending December 31, 1921, after surplus adjustments, averaged but 8½ per cent of its invested capital (total capital and surplus not including bonded indebtedness). These earnings are calculated without writing down the book value of its ships to anything like their present value. The statement of its earnings for the last six years follows:

	Net income after surplus adjustment.	Invested capital.	Per cent of earnings to invested capital.
1916	$9,514,086.46	$44,989,288.76	21.15
1917	10,271,014.86	51,437,954.12	19.97
1918	1,946,315.60	51,196,548.72	3.80
1919	5,597,688.75	54,623,474.46	10.25
1920	944,665.20	53,503,618.75	1.77
1921 [1]	2,101,677.76	51,339,311.29	[1] 4.09
Average for 6 years	4,362,015.52	51,181,699.35	8.52

[1] Loss.

The Pacific Mail Steamship Co. in 1915 reduced the par value of its capital stock from $20,000,000 to $1,000,000. This action was made necessary by the large accumulated deficit from operations which up to that time amounted to more than $11,000,000. The earnings since that date are but a fraction of the loss written off at that time against the capital account. As compared with the reduced capital, the earnings for the five years and eight months ended December 31, 1921, have been at the annual rate of about 18½ per cent.

The detailed earnings for eight months of 1916 and the five calendar years since then are as follows:

	Net income.	Invested capital.	Percentage of net income to invested capital.
1916 (8 months)	$528,889	$4,290,577	12.33
1917	1,554,632	4,812,429	32.30
1918	886,249	4,627,780	19.15
1919	1,776,761	5,244,760	33.88
1920	1,277,470	6,428,478	19.87
1921 [1]	495,591	5,911,388	[1] 8.38
Annual average for 5 years and 8 months	975,602	5,273,862	18.50

[1] Loss.

The earnings of the International Mercantile Marine Co. for the four years ending December 31, 1920, averaged slightly over 8 per cent on its investment. I was not able to secure a copy of its report for 1921, but was assured by its officers that the operation of its American flag ships showed a net loss for last year. The annual earnings for the four years ended December 31, 1920, are as follows:

	Net income.	Invested capital.	Percentage of earnings to invested capital.
1917	$11,753,509	$128,209,079	9.17
1918	9,639,026	132,158,299	7.29
1919	13,166,114	131,875,785	9.98
1920	7,435,802	132,183,316	5.63
Average for 4 years	8,398,890	104,885,296	8.01

The United Fruit Co. is primarily a mercantile company and only secondarily a steamship company. Its earnings from its shipping activities constitute, therefore, a relatively small proportion of its total earnings. Unfortunately, the earnings of its steamships are not segregated in its annual reports. It is interesting to note, however, that its earnings from tropical properties and ships for the seven years and three months ended December 31, 1921, have been at the annual rate of less than 16½ per cent of its invested capital. The detailed earnings by years are as follows:

	Net earnings.	Invested capital.	Percentage of earnings to invested capital.
Year ended Sept. 30, 1915	$5,900,522	$63,107,087	9.36
Year ended Sept. 30, 1916	11,943,151	70,634,770	16.91
Year ended Sept. 30, 1917	13,037,955	73,990,460	17.62
Year ended Sept. 30, 1918	14,094,047	85,356,654	16.51
15 months ended Dec. 31, 1919	20,163,518	99,426,223	20.28
Year ended Dec. 31, 1920	29,008,307	125,980,011	23.03
Year ended Dec. 31, 1921	16,975,763	134,955,774	12.58
Annual average for 7 years and 3 months	15,327,347	93,559,660	16.38

These figures demonstrate very clearly that the American shipowner did not make excessive profits during the war period, and I believe it can be said, without fear of contradiction, that the American investor in shipping securities has received a lower return on his investment than the investor in any other industry. This is borne out by the dividend record of the more important American companies.

The common stockholders of the International Mercantile Marine have never received a dividend. The preferred stockholders, although entitled to 6 per cent dividends, have received dividends only since 1917 and there is an accumulation of 42 per cent arrears on account of dividends not paid.

The common stockholders of Atlantic, Gulf & West Indies Steamship Co. have received dividends in but four years since its inception in 1908 and for these four years the rate was 10 per cent. The average annual return on their stock has been less than 3½ per cent. The preferred stockholders received dividends of 5 per cent for less than five years or an average annual return of less than 2 per cent.

The Luckenbach Steamship Co. has never declared a dividend.

The large dividends declared by the American-Hawaiian Steamship Co. were, in no small measure, the result of the sale of its ships at war prices and not exclusively of operating earnings.

The Pacific Mail Steamship Co. has declared dividends in but 9 out of the last 49 years, which represent in all a return of less than one-half of 1 per cent on the capital investment.

The American steamship owner would not be in such poor financial straits to-day if the balance of his war earnings not distributed as dividends had been invested in liquid assets. Unfortunately, however, and largely at the solicitation of his Government, these earnings of the good years have been invested in capital assets, such as ships, at prices far in excess of normal or present market. He has been unable to write these assets down to their present value, as to do so would mean, in most cases, changing a surplus account into a deficit on the books.

The vessels of the Atlantic, Gulf & West Indies Steamship Co. are carried on its books at approximately $174 per gross ton. To write them down to $100 a gross ton would involve a loss of over $26,000,000 and would result in a deficit of more than $4,000,000. To write them down to $50 a gross ton (which value is probably much nearer their

forced-sale price) would reflect a loss of over $44,000,000 and leave a deficit on the books in excess of $22,000,000.

The Luckenbach Steamship Co. carries its vessels on its books December 31, 1921, at a value of $108 per dead-weight ton. To write these ships down to a normal value of approximately $50 per dead-weight ton would require a loss of about $9,000,000, while to write them down to the world market price of $30 per dead-weight ton would reflect a loss in excess of $12,000,000.

The passenger and cargo vessels of the Pacific Mail Steamship Co. represent a book value of about $140 per gross ton. To write these vessels down to a value of $100 a gross ton would reflect a loss of about $1,800,000, while to write them down to $50 a gross tons would show a loss of $4,100,000, which would turn the surplus of about $3,000,000 into a substantial deficit.

In conclusion I believe it is true to say that, in spite of rather substantial profits during the exceptional years from 1915 to 1920, the American shipowner is worse off to-day than at the beginning of this period, because of his heavy investments in new and old tonnage at such high prices as to make prohibitive the writing off of these investments to meet present world conditions. It is reflected in the great shrinkage in the market value of the stock of shipping companies whose stock is in the hands of the public, and in the financial statements of the smaller privately owned companies who are unable to pay the remaining balance on their purchase from the United States Shipping Board.

WILLIAM CRAEMER,
Special Assistant to Vice President in Charge of Finance.

Considerable debate upon the floor as to the situation of the immigration section of the bill and its value are contained in the two letters, one from Consul Leslie E. Reed, and approved by Robert P. Skinner, American consul general at London, and one from Mr. T. H. Rossbottom:

(Prepared by Consul Leslie E. Reed, approved by Robert P. Skinner, American consul general.)

APRIL 26, 1922.

In connection with the strong disfavor with which the President's proposals for a shipping subsidy have been greeted in Great Britain, it is of interest to note that the chairman of one of the largest British armor-plate manufacturers and shipbuilders has made a strong argument in favor of a Government subsidy for armament manufacturers during the period of the naval holiday instituted by the Washington Conference on the Limitation of Armament.

At the annual meeting of Messrs. Cammell Laird & Co., Mr. Hichins, the chairman, pointed out that armor-making shops can be used for no other purpose than to make armor, and that they can not be maintained in idleness for 10 years or longer. He stated that this country can not abandon its armor-making plants in the hope of permanent peace. He is reported to have declared that such action would be the height of folly and that it would be a still greater folly to dissipate the fine staff of experts which the armament firms have gathered together and whose services the country may yet require.

Lloyd's List of April 8, 1922, gives prominence in its editorial column to this situation, saying that "in the exceptional circumstances which these firms have to face for 10 years to come the plea is not without cogency." Further, the editorial says "a subsidy to these armament firms to induce them to hold on to their plant and their expert staffs would not be a costly business to the country compared with the saving which the reduction in the naval program will effect, and it may well be argued that it is better to face a certain annual outlay for subsidizing our armament firms than at the end of 10 years to find ourselves without the means of providing the necessary defenses. After all, such a subsidy would be in the nature only of national insurance against future possible war."

LESLIE E. REED, *American Consul.*

Copies to Chairman Lasker, all commissioners, Mr. Merrill, Mr. Beecher, Mr. Nicolson.

UNITED STATES LINES,
New York, May 17, 1922.

HON. A. D. LASKER,
United States Shipping Board, Washington, D. C.

DEAR MR. CHAIRMAN: During the past few days we have noticed press reports to the effect that consideration is being given to the elimination of that provision in the shipping bill which requires that not more than 50 per cent of the aliens emigrating to the United States shall be carried in vessels of foreign registry.

We had looked forward to this provision as being the most constructive feature in the shipping bill that tends to accomplish the upbuilding and permanence of an American merchant marine in the North Atlantic, operating between Europe and the United States, and we consequently look upon the elimination of this "alien clause" with grave apprehension. Hence our request to you and the other members of the Shipping Board to meet with us and discuss the prospects for the future in the event this important feature of the bill is eliminated.

We have made a careful estimate of the annual earnings of the United States lines that would result from the carriage of first and second class mails, based on actual voyages performed, and have compared same with the earnings that would accrue by reason of the direct aid provided for in the shipping bill.

You will note from that estimate, the details of which you will find in the attached statement, that the United States lines are receiving for the carriage of such mail matter $1,084,725.80, and that the direct aid provided for in the shipping bill in lieu of earnings for the carriage of first and second class mails which are to be carried without charge is $1,019,400.

In the inclosed statement we have not made any calculations covering the postal earnings on the three old ex-German vessels, namely, the *Princess Matoika, Hudson,* and *Susquehanna,* which are obsolete and will be withdrawn from the trans-Atlantic trade as soon as proper vessels can be secured to take their place.

It is not possible for any steamship line of American registry to operate in the North Atlantic passenger trade unless it is able to secure a reasonable share of the third-class or steerage immigrant traffic. This traffic is the one upon which steamship lines engaged in that trade depend for their successful operation, and it is now controlled almost entirely by the foreign steamship lines with the cooperation of their respective Governments. These steamers of American registry can not compete for this alien traffic without the cooperation of this Government, as expressed by the 50 per cent provision or some equivalent.

It must be borne in mind that the results of the present operations of the United States lines would show a loss if items of insurance, depreciation, and interest were charged against operating income. This situation would be aggravated if the anticipated reduction in passenger rates takes place.

We can not impress upon you too forcibly the necessity for the enactment of the "alien" provision in the shipping bill in order to accomplish the purpose of the Shipping Board to have a privately owned, permanent merchant marine established and in successful operation upon the North Atlantic.

Unless that or some equivalent method is adopted, the steamers at present being operated by the United States lines must continue to be run by the Shipping Board, with a probable drain on the Treasury until the vessels become obsolete, when the United States lines will automatically retire from the North Atlantic passenger trade, leaving that service to be maintained by steamships of foreign registry.

Respectfully submitted.

UNITED STATES LINES,
By T. H. ROSSBOTTOM,
General Manager.
MOORE & MCCORMACK (INC.),
By A. V. MOORE, *President.*
By E. J. MCCORMACK, *Treasurer.*
ROOSEVELT STEAMSHIP CO. (INC.),
By KERMIT ROOSEVELT.
By A. E. CLEGG,
Operating Managers, United States Lines.

In view of the present newspaper agitation regarding the British propaganda, I have made a digest of some of the comments in their newspapers which I desire to submit in this extension of remarks.

Take, for example, the well-known British maritime newspaper, the Syren and Shipping, of March 8, 1922, which editorially exclaims that—

There is cold comfort for British shipowners in President Harding's message to Congress supporting the proposals of the United States Shipping Board. Whether the desired subsidy will be forthcoming remains to be seen. It has been demanded before and not granted. But the present campaign for State aid is far more potent than its predecessors.

And this alarmed British editor adds that—

The assistance which the State is asked to furnish is all the more dangerous because indirect, as well as direct, methods are resorted to for fostering a mercantile marine.

And this British maritime journal goes on into a long argument against the American shipping bill, which reads for all the world like a paraphrase of the arguments of the opposing members of the Committee on the Merchant Marine and Fisheries.

There are a great many more of these illuminating quotations. Let us read a few. Syren and Shipping, in its issue of March 22, 1922, resumes its editorial discussion of the painful theme of an American merchant marine, exclaiming that—

An examination of the text of this "Merchant marine bill, 1922," does not lead us to alter our views either as to the earnestness of its sponsors in their efforts to establish an effective mercantile marine or the seriousness of the competition which would follow the inauguration of such a wide-reaching plan as is suggested. But the doleful British editor hunts for comfort in the thought that "to many Americans the sea is not a factor of their everyday life. They lack the long experience—and, we might add, the hereditary temperament."

As if there had not been American shipowners and American sailors ever since Plymouth Rock, who sailed the packet ships and clipper ships of the past century; and who manned and fought *Old Ironsides* in 1812, and the *Kearsarge,* when she sent the British-built *Alabama* reeling to the bottom of the English Channel. Manifestly, this British editor of Syren and Shipping is whistling mightily to keep his courage up as he sees the Stars and Stripes rising again above the western horizon.

He looks for comfort, as so many of his countrymen have before, to the "western farmers," hoping that they will prove "either apathetic or hostile to the scheme," and thus help Britain out, or to "the Democratic Party."

Indeed, these invocations to the farmers and the Democratic Party to kill this shipping bill and the American merchant marine in the interest of British monopoly of the high seas are frequently nowadays in the British newspapers, industrious reading of which might well give our friends on the other side much food for sober thought. The London correspondent of the Liverpool Journal of Commerce, on the basis of telegrams from British "listening stations" in America, gleefully predicts that—

It is not likely that the farmer party will willingly consent to subsidize the United States merchant marine, and if it continues the opposition stand that it at present threatens the proposed subsidy plan is as good as dead, for the farmer vote in combination with the Democrats, who have always been against subsidies, is sufficient to kill the proposition.

"The farmer vote, in combination with the Democrats," is going to save John Bull—is not this a delightful prophecy! How it must swell with pride the souls of those to whom this expectant champion of British sea mastery is referring. He finds "strong-siding champions" of the British cause in the House of Representatives. Whom does he mean? Whom is he aiming at? What mysterious telepathic communications are passing to

and fro over the Atlantic between those who want to beat this bill in England and those who are mustering their forces to defeat it in the United States?

Another famous British maritime organ, Fairplay, fairly shouts—

What are we to do in order to hold our own against one of the greatest menaces that the whole country ever had to meet?

But Fairplay is forced to acknowledge that the subsidy itself—

would not entitle any country to make an attack on the United States, for she in common with every other nation is entitled to do what she likes with her own.

Of course, Fairplay is conscious that it was Great Britain herself that set the example for subsidy in the payments that created the Cunard Line of trans-Atlantic steamers in 1839. Fairplay adds impressively that—

though it seems to be expected that for the first year only $15,000,000 will be drawn from the merchant marine fund for subsidies, it is anticipated that their cost will eventually reach $30,000,000.

Which, after all, is only a small fraction of the subsidies which the British Government in 80 years has bestowed on the Cunard Line alone.

Then Fairplay goes on to quote a lot of British shipowners who to a man declare the American shipping bill to be "most prejudicial" to British interests. One of these Britons despairingly gives up the ship with the acknowledgment that—

I fear there is no logical remedy from our point of view that is likely to have any effect with the Americans, as they, I think, have a perfect right to give subsidies as they are at present placed.

Well, they have—the same right exactly that Great Britain has. This gentleman, it is clear, has no illusions at all that even "the farmer vote" or "the Democratic Party" can save him.

Then there is our old truculent friend Lloyd's List, as British as they make them. It fairly foams at the mouth in contemplation of the Jones Act and its provisions for American control of the American trade between this country and the Philippines. And it proclaims that—

Great Britain could at once retaliate by including in our coasting trade the trade between England, Canada, South Africa, India, and Australia.

A terrible threat, surely—to bar from us a trade in which American ships seldom or ever run. If a Yankee skipper ever gets a cargo from one to another British port, it is only when John Bull is not looking. Speaking of trade to Australia, our British kin adroitly managed some time ago to ban American shipping even in the trade between Australia and the United States. As ex-Senator George E. Chamberlain, commissioner of the United States Shipping Board, pointed out in his address before the convention of the National Merchant Marine Association in Washington March 4 last:

If two shipments of the same material are made, say, from Chicago, both consigned to Australia, but one goes by rail through the United States to San Francisco and thence to destination, and the other goes through Canada to Vancouver and thence to destination, they are treated differently by the Australian customs officials, when assessing value for the customs tax, as follows:

The shipment from San Francisco has the United States rail freight charge added to the ad valorem value before duty is fixed; the shipment from Vancouver does not. In other words, for using our railroad and our port our citizen is taxed by Australia on the cost of the rail haul, but if he uses Canadian railroad and Canadian port he is not. The form of discrimination affects not only our steamships but also our railroads, for they lose the land haul.

As ex-Senator Chamberlain added:

This is a discrimination that under existing conditions can be made only against the United States.

That is to say, John Bull has already shut us out of his traffic so far as he dares, and his threat to retaliate against us by closing his whole colonial trade is only so much tin thunder.

It was formally announced in the Liverpool Journal of Commerce soon after the President sent his message to Congress that—

A deputation representing shipowning interests, and including the president and vice president of the Chamber of Shipping of the United Kingdom, has waited on the board of trade for the purpose of discussing the United States shipping legislation. And it is added, "The interview was for the purpose of exchanging views, etc., so that the board of trade should be put in possession of the opinions of the shipping interest on the matter. There was, therefore, no decisive outcome of the conference."

Probably the real outcome was that the honorable gentleman discovered that they had already in anticipation made so many reprisals against us that there was nothing else that could be done.

However, Sir Owen Phillipps, the distinguished head of the Royal Mail Steam Packet Co., which was created in 1841 by a subsidy of $1,240,000 and has been subsidized ever since, rose up at the annual meeting of his company, as quoted in the Liverpool Journal of Commerce of June 2, 1922, and impassively declared—what a fine actor the honorable gentleman would make—that "while British shipping has to fight unaided for its existence"—unaided, mind you—"foreign ships are in many cases supported and assisted in various ways by their respective governments." Then Sir Owen referred to a mysterious "act of Parliament of 1853, which has been on the statute books for 70 years, giving the British Government at any moment power to take immediate measures to protect her mercantile marine against unfair discrimination." Having made this cryptic remark, the president of the Royal Mail Steam Packet Co. sat down, having vindicated his reputation as an unconscious humorist.

It is noteworthy that the "Thunderer" is leveling its heaviest guns against the presumptuous American shipping bill. In the London Times of May 18 Sir Norman Hill, the secretary and counsel of the Liverpool Shipowners' Association, sounds the alarm to his fellow countrymen that the purpose of this measure is "to confer on American ships a monopoly in the world's carrying trade with the United States." This is truly interesting. Our own American impression is that the purpose of this bill is to secure for the American flag our rightful share of from 50 to 60 per cent of the world's carrying trade with the United States, which for 60 years has been chiefly monopolized by foreign shipowners. Presumably Sir Norman Hill had not seen the American shipping bill when he wrote his protest, for the whole proposition contemplates an American overseas shipping fleet of 7,500,000 gross tons, as compared with Great Britain's present 20,000,000 tons.

Sir Norman Hill solemnly proclaims that when the American ships have secured their monopoly "the national ships will become the masters and cease to be the servants of commerce with the country by which the monopoly has been conferred."

Applying Sir Norman's own logic, have British ships, which for years monopolized 98 per cent of the commerce passing between Great Britain and the United States, been all those years the "masters" of that commerce? Why, then, does he object to the proposal of President Harding to secure for our own ships the carrying of 50 per cent of the immigrants into this country and at least 50 per cent of our imports and exports?

Here is another Briton violently whistling to keep his courage up—Sir William Seager, described as the chairman of the Ropner Shipbuilding & Repair Co. (Ltd.), who, at the annual meeting of his concern in Winchester House, Old Broad Street, London, E. C., as admiringly quoted by the Liverpool Journal of Commerce of October 21, 1921, proclaimed to his stockholders that though "the amount of tonnage built by the Americans was terrific, they could never manage ships to compete with this country. They did not know how to do it, and they could not do it." [Hear, hear.]

This sapient remark recalls the famous dictum of earlier British business men that the Yankees "did not know how to make iron and steel and never would know—their climate would forbid it." This gem of prophecy has outlived many years and is to be commended to the serious attention of Sir W. Seager, M. P., D. L.

Under the graphic heading "American Ship Subsidy Makes J. B. Apoplectic—'Underhand Plot, B'Jove,'" our American newspapers on January 26 last published a dispatch from London in which another eminent British shipbuilder, Sir Edward Mackay Edgar, director of Workman & Clark, in comment on the Washington report of President Harding's plan for the merchant marine, proclaimed that "It is an affront to the heart of England and an indirect, underhand plot against British shipping. President Harding tries to stab Britain—of all countries—in the back!" This because the American Government proposes to take over as its own some of the 98 per cent of commerce between Britain and the United States which British steamship companies long monopolized—this is an effort to "stab Britain in the back." Sir Edward seems to have no hope of help from either "the farmer vote" or "the Democratic Party" in this crisis of Britain's fate.

We come now to a gentleman of even higher station—no less a personage than the British ambassador, Sir Auckland Geddes, who lately departed from our shores for a vacation in England after certain utterances of his on American domestic questions had been brought to the attention of Congress and the country in the other Chamber by the senior Senator from Indiana. The ambassador had been talking about American tariffs and American shipping with a frankness which Senator WATSON described as "going entirely outside the bounds of propriety in attempting to dictate the policy of this mightiest of nations in the recorded history of time."

Sir Auckland had gone to Chicago to deliver a speech in which he was quoted as suggesting that "American business use British service, such as insurance and the use of English ships, as a means of solving the problem of diminishing exports." In other words, the smaller our exports shrank, the more we should depend upon English ships for the carrying of them—a somewhat strange philosophy.

Moreover, the British ambassador had gone to Minneapolis to talk about ships on November 4, 1920, in an address to the Civic and Commerce Association—that is, he had gone to a point about as far distant from the ocean as he could possibly reach to discuss maritime problems with his Minneapolis audience. To them he avowed that the statement that the British Government subsidizes British shipping is incorrect and conveys a false impression.

It may seem inconsiderate to Sir Auckland, but it is a hard fact that in discussing this very question of British subsidies the Royal Tariff Commission of his country years ago said: "In effect the Admiralty contracts constitute a rigid system of protection," particularly "to the British engineering and shipbuilding industry." "Engineering and shipbuilding derive other considerable advantages from Government subsidies and Government mail transport and other contracts given to various British shipping lines. During the past 10 years the Government money which has passed into the hands of British steamship companies in respect of these and similar services has amounted to nearly £2,000,000 per annum." Apparently there is some disagreement between the Royal Tariff Commission and the genial British ambassador to the United States which we Americans must perforce leave to these two eminent British authorities for adjustment.

There was another remark on the shipping question which Sir Auckland Geddes delivered at Annapolis. It was to the effect that any statement that "American ships have been placed at a disadvantage with British ships by British Government action" is not true. And he added, "Our policy is based on the principle of 'fair trade and equal opportunity.'"

A few months before Sir Auckland so eloquently described the British policy as one of "fair trade and equal opportunity" an American shipowner sought at the port of Alexandria, Egypt, a part cargo of Egyptian cotton destined for the United States, the property of American cotton mills. This American shipowner was told that the carrying of Egyptian cotton to America was a well-established prerogative of British ships alone, and not a pound of that cotton could be given to an American vessel.

Thereupon the American ship departed without any freight, but her captain reported the circumstances to his employers, who passed it on to the Government in Washington. When the next bids for the transportation of Egyptian cotton were made 40 shillings a ton to America was the demand of the Liverpool liners' conference. But, to the consternation of the British monopolists, American ships bid 25 shillings a ton.

Nevertheless, so close working was the British monopoly of shipowners, merchants, planters, and others at Alexandria that the high British bid was accepted, the lower American bid refused—and Egyptian cotton continued to go to the mills of New England in British ships exclusively.

Then the United States Government, through the Shipping Board, decided that it was time to take a hand. It sent word across the seas that American ships would carry that cotton at 15 shillings a ton if necessary, and that American ships must have a fair share of American-owned cargoes. After some blustering the British line "came down" and the supplies of Egyptian cotton for American mills are now being conveyed one-half in American ships, one-half in British ships, at a rate of 25 shillings a ton to New York and Boston. This episode, that may be repeated at any time in any distant ports of the world where American ships seek freights that British shipowners want, is a good shining example of the "fair trade and equal opportunity" which Sir Auckland Geddes expounded to his Minneapolis audience.

I have been asked the question as to a comparison of present ocean freight rates with those of pre-war periods. I have been furnished by Mr. Love, of the Shipping Board, with a schedule of the rates on flour, grain, and provisions for 1922 as compared with those of 1913, which I desire to present to the membership of the House.

NOVEMBER 24, 1922.

The following ocean freight rates prevailed in the early part of 1913 from New York to London, Liverpool, and Hamburg:

	1913		
	Flour.	Grain.	Provisions.
London	22 cents per 100 pounds.	16 cents per 100 pounds.	20 per cent plus 5 per cent=23 cents per 100 pounds.
Liverpool	20 cents per 100 pounds.	15 cents per 100 pounds.	Do.
Hamburg	27 cents per 100 pounds.	42½ pfennings per bushel = 16¾ cents per 100 pounds.	32 cents per 100 pounds.

Present rates between the same points and on the same commodities in November, 1922, are as follows:

	1922		
	Flour.	Grain.	Provisions.
London	17 cents per 100 pounds.	10 cents per 100 pounds.	35 cents per 100 pounds.
Liverpool	do.	do.	Do.
Hamburg	15 cents per 100 pounds.	do.	20 cents per 100 pounds.

Mr. BANKHEAD. Mr. Chairman, I would like to inquire as to the division of the time.

The CHAIRMAN. The gentleman from Alabama has consumed 8 hours and 47 minutes and the gentleman from Massachusetts 8 hours and 28 minutes, a difference of 19 minutes against the gentleman from Alabama.

Mr. GREENE of Massachusetts. I will yield the gentleman from Ohio [Mr. CHALMERS] 10 minutes.

Mr. CHALMERS. Mr. Chairman, I favor this bill for patriotic reasons, and I also favor the bill for business reasons. I am in favor of saving and building up the American merchant marine. As you gentlemen know, I am particularly interested in water transportation, and I want to say to you that one of the most expert transportation men of this country, Mr. Elisha Lee, of the Pennsylvania Railroad, has said that the freight load of this country practically doubles every 10 years. Mr. Lee says that in 1890 the freight load handled in this country amounted to 79,000,000,000 ton-miles. In 1900 it had increased to 141,000,000,000 ton-miles, and in 1920 it had increased to the enormous sum of 448,000,000,000 ton-miles, practically doubling every 10 years. Then he makes an inference that in 1930 the freight load in this country will be increased to 800,000,000,000 ton-miles. I make the prediction that in 1932 to 1935 the freight load of the United States will have increased to the enormous sum of 1,000,000,000,000 ton-miles.

I want to say to my friend from Kansas [Mr. TINCHER] and other Members from the Middle West that if we can at this time save the American merchant marine for future use, and this bill and its provisions extend over a period of years—10, 15, or 20 years—if we can save this remnant for future use and build it up into a well-rounded freight-handling instrument, his section of the country and the granger States of the West will be the principal beneficiaries of the provisions of this bill. It will cut the freight rates of this country billions of dollars a year. Take the enormous freight load which, in 1932 to 1935, will have increased to 1,000,000,000,000 ton-miles. What does Mr. Lee say is the cost of handling freight now on the railroads? Fifteen mills per ton-mile. What is the cost of handling freight by water on the ocean? From 1 mill to 3 mills per ton-mile. What is the cost of handling freight on the Great Lakes, that most efficient freight-handling instrument in the world to-day? One mill per ton-mile.

I stood in the Toledo Harbor last month and saw the Hocking Valley derrick load into one of the lake freighters 4 carloads of coal every 3 minutes, or every 24 hours more than 100,000 tons of coal were transferred from the rails and put into lake freighters. The Great Lakes are the most efficient transportation system in the world to-day.

If you take 2 mills per ton-mile as the average cost of water transportation on the inland rivers, the Great Lakes, and the ocean, what will be the saving over the cost of shipping by rail, assuming that we can carry one-half the freight load by water? Thirteen mills per ton-mile, or a total saving when the Great Lakes-St. Lawrence waterway is completed and the freight load is increased to one trillion ton-miles—the saving will be $6,500,000,000 per year. Then it is good business judgment to hold this nucleus of ships and build up the American merchant marine into a well-rounded fleet.

Mr. HARDY of Texas. Will the gentleman yield briefly?

Mr. CHALMERS. I will.

Mr. HARDY of Texas. The gentleman speaks of reduced freight rates by this bill. Is there anything in this bill to prevent a combination of our ships with foreign ships or to provide any supervision of the rates charged?

Mr. CHALMERS. The distinguished leader of the minority on this committee can answer his own question better than I can.

Mr. HARDY of Texas. I do not think there is.

Mr. EDMONDS. You might say to the gentleman from Texas that the original shipping bill, of which he was a potent factor in drafting, carried all the protection possible to the shipping interests and to the people interested in everything connected with shipping.

Mr. HARDY of Texas. I want to say that the original bill was without a substantive provision, and this bill has a substantive provision. And there was no——

Mr. EDMONDS. I say at that time it was impossible for us to regulate the rates in the foreign trade and competition, but we put every restriction in the original bill that we could to prevent abuses and hardship to the people.

Mr. HARDY of Texas. Let me ask the gentleman just one question: There is nothing in this bill that gives the Shipping Board or any other public authority the right to reduce rates?

Mr. EDMONDS. Nothing other than we gave in that act, nothing in this bill.

Mr. HARDY of Texas. Then there is nothing in this bill.

Mr. CHALMERS. This is very interesting, but it does not get across the proposition I want to discuss.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GREENE of Massachusetts. How much time does the gentleman wish?

Mr. CHALMERS. I will take 10 minutes.

Mr. GREENE of Massachusetts. I yield the gentleman 10 minutes.

Mr. CHALMERS. I want to say in good faith I believe this country must be relieved from the high freight rates or we will be bled white and smothered commercially under excessive freight rates. I am in favor of lake and river transportation of freight as well as ocean transportation. I think that history will bear me out in saying that that country is the most successful commercially that makes the ocean its first transportation unit. My opinion is that the rivers of this country, the Mississippi, the Missouri, the Ohio, the Columbia, the Delaware, the Willamette, the Tennessee, and others, should all be developed and improved to carry their portion of this freight load. But I want to put in the RECORD this prophecy—I may not be here at the time and some of you will—but by the years 1932 and 1933 the great St. Lawrence seaway will have been completed.

Mr. Chairman, I am personally against subsidies; I am opposed to all forms of special privilege; but I am not opposed to extending sufficient Government aid to save the American fleet, so that it may in future years serve that great midwestern continent lying between the Allegheny and Rocky Mountains. It is the most productive region of the world, a modern Garden of Eden. When the St. Lawrence River project is completed and the 34 miles of rapids in this river are canalized and a 30-foot channel is opened from the Great Lakes to the Atlantic Ocean, the American merchant marine will help this great continent to take its place as a world leader.

That is why I favor the bill. I favor it because I want to save it for future generations. I want to see the waters of this country developed so that in 1932 one-half of the freight load of the United States, 500,000,000,000 ton-miles, will be handled by the rivers and harbors and inland and coastal waters of the country. If you can save 13 mills per ton-mile on the freight load in 1932, you will save approximately six and one-half billions of dollars annually to the shippers and consumers of this country. [Applause.]

I desire at this time to place in the RECORD some arguments in favor of the construction of the American seaway, or the Great Lakes-St. Lawrence deep waterway.

It has been said that the region of the valley of the Great Lakes is the cream jug and bread basket of the world. I want to say to you that if we are compelled to wait to send that cream and bread by rail and then by ship the cream will turn sour and the bread will get stale before they reach the consumer. It has been said that this seaway will be closed to traffic three months of the year. Well, what of it? If I were a merchant in any Great Lakes port and had a shipment to make on the day the season closed in the fall and it was at the time of the peak load of prosperity, if this seaway were completed I would wait for the spring opening in March and would then ship direct to the foreign port, and would beat any possible shipment by rail to New York City to be transferred there to an ocean liner.

The Undersecretary of State for Sweden informed me last February that during January, 1920, he was requested, while filling a post as consul in Chicago, to arrange for a shipment of several automobiles to Sweden. The credit was arranged, the purchase was made, and the automobiles shipped in January, 1920. They were shipped by rail to New York and from New York to Stockholm by ship. They reached Stockholm after winter had set in, in the late fall of 1920. If these automobiles had been shipped from Detroit or Toledo direct by boat to Stockholm, leaving the last of March, they would have been ready for delivery to customers before the last of April.

The railroads are inadequate to handle 40 per cent of the traffic during normal times and are hopelessly behind. It would take an expenditure of $1,000,000,000 a year for the next 20 years to eliminate this delinquency and bring the railroads abreast the natural growth of business. Vice President Elisha Lee of the Pennsylvania Railroad says that the demands upon the railroads double every 10 years. You know what that means.

The railroads have not had a building program for the past eight years. There is less railroad mileage now than there was in 1914. What will be the demands in 1930? Relief from that source is hopeless. The very return of the country to normalcy will tend to choke the business life out of the Nation by a lack of proper circulation. We must have relief, and the only relief in sight that we can avail ourselves of is the development of our waterways. That country is most prosperous that makes the sea the first unit of its transportation scheme. Don't blame us for a longing for an ocean port. It has been the desire of men and nations since the dawn of civilization to have an outlet to the sea.

Let me discuss with you frankly some of the benefits to the Middle West of this American seaway. In 1890 our railroad tonnage was 79,000,000,000 ton-miles; in 1900, 141,000,000,000 ton-miles; in 1921, 448,000,000,000 ton-miles; maintained at this rate of gain, in 1930 the total would be 800,000,000,000 ton-miles, and in 1932, when the canal will be opened to the shipping of the world, about 1,000,000,000,000 ton-miles. We are carrying freight now on the Great Lakes for a little less than 1 mill per ton-mile. On the ocean it varies from 1 to 3 mills per ton-mile. The average for the railroads is about 15 mills per ton-mile. Taking the water rate as averaging 2 mills per ton-mile, there is a difference in favor of the water haul of 13 mills per ton-mile. The waterways should be developed to carry one-half of the tonnage of the country. That would show water-carrying capacity of 500,000,000,000 ton-miles, which at 13 mills would show a saving of $6,500,000,000 per year.

The most extravagant thing this country can do at this time is to neglect its waterways. The successful peoples of the earth have been masters of the deep. During all time the prosperous nations of the world have been those who have made the ocean their first transportation unit. Just now the United States is coming into its own. We have ships to make our merchant marine the greatest and most efficient on the seas. We have ships, the organization, the will, but we have not the business. If we could only clear away the barriers made by the rapids of the St. Lawrence and let those ships into the Great Lakes and the Mississippi Valley territory they would pick up more business than they could handle. The Shipping Board has property valued at three and one-half billions of dollars. Five per cent of this amount would more than pay the American part of the St. Lawrence improvement. The Shipping Board is losing millions every year. Turn the Great Lakes into the Mediterranean Sea and you will change the merchant marine of the United States from a losing proposition into a profitable business. What private business management would hesitate to spend 5 per cent of its investment to turn a fatal loss into a magnificent profit? The time is here, the necessity is crowding us to the wall. The landlocked continent lying between the Rockies and the Alleghenies, the bread basket and cream jug of the world, the land of golden opportunities, rich in raw materials, lumber, coal, minerals, agriculture, and manufacturing products, must find a water highway to the ocean or we must surrender our enviable position as a world leader.

Mr. Lee further says that to handle the traffic of 1930 the railroad expenditures must be appalling; that is, it will be impossible. Every possible avenue of transportation is going to be needed. Therefore the development of water transportation from the center of the continent to the seaboard will be of immense advantage to the railroads.

The next time our country has a real revival of business we shall in all probability be confronted with the most severe congestion of railway traffic and the greatest inadequacy of railway facilities ever experienced in this country. Nothing could more quickly check a wave of prosperity than the inability of our railroad facilities to handle the traffic.

There are some things that must be taken for granted. We will not have time in 30 minutes to prove everything in a world project of the magnitude of the American seaway. You know there are some axioms or self-evident truths that must be taken for granted, even in such an exact science as mathematics. I give you my word that every statement of fact I use to-day has been checked up by Government experts and may be relied upon, even if I do not stop to prove them all.

In a word, let us see what the trouble is. I have seen seven reasons given by the opponents why this seaway is impossible.

FIRST, CLOSED SEASON.

They say that it will be closed in the winter. The record shows that, on the average over many years, the port of Detroit closes on December 18 and opens March 18, three months. What of it? The other seven or eight or nine months of the year the Detroit River carries more freight in tonnage than any other similar stretch of water in the world, not excluding the port of New York, for 12 months in the year. There is a certain freight load to carry each year. If the waterway can do its work in eight months, let it rest for the three or four winter months.

They talk of icebergs and fog. A report just issued by the New York Institute of American Business on the fallacies of the St. Lawrence waterway scheme says that Montreal is now one of the greatest grain-exporting ports in America. They are right. In 1921 Montreal received 138,453,980 bushels of grain. They handled more grain than all the Atlantic ports combined from Maine to Florida. They handled it with a little, old, antiquated, one-horse shay, man-operated, 14-foot, dilapidated canal, with no lock large enough to take in either a lake or ocean carrier. Give us a modern, up-to-date American seaway with only seven mammoth 860-foot cement locks, 30 feet over the sills, automatic control, with electric power taking the place of man power, and the West will come into its own. Such an unrestricted seaway will accommodate all the lake and 99 per cent of the ocean carriers. The grain and commerce from the Middle West and South and West will pass Buffalo without paying toll, will pass down the middle of the great St. Lawrence, past Montreal and Quebec, without paying tribute, and land their cargoes in Boston, New York, or any other market in the wide world. A statement just issued by the Port Commission of Montreal says that not a vessel nor a pound of cargo was lost by the St. Lawrence route during the year 1921.

They say we will meet exorbitant insurance rates. The lowest insurance rates prevail on those routes most frequented by traffic. That is on the main-traveled course. Wait until we open the American seaway from the loading station of the world to the markets of all nations and we will show you low insurance rates.

They say it runs through foreign territory and that it will injure Boston and New York to the advantage of Montreal and Quebec. Is that the reason why Montreal and Quebec are fighting the project even more successfully than New York and other Atlantic ports? The Quebec members of Parliament, the whole 65 of them, are all against us. One New York Congressman and several New England Members are with us. We have discussed four objections. Now let us take up the last three more in detail.

1. They say it can not be built; it is an engineering impossibility. It is the easiest great engineering project that America has ever been asked to solve. Sometimes I ask myself why the big-visioned men of the past failed to utilize this wonderful natural resource. It means greater prosperity for the country—not for any select section, but for all our people. The completion of this waterway is a program that interests us all. No matter what section of the country we come from we must work together in this one great cause. It is too big and too important a thing to permit sectional rivalries to overshadow our sense of justice and fairness. In the final analysis prosperity can come to America only when all the people are prosperous, and the Great Lakes-St. Lawrence improvement will do much to bring about that desired end. There is no excuse for prejudice and no reason for jealousy.

The International Joint Commission and the American and Canadian engineers have definitely answered the questions of feasibility. How simple are their plans! How easy of construction!

The 182 miles of river from Montreal to Lake Ontario are divided by the commission into five divisions. The first division is from Montreal to Lake St. Louis, 25 miles, 13 miles of canal and 12 miles of river, with an elevation of 45 feet. In the canal section they make use of two locks and a guard lock. The second division is from Lake St. Louis to Lake St. Francis, 16 miles, with an elevation of 83 feet, 13½ miles of canal and 2½ miles of river. In this section they place two locks and one guard lock. The third section is from Lake St. Francis to St. Regis Island, a distance of 28 miles, all open sailing, with a change in elevation of 3 feet. The fourth division is from St. Regis Island to Chimney Point, a distance of 48 miles, 7½ miles of canal and 40½ miles of river. The elevation is 92 feet, and they use three locks in the canal. The fifth section is from Chimney Point to Lake Ontario, with wide river sailing the whole distance of 65 miles, with a change of elevation of only 1 foot. The power works are recommended to be placed in the fourth section, on the international boundary line, and provide for the development of a million and a half horsepower of hydroelectric current.

2. Even if completed, they say, it will not be used. Why, friends, it is used now, with all its handicaps. The Great Lakes, practically land bound, handle more commerce than any other waters of the world. The south shore of Lake Erie from Toledo to Buffalo, inclusive, handled more tonnage in its harbors in 1918 than both Germany and France did combined in 1914.

3. It will not pay. This objection is answered in the second. If it is used, it will pay. The St. Lawrence Canal will cost $275,000,000 for a 30-foot channel, with the permanent works built so that it can be later deepened to 35 or 40 feet. These costs were figured between July 1, 1920, and July 1, 1921, when materials and labor were 20 per cent higher than now. The added value to the grain crop will more than equal the entire cost of construction each year after its completion. The price of a commodity is fixed where the surplus of that article comes in competition with similar commodities from other parts of the world. Hence the price of grain is made in Liverpool. Whenever you can cut the cost of sending a bushel of wheat from Kansas to Liverpool or a bushel of corn from Illinois you add that saving to the wealth of the farmers of those States. This does not apply to the surplus only, but the price of the whole crop is fixed by the price of the part of it that is thrown upon the market.

Canada is rebuilding the Welland Canal. It is now about 40 per cent completed. When the Welland Canal is finished and the St. Lawrence is completed, as recommended by the International Joint Commission, the Great Lakes will be turned into a Baltic or Mediterranean Sea. With a 30-foot channel from tidewater to the Great Lakes, Buffalo, Cleveland, Toledo, Detroit, Duluth, Superior, Milwaukee, and Chicago will have the same freight rates from Liverpool and other foreign ports as those in force from the same ports to New York City. Do you business men realize what that would do to business? Do the farmers and manufacturers realize what it would do to them to have the cost of the railroad haul eliminated from Chicago, Milwaukee, Duluth, Detroit, Toledo, Cleveland, and Buffalo to New York City? It costs 22⅝ cents to ship a bushel of wheat from Chicago to New York by rail. Save it and give it to the farmers. It costs $40.65 to ship an automobile weighing 3,000 pounds from Toledo or Detroit to New York. Save it and divide it among those who make the automobiles. It affects equally all the territory between the Alleghenies and the Rockies. When this seaway is completed the freight rates will be revised radically downward.

You ask me what proof I can submit to substantiate the above surprising statement? It is 160 miles farther from Liverpool to Cleveland by the St. Lawrence River than it is from Liverpool to New York. It is 275 miles farther to Toledo, 325 miles farther to Detroit, 860 miles farther to Chicago, and 950 miles farther to Superior and Duluth. What difference does even 1,000 miles make on a seaway? All the Atlantic seaports now, although some of them are 1,000 miles apart, have the same Liverpool rate. Let me quote from the report of the International Joint Commission:

"The commission is inclined to agree with the statement that there is a productive interior, ships will proceed as far inland as physically practicable, and that the farther inland they can penetrate the greater will be the resulting economy and the more extensive the area benefited." Notable examples of rivers on which considerable traffic has been developed by ocean-going ships are the Amazon, the Yangtzekiang, the Rhine, the Danube, the Columbia, the Willamette, the Delaware, the lower Mississippi, and the St. Lawrence itself. It appears in evidence that the same rate of freight was paid from New York to Bombay as from New York to Calcutta, although the latter port was 2,000 miles farther and involved 90 miles of a tortuous river channel much more difficult than the St. Lawrence. It may be noted that ocean shipping has to an increasing extent made Montreal its destination, although railroads extend down both banks from Montreal to Quebec.

Two thousand miles farther and a tortuous channel of 90 miles make no difference in the rates. The total restricted channel of our seaway, including both the St. Lawrence and Welland Canal, is only 59 miles. The equal rates from the lake ports are not visionary but are a corollary of the present practice.

Forty-seven per cent of all the tonnage shipped over sea originates in the territory west of Pittsburgh, east of Denver, and north of the Arkansas and Tennessee Rivers. Ninety per cent of all produce shipped abroad is grown in this territory. The value added to the grain of this region each year would more than pay for the cost of this project.

Now, I come to a part of this project that the East is vitally interested in. I refer to the hydroelectric possibilities. The value of the hydroelectric energy derived from the power works will add to the business of Boston more than ten times the possible loss from navigation. You are interested in this

project by the possibilities from its hydroelectric development. The St. Lawrence drains one-fourth of the American Continent north of the Mexican border and in its course falls 224 feet and is capable of delivering more than 5,500,000 continuous horsepower. This is equal to the energy created by the burning of 60,000,000 tons of coal in the most modern steam plant. I call your attention to Professional Paper No. 123, issued recently by the Interior Department, W. S. Murray, chief engineer, recommending a superpower circuit, including Boston, New York, Baltimore, Washington, and adjacent territory.

On the 7th of April last President Harding, Vice President Coolidge, and the entire Cabinet gave the whole session to the discussion of this great project, with Secretary Hoover explaining its advantages.

WHAT IS THIS POWER WORTH?

Senator Leonard W. H. Gibbs, chairman of the New York State Commission, opposed to the St. Lawrence Ship Canal, says 5,400,000 potential horsepower of electric energy available on the St. Lawrence at $25 a horsepower, and you may be sure it will never be sold so low, amounts to an annual income of $135,000,000.

Massachusetts last year raised 33,000 bushels of wheat. The Department of Agriculture reports that the annual consumption of wheat in Massachusetts is 5 bushels per capita. The Commonwealth's 4,000,000 population multiplied by five equals 20,000,000 bushels of wheat consumed each year by the people of the Bay State. Their wheat fields produced only 33,000 bushels of wheat last year—less than enough to last the people two-thirds of a day. So the wheat they produce is negligible. Ten million hundredweight of flour must be shipped into their State each year to supply the needs of the people. If that flour is shipped by rail from Fargo, N. Dak., it will cost 62 cents per 100, or $6,200,000. When this deep waterway is built it can be shipped from the wheat fields of the West to Boston for $4,050,000, or a saving to the bread consumers of $2,150,000 per year—enough to pay you to buy all the wheat shipped from your port and dump it into the harbor where your forefathers dumped the tea at the Boston Tea Party.

The St. Lawrence waterway will make millions each year from coastwise navigation. It will make tens of millions from its hydroelectric works. It will light homes, stores, streets, factories, and cities. It will do the work, run the street cars and railroads at less than half the cost of to-day. We are just in the morning of the electric day. The greatest progress of science and inventions in this age will be made in the electric field.

I leave that part of the discussion with you. You are fair-minded men. You will readily see that the United States is not as it was 140 years ago, a narrow strip of coast lying between the Alleghany Mountains and the Atlantic Ocean. Beyond those mountains to-day is a vast domain whose people are interested in this seaway. Its success goes much beyond merely passing interest. It means their life or death commercially.

This project is more than a mere business proposition. Its potential possibilities are limitless. It contains romance, comedy, tragedy, life, and death, not only to this generation but to countless generations yet unborn. Let us be pioneers and promoters of this the greatest and most beneficent enterprise of the age.

Over beyond the Berkshire Hills and the Adirondacks, between Buffalo and the Rockies, there are forty-two and one-half millions of people who are being commercially smothered by a lack of transportation facilities. They are gasping for breath under the weight of high freight rates. The grain is rotting in the fields. Their automobiles are reaching the world markets a year out of date. They will be bled white by high freight rates unless relief comes, and the only relief is in the development of the national seaway provided by God at the creation; obstructed by only 34 miles of rapids. Those rapids are watched over and guarded by New York as Leonidas guarded the Pass of Thermopylæ. You would imagine by this opposition that if this seaway goes through, grass would grow in Broadway and cows would be herded in Fifth Avenue, and the sheep and the lambs would go unmolested, even in Wall Street.

I am appealing to the Members of this House, where right and justice has always been given first consideration. No; the West will find its way to the sea. The 34 miles shall not stop them, even though guarded by selfishness and avarice and those who would exact a toll as our commerce passes through.

It is right, and, if so, you can not kill it off by fighting it. You will remember that a certain doctor of the law gave the Sadducees some pretty sound advice many years ago in the following words:

"And now I say unto you, refrain from these men and let them alone, for if this counsel or this work be of men it will come to naught; but if it be of God, ye can not overthrow it, lest haply ye be found to fight against God."

They thought they could kill the Great Emancipator by shooting him. They did not kill Lincoln. They killed themselves. They thought they could bury Lincoln and that he would be forgotten.

And so they buried Lincoln! Strange and vain!
Has any person thought of Lincoln hid
In any vault 'neath any coffin lid
In all the years since that wild spring of pain?
'Tis false, he never in the grave has lain.
You could not bury Lincoln tho you slid
Upon his clay the Cheops pyramid
And heaped it with the Rocky Mountain chain!
They slew themselves, they but set Lincoln free,
In all the world his great heart beats as strong—
Shall beat while pulses throb to chivalry
And burn with hate of tyranny and wrong.
Whoever will may find him—anywhere
Save in the grave—not there, he is not there.

Mr. BANKHEAD. Mr. Chairman, I want to ask the chairman of the committee how much longer it is the intention to run?

Mr. GREENE of Massachusetts. I have two more speakers who want time.

Mr. BANKHEAD. I yield to the gentleman from Texas [Mr. BRIGGS], a member of the committee, 20 minutes.

Mr. GREENE of Massachusetts. I have two men who wish to occupy 10 minutes each.

The CHAIRMAN. The gentleman from Texas is recognized for 20 minutes.

Mr. BRIGGS. Mr. Chairman and gentlemen of the committee, I want to discuss this bill dispassionately and in the light of the facts developed at the hearings. I want also to dissipate some of the myths associated with this subsidy legislation, regarding the effect it would have if the bill is passed. There are also some other matters to which I want to devote some attention. One of them is this: The disparagement of the great Government-owned fleet, a fleet of over 12,000,000 dead-weight tons, the newest and best in the world to-day.

The president of the United States Steel Corporation, Mr. James A. Farrell, stated in an address last May that with few exceptions the fleet and vessels in it were as fine as those of any other nation. The president, Mr. H. H. Raymond, and the vice president and general manager, Mr. Winthrop L. Marvin, of the American Steamship Owners' Association, confirm this statement, though these two last gentlemen claim one-half of the tonnage is not suitable for general use.

And yet the people of the United States are constantly led to believe that this great ocean fleet which belongs to them is nothing but a colossal wreck. They are also led to believe that if this subsidy bill should pass it would promptly put upon the high seas all the vessels owned by the United States which are now tied up, a thousand or more; that all the vessels which the Government owns will be promptly disposed of, and disposed of at substantially increased prices.

What are the facts, however, as disclosed at the hearings with respect to these assertions or arguments? The facts are that the chairman of the Shipping Board himself testified that only 5,000,000 tons out of the 10,000,000 could possibly be utilized under the subsidy bill; that the other 5,000,000 tons might be classified as only from fair to useless. And not a member or official of the Shipping Board could tell how much of that 5,000,000 tons is fair and how much useless.

What could be the effect of that upon the buyer? Do you think that any man with that sort of condemnation would pay anything for the vessels, however good they might be? Does any man feel that it would be an inspiration to any man to try to operate them after they have been subjected to such condemnation, except some shrewd buyer who knew their worth and could buy them for little or nothing?

But this was not all. Chairman Lasker testified that he doubted "if under the happiest conditions the American flag will need the 3,000,000 gross tons, or 5,000,000 dead-weight tons, in its entirety." So that even if the subsidy bill should be passed it is not expected that even one-half of the present Government-owned fleet will ever be used.

Chairman Lasker has suggested that it will have to be done away with somehow; part possibly sold for conversion purposes, part disposed of abroad, and probably a large part will be junked.

Therefore, you might as well take from your minds the idea that these 1,000 ships that the Government owns are going to be put back upon the sea even under this subsidy measure, unless, as Mr. Farrell, of the Steel Corporation, says, trade re-

vives. He believes it will do so within the next two years, and predicts that many of the ships which in his own language he says the public believes are obsolete may be found wending their way to the ports of the world with paying cargoes.

When I asked one of the leading advocates of this bill, the vice president and general manager of the Steamship Owners' Association, how many more ships could be sold, in his opinion, after the subsidy bill was passed, if it should pass, than could be sold without it, he could not tell, and he would not venture a guess except to say that possibly within a year they might sell several hundred thousand tons out of the over 10,000,000 tons which the Government owns.

Not only that, but everyone who advocated the passage of this bill before the joint committees of Congress always qualified his remarks as to the success of this subidy bill, if passed, upon the vital thing that the American people should know, and that is that unless trade revives, and until ocean trade revives, you could not put the ships back upon the high seas. When that condition obtains you will, of course, need no subsidy, as it is admitted by Chairman Lasker that only a slight upturn in trade is needed to wipe out the operating losses which the Government now sustains.

Why, when I asked the president of the American Steamship Owners' Association how many more ships they would operate upon the seas if the subsidy bill passed than are being operated now he made the startling admission and statement that he thought they would have to tie up more vessels—some of those that are now being operated.

Does that sound like bringing to the people of the United States relief from stagnant conditions and putting their ships back upon the seas? Does that sound like justification for imposing upon them from $500,000,000 to $1,000,000,000 in 10 years, at the least, and the Lord only knows how much longer if the bill passes and it shall be kept upon the statute books of the Nation?

Mr. EDMONDS. Mr. Chairman, will the gentleman yield?

Mr. BRIGGS. Yes.

Mr. EDMONDS. I just wanted to state to the gentleman that the percentage of tonnage tied up in this country is very much greater than that tied up in other countries.

Mr. BRIGGS. I know that is true, and that a tremendous amount of tonnage is tied up all over the world. I know that witnesses have testified that the decline in the ocean trade has been the greatest the world has ever known. Let me answer the question further. I know that they testified that, the world over, they were losing money. I know that Mr. Lasker testified to that fact before the Committee on Appropriations. It was testified to also by Mr. Love, the vice president and general manager of the Emergency Fleet Corporation.

I know it was testified to by Mr. Marvin, the vice president and general manager of the American Steamship Owners' Association. But, my colleagues, it was further testified to that the reason 75 per cent of the Shipping Board fleet, the United States owned fleet, was tied up was to enable private owners to operate, and that that had resulted in the operation of 75 per cent to-day of the privately owned fleet and only 25 per cent of the Government-owned fleet. The hearings reflect the fact that the Shipping Board, every time a private line wants to become established, has withdrawn the Government line. I am not criticizing that policy. I commend that policy, because I believe in it. I want a great American merchant marine, as I believe every true American does. I believe that the ships ought to be privately owned and privately operated; and as soon as world conditions improve in trade they will be privately owned and they will be taken by private operators if you will withdraw from those who want to acquire these ships at an unconscionable sacrifice the bait of a subsidy amounting to from $500,000,000 to $1,000,000,000 a year to pay them for taking over for an insignificant amount the world's greatest and finest fleet, which, however, they will not promise to operate until ocean trade revives.

Mr. J. M. NELSON. Will the gentleman yield?

Mr. BRIGGS. I am sorry, but I have only 20 minutes. In my opinion, you would have had even greater strides toward improvement in the development of the American merchant marine if the subsidy legislation had never been proposed. In my opinion, it has been a demoralizing agency. It does not give even a promise of restoring the American fleet to the ocean.

In this connection perhaps it is just as timely as anywhere else to say that one of the favorite arguments being made here and preached to the American people is in the form of a query: What are you going to do if you do not adopt subsidy?—always assuming that subsidy is going to do what nothing else can do. The whole fallacy lies in the fact that subsidy promises no relief, but involves tremendous harm, not only to American shipping but to the people of the whole Nation. The experience of the United States in the past as depicted by Spears in his "Story of merchant marine," 1915 edition, page 274, is that in the days of the old Collins Line the subsidy destroyed private initiative upon the Atlantic and took the spirit and initiative of American genius out of American shipping.

Spears says:

In the United States the paying of subsidies to a few lines simply killed private enterprise on the North Atlantic.

The present Shipping Board in the first study (marked "Exhibit A" in the hearings) which it sent to Congress frankly admitted that, with the possible exception of Japan, subsidies have proved a failure in building up the merchant marine of any country. Even in the case of Japan, Chairman Lasker also stated in the hearings that extraneous causes were very potent in the development of the Japanese merchant marine. (P. 222, hearings.)

As disclosed recently by the Department of Commerce, war conditions, not subsidies, were most largely responsible for the rapid increase in the Japanese merchant marine.

The department stated:

Two years of submarine warfare developed Japanese shipbuilding and Japanese shipping at seven fold the rate of its increase in 20 years under a carefully devised bounty project.

In 1918 the Japanese Government terminated its shipbuilding bounties.

It was, moreover, the World War which gave the tremendous impetus to ship construction in the United States and brought forth the great fleet which it now owns.

The past experience of the United States with subsidies and subventions has been far from an encouraging one, and chiefly resulted only in bringing about increased demands for more subsidies instead of building up a merchant marine. The testimony adduced at the hearings fully establish this fact. It shows that such experiments proved so expensive and fruitless in results the payments of subsidy were abandoned and postal subventions, such as have been employed by other nations, were relied upon.

The testimony at the hearings reflected that since the passage of the ocean mail act by Congress in 1891, which is sometimes known as the postal subsidy law, the Government has expended over $29,000,000, as shown in the following table (p. 182, hearings):

Payments on contracts which continued into the fiscal year ended June 30, 1921 (ocean mail act, 1891).

Fiscal year ending June 30—	American Line, New York to Antwerp, Southampton.	Oceanic Co., San Francisco to Sydney.	New York & Cuba Mail Co., New York to Vera Cruz.	Red D Line to Venezuela, New York to—		Total for the year.
				Puerto Cabello.	Maracaibo.	
1892	.....	$55,000	.....	$27,075	.....	$82,075
1893	.....	56,000	$85,068	81,287	.....	271,810
1894	$188,720	56,000	130,104	79,030	.....	527,330
1895	220,258	55,000	130,104	79,030	.....	557,868
1896	512,028	56,000	130,104	79,030	.....	850,638
1897	757,680	135,000	130,104	81,288	.....	1,177,548
1898	580,800	136,000	102,582	63,224	.....	940,539
1899	485,674	136,000	87,570	42,902	.....	868,399
1900	647,278	136,000	130,104	54,192	.....	1,162,305
1901	528,538	133,272	127,602	56,450	.....	1,036,828
1902	662,184	283,203	130,104	53,528	$15,280	1,377,792
1903	660,672	283,203	130,104	63,315	39,049	1,402,354
1904	690,483	283,203	132,606	66,880	42,445	1,417,961
1905	662,688	299,862	130,629	63,315	44,143	1,431,621
1906	762,638	249,885	130,884	63,315	45,841	1,481,916
1907	691,224	133,272	130,884	63,315	44,143	1,265,515
1908	737,016	.....	130,884	58,445	44,143	1,185,149
1909	737,536	(1)	130,884	42,993	44,143	1,150,757
1910	676,480	(1)	133,401	63,173	39,049	1,114,603
1911	646,472	(1)	130,884	63,149	44,143	1,074,945
1912	570,672	.....	150,884	63,210	44,451	1,003,161
1913	626,650	201,916	124,288	62,972	43,300	1,144,631
1914	673,998	201,916	97,566	62,972	34,640	1,089,261
1915	714,178	201,916	69,690	65,394	45,032	1,096,010
1916	665,952	248,512	74,336	60,550	41,568	1,090,918
1917	639,342	279,576	60,158	55,706	34,472	1,069,254
1918	509,692	248,512	55,752	60,550	32,906	907,414
1919	.....	170,852	72,013	38,752	36,372	317,989
1920	198,288	186,384	60,398	53,134	35,724	533,928
1921	150,624	170,852	60,298	50,862	36,372	469,008
Total	15,597,765	4,397,336	3,189,989	1,813,038	787,218	29,099,627

[1] Discontinued and resumed.

NOTE.—Payments on contracts which had lapsed prior to 1921: The annual payments made under the contracts mentioned in paragraphs 1, 2, and 3 are included in the last column above, marked "Total for the year."

1. From San Francisco to Tahiti by the Oceanic Steamship Co. from 1902 to 1912, the payments aggregating $421,566 for the whole period.

2. From New York to Habana by the New York & Cuba Mail Steamship Co. from 1903 to 1913, the payments aggregating $1,423,074 for the whole period.

3. From Boston and Philadelphia to Jamaica by the American Mail Steamship Co. from 1909 to 1914, the payments aggregating $1,469,841 for the whole period.

In addition to these payments the Government has also paid out over a period of 10 years, from 1912 to 1921, more than $18,000,000 for carriage of mails in American vessels, based upon a rate authorized by the act of 1872, which allows 80 cents a pound for first-class mail, and 8 cents a pound for mail of other classes, regardless of distance, as against the international postal rate of 35 cents a pound for first-class mail, and 4½ cents a pound for mail of other classes.

Under its contract with the Collins Line, the United States Government paid out from 1848 to 1858, in subsidies, $14,400,000.

The United States Government, as further shown by the hearings, has also extended in recent years additional aid.

The only difference, apparently, between the pending proposal for subsidies and those which were tried out and failed in the past, developing not only waste and extravagance and insufficiency but no fleet, is in the colossal amount of subsidy carried in the pending bill from which the American people could not hope to escape, if the bill is passed, within a period of at least 10 years. The President in his message to Congress, the early part of this week, referred to a period of 25 years, and witnesses, advocating the subsidy at the hearings, indicated its continuance as a permanent policy.

Strength is added to this probability because the pending bill expressly declares that all moneys paid into the merchant marine fund for distribution and subsidies are permanently appropriated.

The bill, moreover, makes no provision whatever for the expiration of the subsidy legislation.

It is true contracts for subsidy are limited to 10-year periods, but new contracts may be made each year as long as there is any money left in the merchant marine fund for the payment of subsidies.

PROSPECTS OF RETURN OF SUBSIDY.

Return of subsidy only applies to such years as show excess earnings over 10 per cent net, and not to years in which subsidy is paid, where return is less than 10 per cent net, even though in subsequent years unusually large profits are made. (Pages 427–428, hearings. Testimony of Mr. Beecher.) It was apparent at the hearings that it was not seriously contemplated there would ever be much, if any, subsidy returned.

On question of return of excess earnings over 10 per cent net, Mr. Beecher, counsel for the Shipping Board, testified:

(Pages 422–423, part 7, hearings.)

Mr. BRIGGS. Well, it is intended, under this bill, as I understand at least, that they shall be entitled to earn a 10 per cent net operating income, isn't it?

Mr. BEECHER. That they shall be entitled to earn that?

Mr. BRIGGS. If they can, and the subsidy would apply if they do not. I mean, the subsidy applies whether they do or not, but doesn't allow them to make more than that, because 50 per cent above that sum, until they have refunded what they have gotten back during that period, has to be returned.

Mr. BEECHER. That is right.

Mr. BRIGGS. Based upon that provision in this bill, I am asking you whether an estimate has been made as to what return section 203 would mean to the shipowner in the way of tax exemption.

Mr. BEECHER. No; I hardly see how even a guess could be made at it. Of course, it is entirely dependent upon how much shipping there is engaged in the business, and to assume that any shipowner will, in fact, make 10 per cent this year, next year, or in any given time is an assumption for which, of course, there is no foundation. We only have hopes; that is all.

Mr. BRIGGS. But isn't that the practical foundation of the bill, that it is expected he ought to be able to earn that much as operating income?

Mr. BEECHER. I don't think there is any suggestion of that in the bill.

Mr. BRIGGS. Don't you think the suggestion is very plainly made on page 24, section 703, which says, "Whenever the owner of any vessel or vessels in respect to which he has received compensation under the provisions of this act shall have derived a net operating income from the operations of such a vessel or vessels in excess of 10 per cent per annum in any fiscal year during which he has received compensation hereunder upon his actual investment in such vessel or vessels and facilities employed in connection therewith, 50 per cent of such excess shall be paid to the United States Shipping Board to be placed in the merchant-marine fund, but in no event shall such owner be required to pay to the Shipping Board a greater amount than the total amount of compensation which he has received from the Shipping Board under the provisions of this act for the same period?"

Don't you think that distinctly contemplates he shall have earnings of 10 per cent net?

Mr. BEECHER. I think it is neither the contemplation, the suggestion, promise, or guaranty. It is merely the limitation upon his earnings under the subsidy if he is so fortunate as to make them.

Mr. BRIGGS. You don't think it is at all even contemplated—I don't mean guaranteed—but you don't think it is even in contemplation?

Mr. BEECHER. If you mean that either the Shipping Board or Congress, by this expression, is holding out to shipowners that they expect that they are going to make these sums, I should say emphatically no.

Mr. BRIGGS. How did they happen to use this expression in here at all—this 10 per cent—if it was not in somebody's contemplation that they might, under this measure, if passed and put into operation, earn that much and still be able to give it back? Isn't a whole lot of the very argument in favor of this measure that a good deal of this subsidy is coming back?

Mr. BEECHER. Of course, it is coming back.

Mr. BRIGGS. It doesn't come back until after the 10 per cent is earned.

Mr. BEECHER. It is coming back, after they earn the 10 per cent.

Mr. BRIGGS. Isn't it the theory upon which it is based? Hasn't it been argued very strongly all through the hearings thus far that this money is going to be paid back eventually?

Mr. BEECHER. I didn't hear it suggested——

Mr. BRIGGS. You don't agree with that at all? You don't think they will ever get the subsidy back at all, then?

Mr. BEECHER. They will if the earnings are sufficient.

Mr. BRIGGS. But you haven't any confidence in the earnings being sufficient?

Mr. BEECHER. I am not prepared to make any prediction on the subject.

Even Chairman Lasker stated at the hearings that he did not think that the proposed legislation would give an American merchant marine by the magic wave of a wand. (Page 27):

Mr. LASKER. It will be a good many years before we do not have any stuff left, with most favorable legislation. I want to make it plain here that I do not think the proposed legislation is going to, by the wave of a magic wand, give us a merchant marine.

At the hearings on the urgent deficiency appropriation bill of 1922, Chairman Lasker, on July 27, 1921, stated:

Those boats are laid up for two reasons: First, there is no world trade at all to warrant keeping them in operation, and, second, in building up the American merchant marine we undertook a great many things, and in many cases we took our Government-owned boats off and gave preference to privately owned boats, because our only hope of getting out of this awful mess of Government ownership was to have some company to operate boats, so that when the world conditions were better we could dispose of the boats, but that will take time. (Page 8.)

The steamship owners who testified, and the Shipping Board officials as well, did not seriously contend that, even if the subsidy bill were passed, any more ships could be operated until there was a conspicuous improvement in ocean trade.

(Page 972, part 18, hearings.)

Mr. BRIGGS. But you do not think you could get anything, practically, for the fleet under existing conditions?

Mr. RAYMOND. Not to sell it all out, unless you go to work and give some benefits, some aids, and stop this stagnation.

If the subsidies, of course, were great enough, empty ships could be operated back and forth at an enormous cost to the people, but with benefit to no one. Even the Shipping Board and the steamship owners did not advocate this.

Chairman Lasker testified:

If your question means merely taking into consideration cash outlay for operation, any upturn in the world trade would end the cash loss. * * * If we do not get Government aid and we get an upturn in world trade, so far as cash outgo is concerned, that would be ended, but if we take into consideration the capital value of the ships, it will not. (Page 211, hearings, "Merchant marine bill." Page 951, hearings, "Independent offices appropriation bill, 1923.")

Mr. J. R. Howard, president of the American Farm Bureau, in his testimony stated that he would regard such a policy as unwise.

(Page 1782, hearings.)

Mr. BRIGGS. Well, now, Mr. Howard, of course you appreciate the conditions that obtain to-day in world trade, do you not?

Mr. HOWARD. Certainly.

Mr. BRIGGS. In fact, there has been a tremendous depression obtaining. The Shipping Board, out of the fleet which the Government owns, is only able to operate about 421 vessels, I think, at the outside. The rest are laid up. There is lots of shipping laid up in the world; lots of our fleet, the Shipping Board fleet, is tied up. Of course, when people do not buy the products, exchange products, and you haven't something to carry in the ships, it can not be a profitable operation in which to engage to move these ships back and forth empty?

Mr. HOWARD. There wouldn't be much money in that.

Mr. BRIGGS. No matter how much you might get to carry the lines on. If you carried empty freight trains back and forth across the country and taxed the people rates on that, it would be a serious obligation on the commodities when they did begin to move?

Mr. HOWARD. I wouldn't even ride to town and back in my wagon just for fun.

Mr. CHINDBLOM. We don't have to prove all these self-evident facts, do we?

Mr. BRIGGS. Well, I am just asking some of these things as dealing with existing conditions.

Mr. LAZARO. We do have to prove some of these self-evident things sometimes in order to look after the sale of stuff that belongs to the Government.

Mr. DAVIS. When they are being denied.

Mr. BRIGGS. Of course, you appreciate that if you have a commodity in vast quantity with but very little demand, no demand practically, and you say, "Well, I want you to get rid of this," it means you have to sell at such price as you can get, doesn't it, if you sell it?

Mr. HOWARD. If I recall, the statement which I made states that you have an excess of 20,000,000 tons of ships.

Mr. BRIGGS. You mean world shipping?

Mr. HOWARD. Yes; world shipping, and of course that surplus is going to depress the price and make the market very bad.

Mr. BRIGGS. Well, I say the conditions could not be any worse. I think everybody admits that very freely.

Mr. HOWARD. And there is going to be a continuing surplus for some time to come, evidently.

Mr. BRIGGS. Particularly until there is a trade revival?

Mr. HOWARD. Yes.

Mr. BRIGGS. A revival of trade to call for the utilization of more ships. Isn't that correct?

Mr. HOWARD. Yes.

Mr. Munson in his testimony at the hearings frankly admitted that in order to utilize and keep ships in service you have got to have a trade revival. He testified as follows:

(Page 1173, part 20, hearings.)

Mr. BRIGGS. You have heard of the bids that were advertised here the other day, that they were regarded by the chairman of the Shipping Board as a joke, have you not? Mr. Lasker so characterized them.

Mr. MUNSON. I saw that in the newspapers.

Mr. BRIGGS. There really is—even in spite of the fact of the sales prices of vessels as shown to-day—no market for ships, is there?

Mr. MUNSON. No; there is no market, and without some aid of this kind, Mr. BRIGGS, we are not going to have a good market for ships.

Mr. BRIGGS. And you have got to have a trade revival, a commercial revival, in order to utilize ships and put ships in the service anyway, have you not?

Mr. MUNSON. That is right.

Mr. BRIGGS. The trade of the world has declined to such an extent that that has been in a very large measure responsible for the tremendous disaster which has overtaken the shipping everywhere, is it not?

Mr. MUNSON. Yes, sir.

MORE SHIPS TO BE TIED UP, NOT OPERATED, EVEN WITH SUBSIDY LEGISLATION.

Likewise Mr. Raymond, president of the American Steamship Owners' Association, testified:

(Page 975, hearings.)

Mr. BRIGGS. Do you think if the Government turns over its fleet at once, as you said, that it would require more vessels to be tied up than are tied up now, or do you think it will mean any advantage in releasing some that are now tied up?

Mr. RAYMOND. I think it probably might mean tying more of them up.

Mr. BRIGGS. More of them being tied up?

Mr. RAYMOND. Yes; although I must say they are operating them with a great deal of experience and judgment. They have taken off, to my own knowledge, many, many ships that were unprofitable, and I think that they have done exceptionally well. I think those losses of $900,000 were for four hundred and odd ships, were they not?

Mr. BRIGGS. Something over 400 ships.

Mr. RAYMOND. The operating losses there for 400 ships under existing conditions for March is as good as anyone could expect.

Mr. BRIGGS. Are the private operators doing any better than that?

Mr. RAYMOND. I know some of us are not losing that much, because we haven't got the Public Treasury behind us, but we are losing money all right.

Mr. BRIGGS. Practically everybody is losing money in the shipping game right now, are they not?

Mr. RAYMOND. I could not say that. I don't know. I know some are.

So I say subsidy promises nothing. It does not promise to sell another ship, because men who are expected to buy those ships tell you they can not use any more ships than they now have; that even if you pass this bill they have got to wait until trade revives, in order to put the American fleet back upon the seas in full number.

Mr. Lasker testified before the Committee on Appropriations that with a slight upturn in ocean trade he could wipe out the operating losses sustained by the Government; not inclusive of depreciation, or of interest, but wipe out the operating deficit which the Government is paying to-day. All the advocates of subsidy, the ship owners and operators themselves, who appeal for the passage of this bill, tell you that even if the bill is passed they, too, must wait for ocean trade to revive before they can make a success of shipping and put the fleet back upon the sea.

The decline in ocean trade being the cause of the tremendous depression in shipping, and responsible for existing conditions, ocean trade must first be revived before the ships in larger numbers can be operated. The return of ocean trade will restore the fleet to the sea without a subsidy, and why therefore should the American people be taxed from $500,000,000 to $1,000,000,000 for a subsidy?

I say it is favorite procedure to ask "What plan have you, if you do not take subsidy?"

In the first place there is nothing in subsidy except an old man of the sea upon the necks of the American people in the form of the taxation which attaches to it; a taxation which has been figured out by one of the witnesses at the hearings to constitute an indirect tax of 10 cents upon every bale of cotton and a quarter of a cent upon every bushel of wheat in the United States.

Well, this question, "What are you going to do?" was asked of a very prominent official of this Government not long ago by the Committee on Appropriations, when the urgent deficiency bill of 1922 was under consideration, and when the subsidy advocates had not come before Congress urging the passage of a bill which they stated was one they had never dreamed of before.

When the chairman of the Shipping Board (for it was Mr. Lasker to whom the question was addressed by the Appropriations Committee) was asked for the plan that he then had to offer, what did he say? This, my colleagues, was his solution, and it is probably the only plan which can now be submitted. He said:

When the world shipping gets buoyant the avarice of men will make them want to increase their fleet and will sell the ships, and that day is sure to come.

They talk about the Democratic side here and others who oppose this bill on the Republican side leaning backward and favoring continued temporary Government operation. Why, the chairman of the Shipping Board himself suggested that as the only remedy, the temporary continued operation of the ships by the Government. He said, further:

"And the Government has got to keep the ships going, and put confidence either in ourselves or some others, to keep them going as efficiently as can be under the circumstances until such time arrives," until shipping gets buoyant again.

All through the hearings, time and again, the prominent exponents and advocates of a subsidy stated that they had to wait until ocean trade revives. Asked when, in their opinion, that would be, most of them said they thought within the next two years, that there had never been such a depression before.

My colleagues, it is urged upon this Congress that this subsidy means only $30,000,000 a year. Do not deceive yourselves with any such thought as that. Do not think for an instant that that is the limitation of cost. Why, the bill itself appropriates 10 per cent of the customs receipts, and 10 per cent of the estimated returns according to the latest figures would indicate over $40,000,000 a year. It further puts into the subsidy fund the tonnage taxes doubled under this bill, which are now $2,000,000, and which are increased to $4,000,000, making $44,000,000 in cash subsidies alone. Also provides for swelling the subsidy fund further by paying into it any excess earnings paid by shipowners, if there should ever be any such excess earnings. Provision is also made for doubling subsidies:

STATEMENT OF MR. R. T. MERRILL, DIRECTOR OF BUREAU OF RESEARCH, UNITED STATES SHIPPING BOARD.

(Page 485, hearings.)

Mr. GREENE. We will proceed.

Mr. BLAND. Mr. Merrill, in your estimate of $32,000,000 direct aid, to which you testified yesterday, have you taken into consideration the double aids allowed by the bill?

Mr. MERRILL. No, sir. That is estimated on the scheduled payments alone.

Mr. BLAND. Have you any estimate showing the amount of increase which would be occasioned by these double aids?

Mr. MERRILL. I could give you the amount of direct aid by schedule that any size, speed, and service will derive; and, of course, assuming the full figure of 100 per cent, it would be twice that, sir.

But this bill does more than that. It permanently appropriates every dollar which gets into that subsidy fund. If you spend only $30,000,000 one year, the accumulation is to stay in that fund for other years, to be used in the future. It is a growing fund, though out of it may only be spent $15,000,000 the first year and $30,000,000 the next year.

But that is not all. Your committee members, or some of them on our side, tried at the hearings to ascertain the value of the so-called indirect aid, how much that would amount to. Only in one respect could we get an estimate, and that estimate was with reference to the 5 per cent tax rebate—that it would amount to from $8,000,000 to $10,000,000 a year.

But they testified in that hearing that the indirect aids are more valuable than the direct aids or cash subsidy. If the direct aids under this bill will include between forty and fifty million dollars, the indirect aids must be more than equivalent; so, all told, they will amount to approximately $100,000,000 a year. Chairman Lasker testified, "Because of the great value it places on the indirect aids, the Shipping Board figured a very modest sum for direct aids."

If anybody reads this bill they will see that it bristles with tax exemptions of various kinds. I notice one of the advocates of the bill talked about the Shipping Board having power to decrease subsidies. I want to say that the subsidies can not be decreased without the consent of the gentlemen who secure that subsidy during the life of the 10-year contract. The subsidy is not going to be decreased by consent, my colleagues. It may be increased, but it will not be decreased.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. BANKHEAD. Mr. Chairman, I yield to the gentleman from Texas 10 minutes more.

Mr. BRIGGS. I want to discuss another argument frequently urged in support of this legislation, and that is that it means a reduction in freight rates. Why, on the contrary, it probably will mean an increase in freight rates. There is not a scintilla of regulation of ocean freight rates in this bill. It does put the railroads into the business of operating steamships in the foreign trade; it does, for the first time, perhaps, in the history of this country, allow the railroads to draw a subsidy for oversea operations in foreign trade. Yes; it does that, but it provides no regulation by anyone of the rates which may be charged in that ocean trade.

Mr. BOX. Will the gentleman yield for a brief question?

Mr. BRIGGS. Yes; for a moment.

Mr. BOX. Do I understand that the railroad companies connected with a steamship line will draw a subsidy?

Mr. BRIGGS. Certainly; draw it in the sense that under the bill they are entitled to it if the Shipping Board will award it to them.

Under the provisions of this bill the Shipping Board has unlimited power of determining who shall and who shall not get a subsidy. But under the power given, as specified in the bill, there is nothing upon which a man could rely so as to establish or protect a right to a subsidy in the courts of the land. The opinion of the board absolutely and finally determines who has and who does not have the ability, experience, character, and resources which would be reasonably calculated to carry out the policies of the law.

The President in his message last Tuesday said that, under the law of 1920, the failure to name a fixed interest rate for use of the construction loan fund "leaves the grant of building loans subject to any whim of favoritism." If this criticism can justly be lodged against merely the fixing of an interest rate on a loan, how much more strongly would it apply to the unrestrained power of granting or denying subsidies which is vested in the board by this bill, a power not subject to review in any court, and yet one which can make or destroy not only the steamship operator but ports throughout the United States.

Mr. Merrill, of the Shipping Board, also testified (p. 492, hearings):

Mr. MERRILL. The paper which I prepared yesterday showed, or was intended to show, the need for aid to American ships. It was not intended to claim, and I think does not, that all of those ships would get the full amount of aid. It was conceded that some might get none. How long and to what extent that aid would be needed we can not say. It is obviously needed in much the greater part of the ships to-day; but it might be—and this is the reason I can't give you a direct yes or no answer, much as I would like to, Mr. BRIGGS—it might be that these indirect aids may in time give enough aid—possibly within one or two years after direct aid—to place the ships on a self-supporting basis.

Mr. BRIGGS. I understand that. I understand there is a possibility that some of the lines—a great many of them, all of them—might succeed without any subsidy at all. I understand that. I do not understand, however, that we are just dealing here in the realm of possibility. I thought the whole thing was presented here on the basis of probabilities; and that is your argument here, that without these cash subsidies and other indirect aids the merchant marine can not live. I thought that was the whole gist of your argument yesterday.

Mr. MERRILL. Yes; largely.

Mr. BRIGGS. Well, that is what I thought. I am not asking for anything but frank statements. Now, if you leave out some of these American operators and give aid to others, the chances are that those who do not get it will not succeed, and those who do will. Is that the argument? Is that correct?

Mr. MERRILL. If the board——

Mr. BRIGGS. Just answer yes or no.

Mr. MERRILL. I can't answer that yes or no. If the board should give aid arbitrarily—refuse to give aid to a company otherwise entitled to it—it would have that effect, possibly.

Mr. BRIGGS. Yes; while the other line would go ahead and succeed?

Mr. MERRILL. Yes, sir.

Mr. SCHLESINGER. Hasn't the Shipping Board to-day got more power to put a company out of business by putting in competition or a fleet of its own boats?

Mr. BRIGGS. I am not saying that the Shipping Board to-day is not given a great deal of power. It is; but I think the witness here on the stand yesterday stated that this bill vests the Shipping Board with very much more power.

Mr. SCHLESINGER. I think it does.

Would it be said that with the great capital which the railroads possess they did not have the resources? Would it be said that the experience in inland transportation that they have acquired would not favor them when they applied for a subsidy? Would it be said that they would not have the ability?

My friends, this bill, in my opinion, means precisely this: It means the drifting of the finest fleet in the world to-day into the hands of a special few, a great syndicate or a group organized to take over that American fleet and be paid $500,000,000 to $1,000,000,000 to continue the operation, without any promise of continuance until trade conditions improve. But control of the Government fleet will carry with it the power to increase ocean rates. And does anyone imagine that power will not be utilized? The experience during and for a year and a half after the war closed was an era of fabulously high ocean freight rates, when ships in some instances were practically made to pay for themselves in a single voyage. Rates in some instances advanced over 1,250 per cent over pre-war rates. Of course, the demand for tonnage was almost unprecedented; but the people were made to pay all that the traffic would bear.

And yet without any regulation of ocean freight rates whatever, subsidy advocates would have the public innocently believe that those who acquire control of the Government's fleet will be interested chiefly in reducing ocean rates, and, apparently—from comparisons made with Government aid for highways and other great public works, which are free to all—not charging anything whatever for carriage of commodities on the high seas. The absurdity of such argument will be apparent to all.

The control by the Government of its great fleet has had at least some restraining influence in fixing of rates, and the instance cited by the gentleman from Pennsylvania [Mr. EDMONDS] of how promptly an advance in ocean rates on coal was checked by the Shipping Board calling into service additional vessels of its own was not only illustrative of the value of an American merchant marine, but especially suggested the thought whether if a private monopoly had then controlled our shipping such reductions would have been made.

The hearings disclosed that ocean freight rates are fixed by agreement between American and foreign lines and are arrived at in so-called conferences.

Mr. HARDY of Texas. Will the gentleman yield?

Mr. BRIGGS. I will.

Mr. HARDY of Texas. Would not the railroad owning a steamship line give that proportion of rates so that no railroad owning a steamship line would ever earn over 10 per cent?

Mr. BRIGGS. That may be. The railroads now are given favored legislation so they may make certain net earnings. The limit under the transportation act purports to be 6 per cent. There is no limit, however, fixed in this bill. No limit fixed at even 10 per cent; but if more than 10 per cent is earned in any one year, one-half of the overplus in such year must be returned in restoration of the subsidy paid during that year. Otherwise the railroads or other steamship organizations may earn all they can, whether 50 or 100 per cent, and after deduction of the subsidy for such year the rest would go into the coffers of the company, for which they would make no accounting whatever.

This bill is certainly not a beneficent measure for the American people. I say it is fraught with the greatest danger to the American people and imposes great tax burdens upon them.

It has not been shown that this subsidy legislation will restore America's idle tonnage to the seas nor enable the Government to sell its fleet at even present world market prices and retire from shipping operations.

You will still have to depend on a revival of foreign trade. I am sustained in that by the chairman of the Shipping Board himself when he appeared before the Committee on Appropriations in 1921 and never breathed a word of subsidy. He said we would have to wait until shipping gets buoyant and the avarice of men will make them want these ships and restore them to the seas; that such time is sure to come; and until that time the Government necessarily must continue the operation of the fleet.

Mr. McDUFFIE. Will the gentleman yield?

Mr. BRIGGS. Yes.

Mr. McDUFFIE. I have listened with great interest to what the gentleman is saying, and I want to ask him to discuss what effect the bill will have upon the smaller ports.

Mr. BRIGGS. It will result, in my opinion, in the acquisition of this great Government-owned fleet by a great subsidized syndicate, a steamship combination, which the president of the American Steamship Owners' Association testified can be organized to take it over, or its acquisition by the railroads, or perhaps by both, and it will result in confining the operations of that fleet to a few selected ports of the United States of greatest influence, while lines of American steamers which other ports seek to establish will not have strength or resources sufficient to compete with such combination of capital and probably be denied the subsidy given the stronger organization. The result would be the smaller American lines would languish and die, and the effect upon the less-favored ports would be disastrous. You will find testimony in the hearings that such would be the result.

Section 5 of the Jones Act is amended by this bill. It is amended chiefly by taking out of it the provision inserted there by Congress that this fleet should not be practically given away; that it is too valuable an asset; that it should be advertised for sale and that competitive bids should be invited; but that it should be sold as soon as possible to private owners. It was provided that the Government should not stand in the attitude of a person who was forced to sell; that it should not go under the hammer at whatever price it might bring and be sacrificed for a song. Everybody who testified at the hearings, those who advocated the passage of this bill and those who were against it, unanimously stated, as did the officials of the Shipping Board, that you could scarcely give away a ship to-day; that you could not sell the fleet. Yet at the hearings everybody who favored the bill wanted the ships sold as soon as possible, after having admitted that nobody wanted to buy them; also advocating, in the same breath, the removal of the restrictions against absolutely sacrificing

the ships that exist now in the shipping law, and urging that they should be sold at all hazards and, I assume, to any buyer who would pay anything at all for them.

Mr. Lasker testified that Mr. Teagle, the president of the Standard Oil Co., said that he would not pay $40 apiece—not $40 a ton—for Government tankers, for that he had all that he needed now; and one of the gentlemen representing the tanker service at the hearings, introduced as speaking for them all, said that if they could buy them cheap enough they might tie them up for awhile in the hope of being able to use them a little later.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. BANKHEAD. Mr. Chairman, I yield to the gentleman from Texas five minutes more.

Mr. BRIGGS. Mr. Chairman, Mr. Lasker himself offered a solution for the present situation, and it was the only solution that anyone offered at the hearings except to press down for the passage of the subsidy bill. His solution was that the ships be retained until shipping becomes buoyant, and that that time is sure to come. It is estimated by those best able to know, men like Mr. Munson and Mr. Marvin and Mr. Raymond, that this would occur in two years to a substantial degree, and Mr. Lasker testified that it would require only a slight upturn in rates to eliminate the losses which are being sustained.

Mr. RAKER. Mr. Chairman, will the gentleman yield?

Mr. BRIGGS. I have only five minutes, and I am sorry I can not yield.

Substantially the same view is expressed by Mr. Farrell, the gentleman selected for chairman of the Shipping Board by the President before Mr. Lasker was tendered and accepted the appointment. Mr. Farrell, it should be borne in mind, has not been advocating these subsidies, although the ships of his corporation would enjoy the benefit of the subsidy. There are 38 ships of over 200,000 tons of that corporation which it was admitted by Chairman Lasker are included in the subsidies under this bill; also that 182 ships of the Standard Oil fleet, representing a tonnage of 1,200,000 tons, would receive subsidies. One hundred thousand tons of the Fruit Trust fleet would also obtain subsidies under this bill; all of these great fleets being now more than self-sustaining, if the reported accumulation of surplus and issuance of huge stock and cash dividends are to be credited.

The condition of shipping on the seas is a problem that confronts not only the United States but the other nations of the world to-day. Until ocean trade revives, you can not operate ships profitably.

We hear much talk about delivery wagons. One of the witnesses testified that he would not drive his wagons from his farm to town just for fun. If you pay large enough subsidies under the bill you may operate empty ships, if you want to, as France was accustomed once to do under her subsidy laws. Who would ever find justification, however, for any such action as that? Who would find support from the American people for running empty freight trains over this continent, which could be done, if you subsidized the railroads heavily enough, simply to see the trains run by?

The American people to-day are feeling the pressure of the transportation act. They are feeling the pressure of the tremendously high railroad rates, but even those are assumed to be limited to a 6 per cent return upon the money invested, as recognized by the Interstate Commerce Commission upon a valuation fixed by that body. This bill, however, fixes a minimum, not a maximum, of 10 per cent upon the whole investment. It allows owners to make that much money and then one-half of the surplus over and above that after paying back one year's subsidy, which they may earn during that year.

Under this legislation a depreciation allowance will be made to fleets like the Standard Oil, the United States Steel, and the United Fruit Company fleets, as well as to all other privately owned fleets, and it will enable them to write down the war costs of their fleets without regard to profits they have made during such period—profits the greatest in the history of the world, when the dividends declared were enormous, as shown in the minority report on this bill. The Standard Oil has lately declared stock dividends as high as 400 per cent and its subsidiary companies similar dividends of 200 and 300 per cent. Such vast profits enable them to write down depreciation. It enables them to bring the ships down to the present market value; and the testimony reflected that if custom had been followed and the revenue law had permitted, accepted practice would have been for them to have completely written off the capital cost of the ships by reason of the huge profits they had made through operation of them.

It must therefore be apparent to all who study this question that the proposed subsidy legislation constitutes no remedy at all for relief from existing conditions in the American merchant marine to-day; that it does not give any promise of restoring to the seas the American ships which are now laid up; that it does not give any assurance of selling the Government fleet at any better price than can now be obtained; it does not relieve the Government of any losses, but proposes to exchange the probability of elimination of all operating deficit within the next two years for a committal of the Government to the payment of huge subsidies aggregating, over a period of 10 years, $750,000,000 to $1,000,000,000; but the subsidy program does not end in 10 years, for, under the bill, it will continue after that time until it should be repealed—if ever that could be effected over the opposition of those who are the direct recipients of its bounty.

It is contemplated that the Shipping Board will continue to operate for a period of from three to five years, anyway, and will also continue as a bureau, with a large administrative staff of employees with resultant expense during the life of the legislation.

The probabilities are that, under the bill, immense shipping monopolies will be created and be the real beneficiaries of its lavish gifts.

If it should be passed, it will involve far more danger and harm to American commerce and the American people than it will good, and it will constitute a tax burden of the greatest magnitude.

I repeat that it is not subsidies which are needed but revival in ocean trade and increase in foreign commerce to put our idle ships back upon the seas.

Subsidies, whether granted to great shipping combinations or railway mergers, will avail nothing unless and until trade revives. And when trade revives, the operating deficits which are now being sustained will be wiped out, and subsidies would constitute only extra and unnecessary burdens upon the American people.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. BRIGGS. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BRIGGS. I want to refer to and present some of the testimony developed at the hearings which bears upon various phases and supplies much illuminating information regarding the pending legislation.

THE GOVERNMENT FLEET AND WHAT IT HAS MEANT.

In referring to the accomplishment of the United States in building the great fleet within such a remarkably short space of time Chairman Lasker asks:

How did we accomplish this miracle of production? (Washington Post, June 6, 1922.)

He also stated:

HIGH TIDE OF OPERATION.

At the height of its operations, October, 1920, the Shipping Board had 1,317 steel ships plying between our shores and those of foreign markets. With the decline which has come in world trade we are now (May 15) operating 447 steel ships, of a total of 3,675,614 deadweight tons, and have 983 steel ships, of a total of 6,478,316 tons, tied up.

Immediately after the close of the war, had we not possessed the Government fleet, there is no doubt that freights would have soared even higher than they did; and to-day, were America's Government-owned tonnage withdrawn from the seas, our traders would pay increased tolls to foreign owners. So we must remember that while the operation of the fleet is costing us millions, it is saving us millions in freights and insuring us continuous relations with our customers.

But I aver that under the Harding administration the Shipping Board's operation has become comparable to the best operations of privately owned ships. (Washington Post, June 7, 1922.)

Chairman Lasker also testified (p. 9, hearings):

When the World War was over there was a great scramble on the part of all the maritime nations to use their own tonnage for their own peacetime needs. Had America not possessed the tonnage she built during the war, in the two years of prosperity that followed the war we would have lost largely of markets that were ours, much as their need would have been for our wares, because there would not have been tonnage available to carry our goods. Those who needed them would have sent us their ships to the extent that they needed goods, but even then many would not have had enough ships to carry that which they alone needed, and others would not have furnished us their surplus ships for our trade aggrandizement at their own expense.

The vast sums we saved to ourselves in freights alone, which through faulty governmental bookkeeping was converted to construction charges, would have shown during that period that handsome freight returns inured to the Public Treasury. Private operation at that time would have been impossible; there had been but little overseas carriage under the American flag by private owners before the war, and private capital therefore would not have been available at the war's conclusion quickly enough to operate successfully the Government-owned ships, even had the Government sold those ships at fair prices to private owners. So that in order that the war-built fleet might immediately come into America's peace-time needs the Government was forced into operation, an operation that from that time to this, through the lack of private facilities, has been the greatest insurance we have to our future overseas prosperity, which involves our entire national prosperity.

FOREIGN TRADE CARRIED IN AMERICAN VESSELS.

Chairman Lasker testified at the hearings that—

For the year 1921 America carried under her own flag 51 per cent of her total foreign trade. (Page 8, hearings.)

Mr. Merrill, Director of the Shipping Board Bureau of Research, testified:

Measured in quantity, we are at present carrying the major part of our foreign commerce in American ships, but this figure is attained only by including our huge traffic in mineral oil, most of which moves in American tank ships, and our Great Lakes traffic. Eliminating these movements, the United States is carrying only about 36 per cent of its foreign commerce in American bottoms. Since tank steamers can not be used to carry any other cargo, it follows that in order to protect our trade in all commodities except bulk oil we ought to have a merchant marine sufficient to carry at least 50 per cent of our dry cargo as well as 50 per cent or more of our tanker shipments.

Export statistics compiled by the United States Shipping Board, showing the extent of the movement of the commerce of the United States in American bottoms, is herewith given (page 1747, part 27, hearings):

Water-borne foreign commerce of the United States, 1921, by customs districts.

[In cargo tons of 2,240 pounds.]

	Imports.					Exports.					Total commerce.				
	American.		Foreign.		Total.	American.		Foreign.		Total.	American.		Foreign.		Total.
	Tons.	Per cent.	Tons.	Per cent.		Tons.	Per cent.	Tons.	Per cent.		Tons.	Per cent.	Tons.	Per cent.	
All cargoes:															
North Atlantic district	10,713,017	62	6,559,607	38	17,272,624	7,117,262	32	14,912,272	68	22,029,534	17,830,279	45	21,471,879	55	39,302,158
South Atlantic district	612,922	74	216,954	26	829,876	608,414	43	796,611	57	1,405,025	1,221,336	55	1,013,565	45	2,234,901
Gulf district	8,469,845	83	1,758,831	17	10,228,676	4,125,278	32	8,745,368	68	12,870,646	12,595,123	55	10,504,199	45	23,099,322
Pacific district	686,044	49	702,084	51	1,388,128	1,989,756	44	2,549,116	56	4,529,872	2,666,800	45	3,251,200	55	5,918,000
Great Lakes district	2,916,094	87	420,823	13	3,336,917	4,697,610	62	2,906,810	38	7,604,420	7,613,704	70	3,327,633	30	10,941,337
Total, excluding Great Lakes	20,481,828	69	9,237,476	31	29,719,304	13,831,710	34	27,003,367	66	40,835,077	34,313,538	49	36,240,843	51	70,554,381
Total	23,397,922	71	9,658,299	29	33,056,221	18,529,320	38	29,910,177	62	48,439,497	41,927,242	51	39,568,476	49	81,495,718
Excluding tanker cargoes:															
North Atlantic district	3,837,027	42	5,322,435	58	9,159,462	6,464,072	31	14,195,461	69	20,659,533	10,301,099	35	19,517,896	65	29,818,995
South Atlantic district	201,273	58	146,750	42	348,023	565,622	43	740,513	57	1,306,135	766,895	46	887,263	54	1,654,158
Gulf district	848,964	49	873,146	51	1,722,110	3,031,118	33	6,175,922	67	9,207,040	3,880,082	35	7,049,068	65	10,929,150
Pacific district	496,801	44	632,155	56	1,128,956	1,373,174	37	2,309,531	63	3,682,705	1,869,975	39	2,941,683	61	4,811,661
Great Lakes district	2,916,094	87	420,823	13	3,336,917	4,697,610	62	2,862,802	38	7,560,412	7,613,704	70	3,283,625	30	10,897,329
Total, excluding Great Lakes	5,384,065	44	6,974,488	56	12,358,551	11,133,988	33	23,421,427	67	34,855,413	16,818,051	36	30,395,913	64	47,213,964
Total	8,300,159	53	7,395,309	47	15,695,468	16,131,596	38	26,284,229	62	42,415,825	24,431,755	42	33,679,538	58	58,111,293
Tanker cargoes:															
North Atlantic district	6,875,990	85	1,237,172	15	8,113,162	653,190	48	716,811	52	1,370,001	7,529,180	80	1,953,983	20	9,483,163
South Atlantic district	411,649	85	70,204	15	481,853	42,792	43	56,098	57	98,890	454,441	78	126,302	22	580,743
Gulf district	7,620,881	90	885,685	10	8,506,566	1,094,160	30	2,569,446	70	3,663,606	8,715,041	72	3,455,131	28	12,170,172
Pacific district	189,243	73	69,929	27	259,172	607,582	72	239,585	28	847,167	796,825	72	309,514	28	1,106,339
Great Lakes district								44,008	100	44,008			44,008	100	44,008
Total, excluding Great Lakes	15,097,763	87	2,262,990	13	17,360,753	2,397,724	40	3,581,940	60	5,979,664	17,495,487	75	5,844,930	25	23,340,417
Total	15,097,763	87	2,262,990	13	17,360,753	2,397,724	40	3,625,948	60	6,023,672	17,495,487	75	5,888,938	25	23,384,425

(Page 1748, part 27, hearings.)

Cotton exports from Gulf ports.

[In tons of 2,240 pounds.]

RECAPITULATION.

Port.	Total tons.	Shipping Board.		Foreign.		Private American.	
		Tons.	Per cent.	Tons.	Per cent.	Tons.	Per cent.
October, 1921:							
Mobile	16,600	9,651		6,949			
New Orleans	125,049	17,174		107,875			
Galveston	320,543	70,905		249,638			
Houston	56,490	27,787		28,703			
Total	518,682	125,517	24.18	393,165	75.82		
November, 1921:							
Mobile	6,912	6,912					
New Orleans	92,353	29,159		63,194			
Galveston	290,134	74,699		215,435			
Houston	54,487	30,262		24,225			
Total	443,886	141,032	31.79	302,854	68.21		
December, 1921:							
Mobile	4,479	4,083		396			
New Orleans	123,256	33,125		90,131			
Galveston	201,490	51,525		149,965			
Houston	29,571	11,326		18,245			
Total	358,796	100,059	27.89	258,737	72.11		
January, 1922:							
Mobile	5,171	3,647		1,524			
New Orleans	90,531	29,508		54,798		6,225	
Galveston	174,756	66,742		108,014			
Houston	34,462	17,262		17,200			
Total	304,920	117,159	38.42	181,536	59.53	6,225	2.04
February, 1922:							
Mobile	14,481	10,425		4,056			
New Orleans	70,632	28,536		31,590		10,506	
Galveston	131,542	63,440		68,102			
Houston	17,694	17,694					
Total	234,349	120,095	51.24	103,748	44.27	10,506	4.48

Cotton exports from Gulf ports—Continued.

[In tons of 2,240 pounds.]

RECAPITULATION—continued.

Port.	Total tons.	Shipping Board.		Foreign.		Private American.	
		Tons.	Per cent.	Tons.	Per cent.	Tons.	Per cent.
March, 1922:							
Mobile	14,572	14,272		300			
New Orleans	95,057	21,502		73,555			
Galveston	156,528	82,656		73,872			
Houston	29,296	22,277		7,019			
Total	295,453	140,707	47.62	154,746	52.37		

The variance between these statistics and those supplied by the Bureau of Foreign and Domestic Commerce (pp. 1031 and 1041, hearings) is apparently due to the fact that the latter are based upon values and the former upon tonnage.

This is indicated by the testimony of Mr. Marvin, page 1022, hearings.

VOYAGE AND OTHER OPERATING LOSSES AND IMPROVEMENTS.

In January last Mr. Lasker also testified before the Appropriations Committee as follows:

The prepared statement I submitted yesterday showed that we are now losing about $4,000,000 per month. We feel that we have gotten that loss down to about the minimum to maintain the trade routes necessary, to pay the expenses of tie-ups which have to be paid if the ships are not running, to pay the expenses of the necessary repairs which must be made on the ships, and to pay the administrative expenses necessary to liquidating the properties of the corporation and the expenses of litigation. You will notice that of the $4,000,000 we are losing per month less than $1,000,000 is on account of voyage loss. The rest of it is made up of the expenses that I have just enumerated, and that loss would remain whether we were operating the ships or not. If we could get the claims out of the way we might bring our overhead expense down; I do not know how much, but by possibly one-half. (Page 909, hearings "Independent offices appropriation bill, 1923.")

The following record of operating expenses, chiefly furnished by the Shipping Board at the hearings, shows that while the

number of ships operated was substantially reduced—in fact, about one-half within a period of 12 months—yet the voyage losses with reference to the present reduced number which have been operated for several months show a gratifying improvement. Mr. Lasker testified:

We only completed 155 voyages in February and we completed 108 voyages in January, although we had approximately the same number of ships out, and you only enter up in shipping your figures as the voyages are completed. (Hearings, p. 50.)

This same witness gave a very full statement of the operating losses, which testimony is as follows:

(Hearings, page 228.)

Mr. LASKER. I will cover some ground covered yesterday.

The actual excess of expenses of voyages, just on the ships, and for managing agents, over income was in July $1,896,644.10.

In August—I am taking our fiscal year; the board's fiscal year—$1,853,297.80; September, $1,238,102.53; October, $765,323.43; November, $654,555.31; December, $1,249,081.61; January, $934,937.42; February, $527,879.30.

Mr. DAVIS. That is what I was referring to. You call that the voyage loss?

Mr. LASKER. I call that the voyage loss, yes, sir; not the operating. Now, that voyage loss will now be—in February we came to the low peak; then it goes up, because we haven't the cargo until fall, when the grain and the crops start moving.

Now, then, we have our repairs, which are constant, so long as we operate. In July the repairs were $1,467,376.82; August, $1,776,439.82; September, $1,114,621.02; October, $779,644.03; November, $1,306,321.93; December, $734,907.57; January, $950,000; February, $1,050,000.

Insurance expenses, which is constant, as constant as the voyage expense—understand, as long as you have voyages you will have voyage repairs; as long as you have voyages you will have insurance.

The insurance expense for July was $578,994.82; August, $604,191.30; September, $546,668.70; October, $688,244.51; November, $617,754.63; December, $641,998.65; January, $416,359.04; February, $320,355.53.

Expenses during lay-off. That expense, of course, would increase if we did not operate and did not sell, but as long as we only operate but this amount of ships we will have this.

The lay-off expense for July was $898,563.62; August, $877,621.71; September, $617,794.63; October, $685,690.81; November, $505,081.62; December, $605,532.09; January, $466,170.83; February, $413,076.60.

All of those expenses remain whether we liquidate the past or not as long as we operate up to this point. Those expenses are the actual expenses in connection with the tie-up and the physical operation of the fleet. Insurance and repairs are physical operation as much as the payment of the seamen who constitute the crews.

We then come to the next and last item and the only item that would be affected by the liquidation of the past—of the war—and that is the item of administrative expense.

Mr. DAVIS. That is what I was inquiring about.

Mr. LASKER. Sir?

Mr. DAVIS. That is what I was inquiring about.

Mr. LASKER. Yes; now we come to the item you were inquiring about, as to how far it would affect the general expenses.

Mr. HARDY. What did you say was the item affected by the sale of the ships, the operation?

Mr. LASKER. I didn't say "affected by the sale of the ships." I said "affected by the operation of the ships."

Mr. HARDY. I started to put down "The only item affected by the sale."

Mr. LASKER. These were the only items that would be affected if the ships were tied up. Let me put it positively—that is negatively. Those are the only items affected by operation. As long as we operate those items would be constant—that is, they would fluctuate according to business—according to how business was—but we would have to make provision for them.

Now we come to the only item that is affected by the liquidation of the past; but only in this are the items in connection with the liquidation of disputes and operation. I did not yesterday give you our overhead expense in connection with material sales and ship sales and the Shipping Board itself, because that properly we did not put into our operating administrative expense; so when you take the figures I am going to give you you can not deduct those of ship sales, for instance, from material sales. It would not affect that overhead, because we keep it in another account. In this account we keep only ships' operations and some claims. Many of the claims are in the construction department and would not be affected here, because nothing of construction overhead is in here; so very little of this administrative expense would be affected. You see, we have already taken the administrative expense, broken it down and separated it, and this is what remains.

Net operating "loss for the month of January of $3,445,449.14" (p. 50, hearings).

In July the administrative expenses were $1,182,423.56.

As I only came into office in June, that is the administrative expense that we inherited from the prior board.

In August the administrative expenses were $1,270,349.18; September, $1,159,008.38; October, $999,066.51; November, $999,629.07; December, $906,315.39; January, $677,981.85; February, $778,147.98.

These are the figures that constitute the $50,000,000. As long as we keep operating, these figures would be largely the same, less the loss that would be saved from sailing routes that would be operated by others. We wouldn't have the repairs on those ships any more, we wouldn't have the insurance, but the administrative expenses would be largely the same.

Mr. DAVIS. What was the total cost in February?

Mr. LASKER. The cost in February, I am proud to state—if you will permit another boast; you know, it is about the only dividend we get—to call attention to the very good work we are doing, the cost was $3,089,459.41.

However, I would say that you should not think later we are getting incompetent when the loss goes up in April, May, and June. It has to go up, because we can not get the cargoes. This is the low point.

Operating expenses, including losses for March, 1922.

Total operating losses	$3,704,155
Including—	
Voyage loss	913,720
Repairs	1,313,298
Insurance	391,565
Expenses during lay-up (of vessels)	381,038
Administrative expenses	687,531

Voyage losses in March exceeded those in February, which amounted to $527,000, but the expenses during lay-up of ships were less, and the administrative expenses for March were $90,000 less than for February. (Hearings, testimony of Mr. Lissner, pp. 983 to 985.)

The New York Tribune of June 23, 1922, publishes a statement of the net loss the Shipping Board incurred in operation of the 400 vessels in service:

April.

Net operating loss	$2,977,246.72
Net voyage loss	$667,751.61
Total number of voyages	185

May.

Net operating loss	$2,660,486.81
Net voyage loss	$376,445.84
Total number of voyages	205

This improvement is due partly to the increase in passenger revenues, which for the month of May showed an excess of income over outlay (excluding overhead, repairs, and insurance) of $217,369.13. This is one improvement of $152,515.83 over the preceding month.

Excess of income over outlay for tanker voyages in May was $267,545.41, or an improvement of $124,813.14 over the preceding month.

[From the New York Journal of Commerce, July 24, 1922, p. 20.]

This paper reports that for the first time—evidently referring to the period since the new Shipping Board was appointed, and not with reference to the period immediately subsequent to the armistice, when enormous net profits were made by the Shipping Board and even greater ones by American private owners—the Shipping Board shows that during the month of June, 1922, there was an excess from voyage operations of $204,531.75, as against a deficit for the month of May, 1922, of $376,445.84.

The Shipping Board, however, sustained a loss on operations during June, 1922, of $2,660,486; that is, the expense of operation exceeded receipts by the sum named.

Lay-up expenses amounted to	$365,572.61
Insurance premiums	418,873.40
Salaries and wages	471,396.80
General expenses	282,523.51
Repairs	1,461,016.71

This item of repairs, however, includes, apparently, repairs upon vessels laid up, which were put into commission to meet the demand for tonnage for transportation of coal. The repairs on such vessels amounted to approximately $500,000.

IMPORTANCE OF VOLUME OF TRAFFIC.

Mr. LASKER. We hoped to get the contract for the Army transport, which should give a great volume of business, and its volume that our ships need as much as anything else to bring down these costs. Personally, I think the greatest difference between ourselves and Great Britain is volume. (Page 59, Hearings.)

MERCHANT MARINE OF ALL COUNTRIES NOW LOSE MONEY.

Chairman Lasker also testified before the Appropriations Committee last January as follows:

(Page 865, hearings, "Independent offices appropriation bill, 1923.")

Mr. WOOD. There is another thing that is striking. You are operating now at a loss. You have reduced it from some $6,000,000 a month down to $4,000,000 a month.

Mr. LASKER. Yes, sir.

Mr. WOOD. In a word, what is causing a loss now of $4,000,000 a month to the Shipping Board in its operating end?

Mr. LASKER. First, let us take the last two months, October and November; we are paying out actually more money on voyage account than we are taking in; that is, freights received are less than cash expended in physical operation of ships alone.

Mr. WOOD. I understand that. Are the corporations that are operating private lines operating at a loss now?

Mr. LASKER. I would say, by and large, yes; the world throughout. Very few are making money.

Losses being sustained by American and foreign lines in last year or 15 months:

(Page 856, hearings.)

Mr. BRIGGS. You mentioned the operation of vessels a few minutes ago by foreign lines as well as American lines, and I think you stated they had all been losing money?

Mr. LOVE. Roughly, I think they have all been losing money.

Mr. BRIGGS. And that has been going on for the last year or so?

Mr. LOVE. The last year or 15 months.

(Page 1023, hearings.)

Mr. BRIGGS. In fact, there is hardly anybody making any money in the shipping business at the present time. Is not that true?

Mr. MARVIN. That is true generally of the whole world.

On the question of improvement in the operation of vessels, Mr. Lasker testified as follows:

(Page 52, part 1, hearings.)

Mr. BRIGGS. Your idea, then, Mr. Lasker, is that there has been but little or no improvement in the situation so far as the operating end is concerned?

Mr. LASKER. Yes; there has been great improvement—tremendous, overwhelming improvement. Yes; there has been tremendous improvement. I think we have surprised the whole shipping world in every quarter of the globe.

Mr. BRIGGS. I mean in the actual operation—everybody, with the crews and personnel and condition of the fleet.

Mr. LASKER. Well, in some cases we are still giving a poor operation, and there I think it is done on purpose. I can not believe that it is an accident. It is some of those who are under contract and can not get out of it, you see. But, by and large, they are really getting a vastly improved operation, and the proof of that reflects itself in our insurance claims, reflects itself in the greater percentage of trade we are carrying, reflects itself in the greater percentage of our ships that are to-day sailing more promptly on the advertised sailing dates than any ships in the world, and that is what makes for confidence.

Mr. BRIGGS. I recollect some testimony you recently gave, I think before the Appropriations Committee, in which you stated it would require very little upturn in rates, I think, to put the Shipping Board on a basis where it would pay for the operation of the fleet. I understand you drew some distinctions at that time that it would not be an investment proposition; it would not be a paying proposition in that sense, but it would pay for the cost of operation.

Mr. LASKER. Yes, sir.

II.

OCEAN TRADE REVIVAL EXPECTED WITHIN TWO YEARS.

If, therefore, ocean trade improves—and several advocates of the American Steamship Owners' Association, such as Mr. Marvin, vice president and general manager, and Mr. Munson, of the Munson Lines, and others, testified that there were signs of slight improvement and that they thought that some time within two years an ocean trade revival might be expected—the operating losses of the Shipping Board, as well as the operating losses of private owners, can be terminated. It must be remembered that practically all the witnesses who testified at the hearings agreed with Chairman Lasker that the worst depression in ocean trade which the world has ever known is now being experienced, and it is not known how conditions could become any worse. (See testimony Chairman Lasker, p. 11.)

On the question of improvement in trade conditions, Mr. Munson testified as follows:

(Page 1145, part 20, hearings.)

Mr. BANKHEAD. Well, don't you think the whole economic situation justifies the belief that shipping conditions are going to steadily improve—possibly slowly but steadily from now on?

Mr. MUNSON. I believe they will.

Mr. Marvin also testified:

(Page 1028, part 19, hearings.)

Mr. BRIGGS. What I am asking you now is how soon can you expect a trade revival to normal conditions?

Mr. MARVIN. My own opinion is it will require two years under the most favorable conditions; but we should approximate—I mean get close to more normal conditions in world trade.

EFFECT OF BILL ON PRICES FOR FLEET.

It is urged that the passage of the subsidy bill will enable the Government to sell its fleet, sell it soon, and sell it at an increase in price of several hundred million dollars.

The evidence does not justify any such assertion or conclusion. In fact the testimony did not indicate anything more than a hope that an increased price might be obtained, but it unquestionably discloses that there was no one in the market practically to buy tonnage, even if the subsidy bill be passed, unless a shipping financial syndicate should be organized (which Mr. Raymond, president of the American Steamship Owners' Association thought possible) and take over the fleet.

In fact, Mr. Raymond did not seem to feel that the passage of the bill would mean the operation of any additional number of American-owned vessels, for he stated that he thought even more would have to be tied up than are tied up now. (P. 975, hearings.)

Mr. Thompson, president of the Texas Steamship Co., indicated that if the subsidy bill were passed and tankers could be bought at the extremely low price at which they can now be obtained that his company might buy some and hold them until trade conditions improved; but he did not indicate whether he meant to buy them at the price of $40 apiece, which Mr. Teagle, president of the Standard Oil Co., is reported to have told Chairman Lasker that he would not offer for a Government tanker at the present time, or whether he expected to get the tankers for even less.

Mr. LASKER. Well, I will answer that this way: There were peculiar reasons, for instance, with the Standard Oil Co. The president of the Standard Oil Co. told me that if we offered them tankers for $40 apiece he wouldn't buy them to-day. He couldn't use any more. You have to take one relationship with another. (Hearings, p. 230.)

The probabilities are that, so far as the passage of this bill bringing about an increased price for the Government fleet, it is calculated to have the opposite result, for it removes practically all restrictions regarding the sale of the vessels which were provided by section 5 of the Jones Act, and practically constitutes, by the removal of such restrictions, a legislative direction by Congress to the Shipping Board to sell the Government fleet as soon as possible for the best price that can be obtained, no matter what is bid.

The effect of this proposed change in the present law, which practically means a forced sale of the fleet, can only have the result of causing prospective purchasers, whether shipping syndicates or other large combinations commanding sufficient capital to buy, to hold off sufficiently until they can take over the fleet at their own price and get it for a song, practically for nothing.

The Shipping Board, as reflected by the testimony of its own officials and by their acts disclosed at the hearings, show that they are not being prevented now under the present law from selling the fleet to-day at even world market prices or lower. The report of the majority of the Committee on the Merchant Marine and Fisheries, accompanying the bill, contains the following statement:

At the present time there is, by and large, no market for our vast tonnage. Compared to the total tonnage built by the Government, practically no tonnage has been disposed of. After thorough consideration, in January last the Shipping Board decided to sell its tonnage at world market prices; and on its steel freighters, after careful investigation, it found this to be a minimum of $30 per ton for the best tonnage. So difficult is the situation for an owner of American tonnage to-day that even at these prices it has been able to dispose of but 100,000 dead-weight or 65,000 gross tons. (Page 6, committee report American Merchant Marine.)

Which reflects that the Shipping Board concluded to offer the fleet last January at world-market prices, but could not sell it under these conditions. This shows that the Shipping Board was not handicapped by the present law, but was affected by the tremendous decline in ocean trade and lack of demand for ships, even at such an extremely low price as $30 a dead-weight ton for its best cargo vessels. But in spite of the fact that the privately owned American steamship companies are declining to buy the Government-owned fleet, even at present world-market prices and less—which are at least one-third of what new construction would cost at the present time in the United States—yet these same steamship owners are particularly insistent that the Government should sell its fleet at once and as soon as possible, and that in order to do so the restrictions which it is claimed are imposed by the present Jones Act of 1920 should be removed.

If the present Jones law does not prohibit the Shipping Board from selling the Government fleet at present world-market prices, or even substantially less, what is meant by the insistence for immediate sale, without any safeguards whatever, unless it is that the magnificent American-owned fleet is to be forced on the market and sacrificed at a most tremendous loss, below even present world-market prices?

In fact some of the witnesses at the hearings thought the removal of certain safeguards now provided by law regulating the sale of the Government fleet might result in forcing the fleet upon the market and being sold at the greatest sacrifice, unless the Shipping Board should exercise proper judgment.

But would not the Shipping Board answer, if the new bill is passed, that Congress had exercised such judgment already in the removal of practically all restraints governing the sale of the vessels, and thereby indicating that all such vessels be sold immediately, no matter at what price.

The conclusion is irresistible that the Shipping Board would not only be justified in so deciding, but would probably feel impelled to do so.

Of course, if the fleet is to be sold off at world-market prices, it will probably not be disposed of for several years to come, even if this subsidy bill be passed.

With reference to the time that it would probably take the Emergency Fleet Corporation to sell enough of the Government fleet to go out of business, Chairman Lasker testified at the hearings as follows:

(Page 46, part 1, hearings.)

Mr. LASKER. I say in my statement that within 30 months from the time of the passage of this bill, I felt that I was on conservative ground in promising that we would dispose of sufficient ships to keep going the routes that the Government is now operating, and thus in that period put the Emergency Fleet Corporation out of business. Does that answer you, sir?

(Page 60, part 1, hearings.)

Mr. BRIGGS. I understand that if this bill should be passed it would be the purpose of the board to dispose of the assets as soon as possible.

Mr. LASKER. Yes; it is going to take a long time.

Mr. BRIGGS. I understood you to estimate it would take 30 months, anyway.

Mr LASKER. Not 30 months to dispose of those ships we are now operating.

Mr. BRIGGS. Of course, those others which you have not given a particularly good name, it may take a whole lot longer.

Chairman Lasker testified (pp. 236, 237, hearings):

Mr. DAVIS. It was stated in the press some time ago, purporting to come from members of the Shipping Board, that $200,000,000 was expected to be realized. Is that substantially correct?

Mr. LASKER. I would not stand back of that figure. I do not know. It is in the womb of the future. If you don't give us this legislation you will never get this $200,000,000; if you give us this legislation, you may get more. How much I don't know.

Mr. DAVIS. Now, Mr. Lasker, I assume that you and your associates have made some sort of estimate as to what you would hope to realize out of our fleet in the event this bill goes through?

Mr. LASKER. I have answered that at such length to the judge and to Mr. BRIGGS that I can not think of a new way to answer it.

As demonstrating the accuracy of the statement that it is not seriously contemplated that even the passage of the subsidy bill is expected to bring a better price for the ships than can be obtained now, even though bids for the fleet last March were regarded as "facetious" and "jokes" by Chairman Lasker, attention is called to the testimony of Vice President Love, of the Emergency Fleet Corporation, witness on behalf of the Shipping Board, who testified as follows (pp. 862, 863, pt. 17, hearings):

Mr. BRIGGS. I want to ask this question. I don't know that it was made quite clear to my mind. Suppose this fleet was put on the market to be sold. As I understand, you think that is what ought to be done with it, at the earliest possible moment—that it ought to be put on the market and sold?

Mr. LOVE. Get it into private hands.

Mr. BRIGGS. Suppose it could not be sold except to a very few large companies. Do you think it ought to be sold under those conditions just the same?

Mr. LOVE. It might just as well.

Mr. BRIGGS. Irrespective of whether it could only be sold to a few large companies, one or more, you think it ought to be sold just the same?

Mr. LOVE. I do.

Mr. BRIGGS. At the best price they could get, putting it on the market.

Mr. LOVE. I do.

Mr. BRIGGS. Mr. Love, I think you said you didn't know what the bids were that came in?

Mr. LOVE. No; I do not.

Mr. BRIGGS. There is nothing in this bill, so far as you know, except the advantages offered in the way of subsidy and general advantages which the bill offers, that would produce a larger return from the ships than if they were sold now, is there?

Mr. LOVE. Well, I don't quite get your question.

Mr. BRIGGS. I mean by that, there is nothing to insure the Government a better price for these ships, if this bill should pass, than they could get right now, other than the fact that the subsidy would be paid. Is that true?

Mr. LOVE. Oh, yes.

Mr. BRIGGS. Well, now, if the fleet is to be sold and sold as promptly as possible, and that fact is known, don't you think bidders would hold back and bid just about as low as they could buy that fleet for?

Mr. LOVE. Oh, they might. The question of this subsidy is going to have a very vital effect on the value of that tonnage.

Mr. BRIGGS. Of course, it will. I am not speaking about that. I am speaking about the price the Government can get for its fleet. Suppose the bids came in—if this bill should pass—and the bids made were of about the same character as those recently made for the fleet, and it was thought then that Congress intended that the fleet should be sold and put into the hands of private operators at the best price the board could get. They would have to sell it?

Mr. LOVE. Then you are going to end all the good that is done, because if you are going to hold it and sell it at the value established after the subsidy is made a law, you are going to put into the hands of the private operators ships at a higher cost and put another burden on them.

Mr. BRIGGS. You don't think that ought to be done?

Mr. LOVE. Let them sell the ships at the best price they can get for them now and start over, like everybody else starts.

Mr. BRIGGS. Well, it is generally conceded that nobody now wants ships. That is true, isn't it?

Mr. LOVE. That is true.

Mr. Raymond, president of the American Steamship Owners' Association, apparently does not think that any more than present world-market prices ought to be asked for the Government fleet, even if the subsidy bill is passed. (Pp. 972–973, part 18, hearings.) A syndicate also may be organized to take over the fleet:

Mr. BRIGGS. How much do you think they would bring if a subsidy bill were passed?

Mr. RAYMOND. I do not think that should be a question to the citizen; I think the Government should try to put the American shipowner, or any American citizen who wants to become a shipowner, on a parity with the foreign owner; but, as I have stated here, and have given evidence, the sales of foreign ships have been around $20 a ton, and some a little more—$23 a ton for a very fine ship in New York the other day. And you can not assess or undertake to place upon the American purchaser a higher value than he can purchase abroad and have him compete with the foreign-flag vessel. He has his capital charge on the vessel 24 hours out of the day.

Mr. BRIGGS. What I am referring to particularly is this: Suppose you could not get $20 or $25 a ton, do you think they ought to be sold for $5 a ton or $10 a ton or any price they would bring?

Mr. RAYMOND. You would not have to go to that, Mr. Briggs. I think that is too far-fetched.

Mr. BRIGGS. Who do you think would take those vessels over, because it involves a good deal of money? Even if you only had the 3,000,000 gross tons to dispose of, at $30 a ton, it would take a considerable amount of money, would it not, to swing that?

Mr. RAYMOND. I had the privilege of serving on a committee two or three years ago—an advisory committee—with five other experienced men, known over the United States as men of ability, one of whom has passed away, and we recommended at that time the sale of those ships and a price for them. We conferred with every shipowner and others that were interested in the purchase of ships, and even with bankers; and at that time a syndicate could have been formed similar to what was done in Great Britain. When Great Britain turned over to this syndicate, headed by Lord Inchcape—I do not know what his first name was—a syndicate could have been formed to have taken the Shipping Board fleet that was desirable out of the Government's hands and then disposed of it over the country. There was business then for them. To-day there is no business. But I would have the courage to believe that if it could be determined what ships would be sold and at a low price, that the aid that is here asked for, plus little additions that we may ask for, that you could have something concrete to go before the banking communities of the Nation, and that this syndicate could be formed again, and they would carry those people that wanted to buy them. I believe that; I do not know that it could be done, but I believe it. I do not think it would be necessary to go down to any $5 or $10 a ton, or even to $15; but if you will put the ships, as I say, at the value of other flag tonnage and give the aids necessary to offset the differences in cost, then you will come nearer to disposing of the fleet than you will in any other way.

Mr. BRIGGS. Is it your belief that this financing would have to be done by a very large syndicate?

Mr. RAYMOND. It might be; but the Government ought to help finance that if it got clear of them under the provisions of this bill.

As also showing that little or no expectation of much or any increase in the price of ships, even if the subsidy bill be passed, Mr. Munson, of the Munson Lines and American Steamship Owners' Committee, testified as follows:

(Page 1150, part 20, hearings.)

Mr. BANKHEAD. Now, do you think within that period of two years the American investing public will be sufficiently interested in the purchase of our whole fleet to form companies to furnish the capital to buy these vessels the Shipping Board is going to sell?

Mr. MUNSON. My opinion is that a very large majority of the really efficient boats owned by the Shipping Board would be absorbed within two years after the passage of this bill.

Mr. BANKHEAD. At the suggested rate of $30 a ton?

Mr. MUNSON. Yes; at a fair market rate—let me qualify that—which may be determined by the Shipping Board from time to time.

Mr. BANKHEAD. Well, that may be increased——

Mr. MUNSON. It may be increased or decreased.

Mr. BANKHEAD. As you suggest, it may be increased or decreased. Now, how long do you think that this subsidy is going to have to be paid, Mr. Munson?

Mr. MUNSON. My feeling is that American capital, particularly in these southern, southeastern, and western ports, will be far more interested if the subsidy was passed for 20 years than they would be if it were passed for 10 years.

Mr. Eugene O'Donnell, secretary of the Maritime Association, Boston Chamber of Commerce, and private American operator, testified that even if the subsidy bill passed he did not think that the Government fleet, if forced on the market, would bring up the price. His testimony is as follows:

(Page 912, part 17, hearings.)

Mr. BRIGGS. There is a tremendous amount of trade depression at present, perhaps the greatest the world has ever known, isn't there?

Mr. O'DONNELL. That is correct, as I understand it.

Mr. BRIGGS. If these ships had to be forced on the market at the present time and sold at the earliest possible time, do you think that even if the bill should pass, as provided here, that that would insure better prices?

Mr. O'DONNELL. For the board?

Mr. BRIGGS. Yes.

Mr. O'DONNELL. No. I don't think that it would. Naturally, any forced sale must mean reduced prices.

As to how soon the Government fleet ought to be sold, Mr. Raymond, president of the American Steamship Owners' Association, testified, on cross-examination, as follows:

(Page 971, part 18, hearings.)

Mr. BRIGGS. I want to get your statement with reference to the disposition of this fleet. How soon do you think it ought to be disposed of, Mr. Raymond?

Mr. RAYMOND. At once.

Mr. BRIGGS. Irrespective of what price they could get for it?

Mr. RAYMOND. Yes, sir.

The pending bill also contemplates credit rather than cash sales of the ships, and on 15 years time, with no provision for payment of any part of the principal during such period beyond a depreciation estimate, for which security may be given.

HOW THE FLEET WILL BE DISPOSED OF.

Chairman Lasker at the hearings testified:

(Pages 7 to 8, hearings.)

On the 6,000,000 tons of freighters the Government possesses, it is the hope of the Shipping Board that ultimately a great measure of the 3,000,000 good tons will find itself in the hands of American owners, should the legislation here proposed be adopted. It is doubtful if, under the happiest conditions, the American flag will need the 3,000,000 good tons in its entirety, and ways and means must be found to dispose of such of the good tonnage as remains, so that American interests will not be hurt. Under no circumstances must the surplus good tonnage that America can not absorb be disposed of so as to bankrupt those who buy from the Government at current prices.

Automatically the 3,000,000 poor tons must be done away with. Part of it can be used by selling to Americans the hulls at low figures for conversion to types of freighters of which we are not possessed. The balance may either be sold in small quantities in local trades abroad, if any, where because of shorter runs and cheaper labor local operation may be possible, or it must largely be dismantled. For if we permit a potential surplus to remain, with the possibility of its use in only abnormally prosperous times when any tonnage can be profitably operated, the burden of loss will fall on the good tonnage in times of adversity without full enjoyment of profit in time of prosperity, and thus we depress the price of all of our tonnage, and so it will come to pass that we shall liquidate the whole for less than we could liquidate the good part.

It is the unneeded surplus, in ships as in all else, that determines the market, and the same circumstances that forced some farmers to burn their corn last winter demands that, at least in so far as the uneconomical 3,000,000 tons of freighters go, we recognize that one of our problems is to force its disappearance from the market. If we are to induce private investment in American ships it must be under an assurance as to what will be done with the surplus tonnage, plus an assurance that the Government will retire from operation, for private owners can not live and can not finance themselves with those two swords of Damocles hanging over their heads.

PREPARATION FOR SHIP-PURCHASING SYNDICATE.

Apparently in line with the plan suggested by the president of the American Shipowners' Association at the hearings on the ship subsidy bill, wherein he stated that he thought it might be possible to organize a syndicate for the purchase of the Shipping Board vessels, it is reported that steps to that end are being completed to have such a plan perfected, for a recent issue of the New York Journal of Commerce reports the organization of the Maritime Trust Co. of America for the purpose of financing shipping operations under the American flag. The organizers are H. H. Raymond, president of the American Steamship Association, and a number of other ship operators and builders.

It would therefore seem no fantastic or visionary idea that the large interests have in view the organization of a great shipping syndicate to take over the Government-owned fleet at practically their own price, and then to enjoy the benefit of the vast subsidies and bounties to be provided under the subsidy bill upon a basis of new construction costs.

GOVERNMENT FLEET NOT IN COMPETITION WITH PRIVATE OWNERS.

The impression also seems to have been created, after the most vigorous and skillful efforts through propaganda, that the operation of the Government fleet is resulting in competition with privately owned and operated vessels, which is driving the latter from the seas. This is only another instance of the misleading and unreliable propaganda disseminated apparently with a view to bolstering up support for the colossal subsidy program proposed.

Mr. Marvin, vice president and general manager of the American Steamship Owners' Association, who is heart and soul for the subsidy program in the pending bill, and who wants even more subsidy than the vast sums provided there, states that from 66⅔ per cent to 75 per cent of the Government-owned fleet is tied up now and only the remainder being operated, while it is estimated by him that only 25 per cent of the privately owned fleet is tied up and that 75 per cent of the same is being operated. His testimony is as follows:

(Page 1022, part 19, hearings.)

Mr. BRIGGS. Mr. Marvin, what proportion of the American privately owned fleets is being operated? I think the Shipping Board testified that it is operating out of its fleet something over 400 ships, about 421, if my recollection serves me correctly, with something over a thousand tied up.

Mr. MARVIN. As an estimate, and only as an estimate, and that the result of a good deal of conference with owners, I should say that at the present time 25 per cent of our privately owned tonnage is idle.

Mr. BRIGGS. Twenty-five per cent?

Mr. MARVIN. Yes.

Mr. BRIGGS. The proportion of the Shipping Board vessels, of course, is much greater than that?

Mr. MARVIN. Yes.

Mr. BRIGGS. Said to be nearly 75 per cent?

Mr. MARVIN. Yes.

Mr. BRIGGS. If not quite that, between 66⅔, anyway, and 75 per cent?

Mr. MARVIN. Yes.

Mr. BRIGGS. Now, lots of those vessels of the Shipping Board that are tied up are good vessels, are they not?

Mr. MARVIN. Yes; they are good vessels.

The testimony at the hearings moreover discloses beyond question that so far from driving the American privately owned ships from the ocean, every effort is being made to promote such lines and trade routes and withdraw Shipping Board vessels whenever privately owned lines are willing to take such routes over. In fact, that is chiefly the reason why only about one-fourth of the privately owned fleet is laid up, but nearly three-fourths of the Shipping Board fleet is idle.

That this condition obtains can not be seriously disputed. The following excerpts from the testimony of American private steamship owners and operators are herewith given, which fully sustain the accuracy of the statement that American privately owned steamship companies are being given preference by the Shipping Board and not driven from the seas by Government vessels.

Chairman Lasker also stated, at the hearings on the subsidy bill, that the Shipping Board was giving the privately owned American tonnage preference in operation on any route upon which such privately owned line operated.

The effect of this preference was also manifested in the statement of Chairman Lasker that only about 20 per cent of the privately owned tonnage was laid up as compared with the Shipping Board tonnage. He testified:

(Page 58, part 1, hearings. Also page 8, urgent deficiency hearings, 1922, bill.)

Mr. BRIGGS. What proportion of the American-owned tonnage is not laid up as compared with the Shipping Board tonnage?

Mr. LASKER. A very small percentage. About 20 per cent as much of the privately owned tonnage is laid up as compared with the Shipping Board tonnage, and a goodly share of that is coastal tonnage.

Mr. BRIGGS. About how much of that is coastwise?

Mr. LASKER. I don't think we know. We haven't made that survey.

Mr. BRIGGS. Has the Shipping Board in its operation given preference to the privately owned tonnage as far as they could do so in the operation of any line or anything of that kind?

Mr. LASKER. Well, I don't know that I get your question.

Mr. BRIGGS. I mean, for instance, wherever it appeared that private lines could exist and carry on, has the Shipping Board given them any opportunity to do so?

Mr. LASKER. Oh, yes. The law makes that mandatory.

Mr. BRIGGS. That is what I thought.

Mr. LASKER. Absolutely. For instance, here, say that there were three lines going to a certain port and it looked as if two lines could serve it, we have withdrawn one of our lines.

Mr. Lasker further testified:

(Page 871, hearings, "Independent offices appropriation bill, 1923.")

Mr. WOOD. What trouble do you have, if any, in your competition with the owners of private ships?

Mr. LASKER. Under the merchant marine act of 1920, through which we operate, it is the purpose of the Government not to use its great wealth and great power to the detriment of privately owned ships. In fact, the whole spirit of the act is for the Shipping Board to aid in building up privately owned ships in order that the Government may ultimately dispose of its fleet to private owners.

(Page 232, part 2, hearings.)

Mr. DAVIS. You stated yesterday, Mr. Lasker, that some of our prospective customers had been driven off the sea by Shipping Board vessels, I believe. Will you please tell us any private American lines that have been driven out of business by these Shipping Board vessels?

Mr. LASKER. They were driven off of routes, I said. I don't mean off of the seas, but out of a given route. We have constantly cases—I would not say constantly, but we have people who come and say constantly that they are losing money. I don't know that I said they were driven off of the seas, but I will say they are losing money.

Mr. DAVIS. You used the words "driven off the seas," on page 5 of your testimony.

Mr. LASKER. I will give you the names of the routes. I haven't got it in mind, but I will put that into the record.

Mr. DAVIS. As I understand it, you do not wish to be understood as saying that they were absolutely driven off the sea?

Mr. LASKER. I said driven off in the past, not now, because we have cut down the number of ships. We don't do it any more.

Mr. DAVIS. Now, since the Shipping Board has been in operation I want to know any American line that you have driven off of the seas, if any.

Mr. LASKER. I will furnish that information to you to-morrow. I will get the details on that.

Mr. DAVIS. I understand your two experts to say that there are none.

Mr. LOVE. I do not know of a single one. Possibly you have in mind the Luckenbach Steamship Co.

Mr. DAVIS. No; I was simply asking Mr. Lasker about a statement of his yesterday.

Mr. LOVE. I do not know of a single one.

On July 27, 1921, before the Appropriations Committee, Chairman Lasker also testified:

In many cases we took our Government-owned boats off and gave preference to privately owned boats. (Page 8, urgent deficiency bill.)

As illustrative of the fact that even the American Steamship Owners' Association does not claim that the Government has been unfair in the operation of its ships or driven them out of business through its competition I quote further from the testimony at the hearings, as follows (p. 969, pt. 18, hearings):

Mr. RAYMOND. I think one of the greatest opportunities for trade revival in the United States is to get rid of this menace of Government-owned ships in competition with privately owned property. There is no reason for us to keep going on here indefinitely, speaking for our own companies and not for the association, with a losing proposition. On the contrary, we are ship people. I have been engaged in it my entire business life, and my family before me, and so are the people I am associated with; and it is reasonable to suppose, as that is our business, we would go anywhere we could, with a reasonable opportunity of making some profit or a reasonable chance of making a profit.

Mr. BRIGGS. You are referring to Government competition. Have you any special line or lines in view? I think under the Jones Act of 1920 it was provided the Government should not engage in competition with private lines, but, rather, should stimulate them and encourage them as far as it was possible to do so, with a view and purpose of getting them to take over the Government-owned lines and operate them.

Mr. RAYMOND. The steamship owners are rather fortunate in having a sane board and sane people to handle the property that is in their hands. If they did not, why, they would have us all out of business. They have been perfectly fair in their competition; I am not complaining about that; but there is that menace. You can encourage and can not persuade a banker, any new man going into the business, to loan his money on ship property, nor could you get a shipbuilder to entertain a proposition to build you property if you did not have the cash to pay for it, so long as these ships are floating around here in the air.

CONDITION OF GOVERNMENT TONNAGE.

Even with the 10,000,000 dead-weight steel tonnage which is owned by the Government, the Shipping Board was not able to state the condition of at least a half of it, except in the most general and injurious way—that is, from "fair to useless."

The 5,000,000 tons from fair to useless it is contemplated apparently by the board to either sink or junk or sell to foreign countries for anything that can be obtained, even though Mr. Raymond, Mr. Marvin, and Mr. Farrell testified that all the steel tonnage was good tonnage, but some of it more efficient than another part.

(Page 236, part 2, hearings.)

Mr. DAVIS. Now, Mr. Lasker, in reaching your estimate of the percentage of our ships that are first class you do it largely along the lines of tonnage, do you not?

Mr. LASKER. No; we took a survey of each ship. We do it by ships. Each ship was surveyed.

But neither Mr. Lasker nor anyone else who testified was able to tell what part of the 5,000,000 dead-weight tons of the fleet classed as from "fair to useless" tonnage was to be called as "fair" and what as "useless."

Both Mr. Raymond, president of the American Steamship Owners' Association, and Mr. Marvin, vice president and general manager of the American Steamship Owners' Association, testified that they thought that practically all the steel tonnage owned by the Government is good tonnage, but only about 50 per cent of it suitable for American trade.

(Page 970, part 18, hearings.)

Mr. BRIGGS. What do you think about the other steel ships? Are you familiar with the types of the steel ships and their characters?

Mr. RAYMOND. Most of them.

Mr. BRIGGS. What would you say as to how many of the 6,000,000 gross tons of steel vessels you would regard as good tonnage and how much is worthless?

Mr. RAYMOND. I should not say any of the steel vessels are worthless, because they are all good. They must have some market somewhere, but we are very much overtonnaged here with certain sizes of ships. I would say, without any absolute knowledge, as an estimate only, that only 50 per cent of the steel vessels are fit to be retained under the American flag.

Mr. BRIGGS. The rest ought to be disposed of somewhere else?

Mr. RAYMOND. Somewhere or other.

Mr. Marvin, vice president and general manager of the American Steamship Owners' Association, testified:

(Page 1021, part 19, hearings.)

Mr. BRIGGS. The Government owns in steel tonnage approximately 6,000,000 gross tons, doesn't it?

Mr. MARVIN. It does.

Mr. BRIGGS. Are you familiar with the character of that tonnage? By that I mean, in the classification you alluded to a moment ago as good tonnage, what proportion of that fleet would you say was "good tonnage"?

Mr. MARVIN. All of that steel tonnage is good tonnage—some of it better than the rest, but good tonnage.

Mr. Munson, president of the Munson Steamship Lines, however, testified that in his opinion one-half of the steel tonnage, or about 3,000,000 gross tons, was inefficient and ought to be sold at about $5 a ton. (Page 1166, part 20, hearings.)

Mr. BRIGGS. Now, for instance, I think you testified that some of these ships you regarded as in the inefficient class. That is rather an indefinite term, of course, but we will get back to that in a little while; but you testified they should be sold at about $5 a ton.

Mr. MUNSON. That is right.

Mr. BRIGGS. I understand that there are about 3,000,000 gross tons of ships which are classed, I assume by the board, Mr. Lasker, their spokesman, as from fair to useless for some purposes. Do you regard those as inefficient types?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. You do not think they ought to be expected to bring over $5?

Mr. MUNSON. I said that in connection with conversion purposes.

Mr. BRIGGS. For whatever purpose. Suppose they want to utilize them in their trade and they are not efficient, those vessels would fall within that class of inefficient?

Mr. MUNSON. Yes, sir.

NO REDUCTION IN OCEAN RATES CONTEMPLATED AND NO REGULATION OF THEM.

Commissioner Plummer is recently reported to have made the assertion that the pending ship subsidy bill was designed to or would have the effect of reducing ocean rates.

There is nothing in the bill providing for such reduction of rates, unless it is claimed that the tax rebate on freight moneys paid is equivalent to such reduction.

The bill, however, does not provide for control of ocean rates in foreign commerce, and Chairman Lasker expressly states that it was not the purpose of the bill to control them in any way, and intimated that he did not approve any such control by governmental agencies.

The following testimony was adduced at the hearings (page 209, part 2, hearings):

Mr. BRIGGS. How would you prevent—or how do you propose to prevent—the pooling such as obtains now by agreement, in these conference agreements, after the disposition of the fleet; that is, the international pooling agreements whereby the rates are fixed?

Mr. LASKER. The present law that we propose does not go into that feature any more than we go into such changes, if any, as should be made in the navigation act. That is not the purpose of this law—of this present proposed law.

Mr. Lasker frankly admitted that the present system of conference agreements as to rates—that is, agreements between American and foreign lines, as to what passenger and cargo rates should be—was heartily indorsed by him and indicated that no departure was contemplated from the practice of fixing foreign or American rates through such conferences.

The following testimony was adduced at the hearings:

(Page 209, part 2, hearings.)

Mr. LASKER. The Shipping Board believes in conferences. You can not have a merchant marine without it because the fighting would be so great they would all lose money.

(Page 210, part 2, hearings.)

Mr. LASKER. I do not think any private operator will try to get better rates than the Shipping Board tries to get. We try to get everything the traffic will bear and permit American manufacturers to compete with the world.

Mr. BRIGGS. It is the purpose of the Shipping Board, as I understand it, to make reasonable transportation rates and insist upon those in these conference agreements with foreign companies, is it not?

Mr. LASKER. It is not the purpose of the Shipping Board to subsidize American manufacturers by getting the rates so low as to equalize them.

Mr. BRIGGS. I do not imagine the Shipping Board would, on the contrary, want to get them so high that it would put an unnecessary burden or tax on the production of industrial organizations.

Mr. LASKER. You understand if the rates are too high, the shipping companies won't carry the cargoes. It is an automatic thing. I do not think, by and large, the conference rates would be higher, with the Shipping Board out of operation, than with the Shipping Board in; at least my instructions to our men are that the main purpose of the Shipping Board should be to keep routes going, as per the mandate of the Jones Act; but it is not the purpose of the law anywhere that the Shipping Board be used as an instrument for cutting rates to American shippers.

Mr. Love, vice president and general manager of the United States Shipping Board Emergency Fleet Corporation, also testified as follows:

(Page 859, Part 16, hearings.)

Mr. BRIGGS. Now, I want to ask you about conference rates with reference to other parts of the country. Don't the Shipping Board have a conference rate established with reference both to passenger and freight service from the Atlantic to the Gulf?

Mr. LOVE. We are members of many conferences.

Mr. BRIGGS. Well, don't they establish conference rates?

Mr. LOVE. Yes.

Mr. BRIGGS. Don't they have passenger as well as cargo?

Mr. LOVE. In a number of the trades we do.

Mr. BRIGGS. Is that in most of the trades?

Mr. LOVE. The bulk of them.

Mr. BRIGGS. Do you adhere to those conference rates?

Mr. LOVE. Our people do.

Mr. BRIGGS. Well, so far as you are able to ascertain, are the others doing it or not?

Mr. LOVE. We believe they are.

Mr. BRIGGS. You would be pretty quick to determine it if they weren't?

Mr. LOVE. We would.

Mr. BRIGGS. You would be able to tell by the cargo whether there was a leak in the cask or not?

Mr. LOVE. We could.

Mr. BRIGGS. I thought so. And those rates are fixed at levels according to the grade or character of the service and the grade or character of the ship, are they not?

Mr. LOVE. Not so much with reference to the trade of the service, but the trade and the commodity itself.

Mr. BRIGGS. I mean, that is true with reference to the passenger ships?

Mr. LOVE. Oh, yes; all passenger ships are graded.

Mr. BRIGGS. It isn't so much with reference to the cargo service?

Mr. LOVE. Oh, no.

Mr. BRIGGS. It is the trade and the cargo you spoke of?

Mr. LOVE. Oh, yes.

Mr. BRIGGS. Have you ever given any consideration to—after the disposition of this fleet into private ownership—the question of conference agreements, to the effect that they would have on the rates that might have been put in, as you stated recently?

Mr. LOVE. Mr. BRIGGS, I represented the Atlantic Transport Co., and after that the International Mercantile Marine Co. for possibly 20 years in the United Kingdom conferences. They were private owners, and conferences, as a rule, tend to the prevention of extremely low rates and likewise to the prevention of extremely high rates. They stabilize the market. They enable a man who is selling a typewriter, a bicycle, an automobile, corsets, and a hundred other articles to send out a price list in England at the beginning of the year and sell at that price throughout the 12 months. He can carry on his selling campaign almost a year ahead and know exactly what it is going to cost him 12 months in advance to lay down any given commodity in his warehouse in the United Kingdom.

Mr. BRIGGS. It is true, isn't it, that the influence of the Shipping Board has been, even with respect to the conference, to aid in keeping rates down to a more nearly reasonable basis, even during the period when much higher rates might have been exacted?

Mr. LOVE. It has had a leveling influence.

Mr. BRIGGS. It has had a helpful influence, I understand?

Mr. LOVE. In many cases.

Mr. BRIGGS. I want to ask you, therefore, if this fleet should go into the hands of a few individuals or a large organization of capital, whether or not it would not vest in them the power to dictate what the rates should absolutely be in connection with conferences with foreign interests? Couldn't that be done?

Mr. LOVE. It might come within their power; but they wouldn't make use of it.

Mr. BRIGGS. You don't think there would be any misuse of it?

Mr. Raymond, President of the American Steamship Owners' Association, testified as follows (p. 961, pt. 18, hearings):

Mr. BRIGGS. Well, the conference rates are made by agreement between foreign lines and American lines, are they not?

Mr. RAYMOND. That is right.

Mr. BRIGGS. So there really is not very much competition in the conference rate; it is rather an agreed rate or price.

Mr. RAYMOND. It is my understanding at some of those conference meetings you would think there was competition if you were in them. I do not want to go.

Mr. BRIGGS. But when they get through with the interesting time you are talking about, the debate and discussion you are talking about, they work out some conference rates?

Mr. RAYMOND. Oh, there is not any reason—none of them give up their right to name any rate that they want. There are some of them that do, and withdraw.

Mr. BRIGGS. As long as they are members of the conference, though, they are expected to observe the conference rates, are they not?

Mr. RAYMOND. That is right.

Mr. BRIGGS. That is the usual practice, I think Mr. Love stated.

Mr. RAYMOND. It has been for many years, and it can not be otherwise, in my judgment.

Mr. Marvin, vice president and general manager of the American Steamship Owners' Association, testified as follows:

(Page 1054, part 19, hearings.)

Mr. BRIGGS. I want to ask you this on the question of operation: The conference rates obtain generally, do they not, now throughout the world—the shipping world?

Mr. MARVIN. Generally speaking, in the important trades they do prevail most of the time.

Mr. BRIGGS. Fixing passenger and freight rates?

Mr. MARVIN. Yes, sir.

Mr. BRIGGS. Do you think there is any danger, without any regulation of control being vested in a Government agency over those rates, of huge combinations increasing those rates up to as much as the traffic would bear and enhancing the cost of operation to the people?

Mr. MARVIN. I believe that under the publicity commanded by American law there is no danger of unfairness in the long run in the operation of the conference system.

Mr. BRIGGS. Do you think that confidence has been justified in many other channels and avenues of trade these days?

Mr. MARVIN. Where publicity obtains; yes.

Mr. BRIGGS. Aren't the disclosures these days that are being given to the public of tremendous abuses that have been practiced such that indicate that if the profits were high enough they might risk a whole lot of publicity, if it was long enough in coming?

Mr. MARVIN. I am a great believer myself in the virtue of publicity.

Mr. BRIGGS. You think that would be an effective check, without any provision for regulation?

Mr. MARVIN. I do believe it would, and, in the nature of the business itself, a shipping company like any other concern that raises its prices too high loses its trade.

SHIPPING BOARD CAN NOT CONTROL RATES.

The Shipping Board, through its general counsel, admitted at the hearings that the Shipping Board has no power to either fix or pass upon the reasonableness of ocean rates in foreign commerce. Mr. Beecher, general admiralty counsel for the Shipping Board, testified as follows:

(Page 922, part 17, hearings.)

Mr. BRIGGS. And there is no power given to the Shipping Board to fix rates?

Mr. MANGHUM. There is as to coastwise.

Mr. BRIGGS. I am speaking about foreign commerce.

Mr. MANGHUM. No; it is only to remove discrimination.

Mr. BRIGGS. I am asking Mr. Beecher as to that. He has made a special study of that, as counsel for the Shipping Board.

Mr. BEECHER. There is no power given to fix reasonable rates.

Mr. BRIGGS. Or to pass upon the reasonableness of the rates that are fixed?

Mr. BEECHER. No.

Mr. BRIGGS. I understood so.

Mr. Beecher, counsel for the Shipping Board, testified that under existing law there is no provision for the regulation of ocean rates in the foreign trade by a Government agency:

(Page 306, part 4, hearings.)

Mr. EDMONDS. Now, let me ask you this: If the shipper gets the benefit on his income tax or return if he ships in American ships, he is going to pay a little more for that to ship in American ships, but the result will be your ships will be more profitable.

Mr. LASKER. Certainly. And if he gets a 5 per cent reduction, he can afford to pay 4 per cent more; but, of course, he won't have to.

(Page 1238, part 21, hearings.)

Mr. BEECHER. The Shipping Board is not given any power to fix rates with respect to vessels of any type or character engaged in foreign commerce; the power with respect to rates relates to maximum rates only in connection with coastwise commerce of the United States, therefore the inquiry that you were directing with reference to tramps and the subsidy of tramps in the foreign trade, I think perhaps is based upon that misapprehension of the existing state of the law.

Senator FLETCHER. Well, here is section 17, perhaps we had better set it out in the hearings:

"That no common carrier by water in foreign commerce shall demand, charge, or collect any rate, fare, or charge which is unjustly prejudicial to exporters of the United States as compared with their foreign competitors."

Mr. BEECHER. That is only control.

Senator FLETCHER. Then it goes on:

"Whenever the board finds that any such rate, fare, or charge is demanded, charged, or collected it may alter the same to the extent necessary to correct such unjust discrimination or prejudice and make an order that the carrier shall discontinue demanding, charging, or collecting any such unjustly discriminatory or prejudicial rate, fare, or charge."

That seems to me to give pretty broad powers, and it refers to carrier by water in foreign commerce.

Mr. BEECHER. Yes, Senator; but they can not pass upon the reasonableness of rates or fix what the rate shall be, whether it be high or low; the only control is with relation to discriminations in the respects which you have read from the law.

SUBSIDY BENEFITS.

Although two-thirds of the commerce of the world is carried in cargo carriers, and the Government owns these vessels in greatest number, this type of ships receives less subsidy under the bill than vessels of any other type. Ocean greyhounds will obtain the greatest bounties and oil tankers will draw down nearly $5,0000,000 annually, and almost $10,000,000 if they obtain the benefit of the double subsidy provision of the law.

The subsidies provided in the pending bill aggregate annually from ten to twenty times more than ever before proposed, so far as is known, in any subsidy bill ever considered by Congress.

It provides greater subsidies than the total amount last reported by the Department of Commerce as including all mail subventions, admiralty payments, and subsidies paid by all other nations combined.

SLOW CARGO SHIPS CARRY TWO-THIRDS OF WORLD TRADE.

Most of the world trade now is carried in slow-speed cargo ships, about 8 to 11 knots; and although there is a tendency toward liner service, with some increase in speed, such tendency in cargo carriers is not marked.

(Page 1048, part 19, hearings.)

Mr. BRIGGS. The greatest amount of trade is really carried in cargo ships?

Mr. MARVIN. It is in this class of ships all over the world.

Mr. BRIGGS. The slow-speed ships?

Mr. MARVIN. Relatively slow-speed ships, of 8 or 11 knots.

Mr. BRIGGS. About two-thirds of the world's commerce, I think, according to the study submitted here, is carried in those ships?

Mr. MARVIN. The bulk of the world's commerce is carried in ships of this description, and it is ships of this description that make up most of the Government's tonnage, the purchase of which by private capital we are considering.

Mr. BRIGGS. Do you expect that to continue, that in the trade the bulk of the commerce will continue to be carried by the cargo ships, such as this?

Mr. MARVIN. For many years to come. There is a tendency in the world's trade at large for liners of somewhat higher speed, generally speaking, as the years go on to take a greater and greater volume of the commerce of the world. That is, more and more of the commerce of the world is moved, generally speaking, year after year, by ships maintained on regular schedules and of a speed that tends slightly to increase.

Mr. BRIGGS. Has that been very material and appreciable in the last few years?

Mr. MARVIN. The progress, I think, was interrupted by the war greatly, and the change from year to year is hardly perceptible.

Mr. BRIGGS. Hardly perceptible?

Mr. MARVIN. I have noticed it over 30 or 40 years' observation of the commerce of the world, but from year to year there is slight change.

Mr. BRIGGS. So that it is making slight progress?

Mr. MARVIN. Yes.

Mr. BRIGGS. And it is your opinion that for a long time to come the great majority of the cargo will be carried in ships of this description?

Mr. MARVIN. In ships of this description.

Mr. BRIGGS. They can utilize ships of this description in liner service as well as tramp service?

Mr. MARVIN. Many ships of this speed are employed in berth service, regular line service, regular cargo service in almost all ports in almost all nations.

Mr. BRIGGS. In other words, you can not carry certain cargoes on certain voyages or certain routes and earn anything unless you do employ that type of steamer?

Mr. MARVIN. It is absolutely necessary, with the economy made possible by these steamers.

Mr. BRIGGS. When you begin to increase the speed of the vessels, you begin to increase materially the operating costs?

Mr. MARVIN. Every increase of a knot increases cost heavily, particularly when you raise to 15 knots and upward. As I say, while there is a tendency toward the use of liners of 12 or 13 knots speed, or 14 knots in some instances, the change is very slow from year to year.

Mr. BRIGGS. And these ships are to be for a long time to come the great carriers of the ocean trade?

Mr. MARVIN. For a long time.

The cargo ships of the Government fleet are all vessels with a speed of from 8½ to 10 knots an hour, with the exception of 15 which have a speed of 12 knots or over. This does not include passenger or combination vessels. (See testimony of Mr. Merrill, p. 500, hearings.)

It is therefore apparent that the 10,000,000 dead-weight tons, or 6,000,000 gross tons, of Shipping Board cargo carriers are precisely the type and speed of cargo carriers employed in transporting about two-thirds of the world's tonnage. (See testimony of Mr. Merrill, pp. 434 and 496 of hearings.)

In testifying to the "economical" speed of cargo steamers, Mr. Rossbottom testified that it was from 8½ to 10 knots an hour, his testimony being as follows:

(Pages 369 and 370, part 6, hearings.)

Mr. BRIGGS. And have you had any experience—well, I will pass that just for the moment. In your operation of cargo steamers, what is the general speed at which they are operated?

Mr. ROSSBOTTOM. Well, the cargo steamers that I operated ran from 8½ to 10 knots.

Mr. BRIGGS. Why were they operated at such a speed as that? Was that the daily speed of the cargo steamers?

Mr. ROSSBOTTOM. That was the economical speed for the steamers we were operating.

Mr. BRIGGS. Why do you call it the "economical" speed? What is the reason for that? Why do you fix it at as low a rate as that?

Mr. ROSSBOTTOM. The maximum speed that cargo steamers are capable of is about 12 knots, but to do that you have to drive her.

Mr. BRIGGS. What do you mean by "driving"?

Mr. ROSSBOTTOM. You have to work your firemen very much harder than you do when you are operating about 9½ or 10 knots an hour. Your coal consumption is greater; and you don't need to operate her at 12 knots' speed if you can reach the ports at which you are to call operating at a 10-knot speed. Your operating expense is very much less when you can operate a steamer at her economical speed than it is if you try to force her.

NO REAL DIFFERENTIAL AGAINST AMERICAN SHIPS.

It was further demonstrated at the hearings that the extremely low price at which Government-owned tonnage can be secured will effectually prevent an American buyer and owner of such tonnage from any handicap through capital cost of his ships.

SEAMEN'S ACT.

Relative to the La Follette or so-called seamen's act, Chairman Lasker testified (p. 43):

Mr. BANKHEAD. I understand from the President's address to Congress, and also from the statement that you have made, that you do not undertake to recommend or urge any material change in the seamen's act that now exists?

Mr. LASKER. You are right. I want to take occasion to say here that I think the seamen's act has been one of the most misrepresented acts of which I have ever heard. I came down to Washington believing, as most people in my part of the country do, if you repeal the seamen's act you would have a merchant marine. That is pure bunk.

Mr. BANKHEAD. That is the reason I asked the question, because for a long time those who were undertaking to give reasons why we could not operate successfully with our foreign competitors based their assertions exclusively on the discrimination caused by the seamen's act.

Mr. LASKER. I think they have gotten worn out on those representations.

Mr. BANKHEAD. I am glad to hear that.

SUBSISTENCE AND WAGES.

The evidence at the hearings established that there was no real differential or handicap against American ships in the matter of wages and subsistence except as relates to licensed officers. This differential would probably not be as much as 1 per cent of the total operating cost and was more than compensated for by the advantages which the American ship enjoys over those of foreign nations through the use of oil rather than coal as a fuel.

Mr. FURUSETH. Manned as they are at present, the amount of money paid to the seamen, exclusive of officers, will be less on board of the American vessel of the same tonnage than on the British vessel of the same tonnage. The British vessel will, so far as the crew is concerned, exclusive of the licensed officers, have to pay more than the American vessel, manned as she is now. (Hearings, page 1362.)

Mr. BANKHEAD. So that, Mr. Furuseth, it is your conclusion that, properly administered, there is no substantial difference, but, in fact, a substantial equality between the subsistence upon British and American vessels—the cost of subsistence?

Mr. FURUSETH. There is no difference there except in the quantities. Sometimes one item is a little more in the American, and sometimes one item is a little more in the English, and so on; but there is no substantial difference; and as to a difference in cost I characterized it in my statement as being microscopic. (Hearings, page 1363.)

AMERICAN ADVANTAGE WITH OIL OVER COAL BURNERS.

According to the testimony, about 75 per cent of the American fleet is oil burning, as against about 15 per cent of the British fleet, as indicated by the following examination:

Mr. BRIGGS. For instance, I recollect very well that previously one of the previous directors of operations of your board, I think Mr. Rosseter, seemed to attach a great deal of importance to the fact that we had fuel oil in this country in such large quantities—that is, it was possible to be obtained at least on this side of the water, more than all other nations—that it would be a great advantage to us to practically convert all of our ships or most of our ships into oil-burning ships; and, in that connection, I wanted to know to what extent, if at all, the oil burners we were operating exceeded those or were less than other ships that had been converted into oil burners. In other words, whether we have more oil-burning ships in operation to-day than other nations or have less.

Mr. LASKER. We have many more.

Mr. BRIGGS. About how many more?

Mr. MERRILL. About 75 per cent of our American fleet is oil burning.

Mr. BRIGGS. What percentage of the British fleet?

Mr. MERRILL. It is quite perceptibly under that.

Mr. BRIGGS. Isn't the British fleet as much as 50 per cent?

Mr. MERRILL. I should doubt it.

Mr. BRIGGS. They use mostly coal in that fleet, do they not?

Mr. LASKER. Surely; because they produce coal.

Mr. BRIGGS. Possibly it will not exceed 25 per cent?

Mr. MERRILL. I do not know; we have no figures on that.

Mr. FURUSETH. I think it is about 15 per cent.

Mr. BRIGGS. Not more than 12 to 15 per cent?

Mr. FURUSETH. Not more than 15 per cent, at any rate.

The higher efficiency of oil burners over coal burners was testified to by Mr. Thomas H. Rossbottom:

(Page 370, part 6, hearings.)

Mr. BRIGGS. What has been your experience in the operation of oil and coal on the ships you have operated? You have operated both types, have you not, in cargo steamers?

Mr. ROSSBOTTOM. Yes, sir.

Mr. BRIGGS. Has there been any resultant saving by operating with oil over coal?

Mr. ROSSBOTTOM. The principal saving that I have noticed is the less number of crew, the best type of crew that you can secure in the fireroom, and the less deterioration that takes place in the boilers.

Mr. BRIGGS. Well, what do you estimate that advantage is?

Mr. ROSSBOTTOM. That depends a great deal on the cost of coal and the cost of oil. If the cost of oil per ton is approximately the cost of coal per ton, I should estimate that there would be a saving by using oil as against coal of easily 15 per cent.

Mr. J. H. Rosseter testified as follows:

(Pages 640–642, part 12, hearings.)

Mr. BRIGGS. Now, the other day when I asked you something about the testimony of Mr. Rosseter on the oil question, you stated that it was not clear to you just what Mr. Rosseter meant by some of his expressions in there.

Mr. MERRILL. Yes, sir.

Mr. BRIGGS. He gave other testimony which I have copied here, an extract from hearings on foreign trade zones on H. R. 9778, before the Ways and Means Committee in October, 1919. He makes this statement, in part—it is not necessary to read it all. Referring to the British advantages and disadvantages, he says:

"Now, one of the disadvantages they suffer, and one of the great advantages we have, is the fact that their merchant marine was constructed to use coal as the agency of propulsion, whereas our fleet is largely composed of so-called oil burners. All British bunker stations in the trades of the world are designed to handle coal. Practically the entire British merchant marine, both as to regular and irregular lines, rests entirely on coal.

"The value of oil propulsion we have discovered to be of dominating advantage as compared to coal. In my experience this was made plain as far back as 1900. Generally speaking, the operation of sister ships, one with oil and the other with coal, will show an advantage in the case of the oil burner amounting in dollars and cents to more than the total pay roll for officers and men, not the difference between American and foreign scale, but offsetting the entire pay roll of the ship.

"Mr. YOUNG. When did you say you reached that conclusion?

"Mr. ROSSETER. Beginning with experiments as far back as 1900, in my own operation. Our first experiments were not so successful. We were the pioneers; but beginning from that time and going up to the beginning of the war our yearly operating returns showed the benefits or advantages I have stated, and more.

"Mr. TREADWAY. About what would that represent in percentage of expense?

"Mr. ROSSETER. It is very difficult to give you an intelligent answer on a point like that, and I will have to explain why.

"Mr. TREADWAY. You said it represented the pay roll of your vessel?

"Mr. ROSSETER. Yes, sir.

"Mr. TREADWAY. That is not very clear to me, at least, what that might be actually.

"Mr. ROSSETER. In those days the pay rolls of large steamships ran about $2,750 to $3,200 a month.

"Mr. TREADWAY. $3,200 a month?

"Mr. ROSSETER. Yes.

"Mr. TREADWAY. So that would be in the neighborhood of $37,000 or $38,000 a year?

"Mr. ROSSETER. Yes, sir; and that was the saving between oil and coal. The contract was based on comparatively cheap oil, as also cheap coal. Coal prices, as you may know, in Great Britain and in all places except the United States Atlantic ports, have quadrupled during the past three years. Coal at ports in Great Britain now cost 80s., and it is expected to go to 100s., or in our currency from, say, $20 to $25, whereas pre-war cost was about $7 and $7.50. High cost of coal at home ports means proportionately higher costs at foreign stations along British trade routes. The colliers must charge higher freight to offset this increased cost of bunkers, as also for the delay in loading and heavier expense of handling the coal. These conditions go to make bunker costs a very serious charge for the pre-war type of British ship to face. As newcomers, we have the disadvantage of paying more for our ships, but we have the advantage, which has not been overlooked, of making them adaptable for oil propulsion, and having established throughout the world oil-bunkering stations, which makes us independent of a situation such as we have faced under the British licensing preferential system.

"Mr TILSON. Would it not be possible for England to build her new ships the same way, so that her new ships could burn oil?

"Mr. ROSSETER. Yes, sir; and she is doing that.

"Mr. TILSON. But these new ones cost her as much to produce as they cost us?

"Mr. ROSSETER. Right. And she has no arrangement for oil-bunkering stations along her trade routes, and she has yet to begin where we began a year ago.

"Mr. TILSON. Therefore, so far as her new ships are concerned, we shall be practically on a parity, in your judgment, in the capital cost of a ship and in the cost of operating. Now, what about the difference in wages of the men who man these oil-burning ships run by England and those run by this country?

"Mr. ROSSETER. On the oil burner we do away immediately with what is known as the black squad. We have in the engine room what might correctly be designated as junior engineers. They are called water tenders and oilers, etc., but they are a class of men who are in course of apprenticeship for engineers, and the black squad is gone. There is no more shoveling of coal. In the burning of oil, it is like the turning of the wick in a lamp, and the black squad is dispensed with, and thus the engine-room force on cargo ships is reduced by from 8 to 14 men, while on passenger liners the crew is reduced from 50 to 250 men, according to size of the ships."

The testimony at the hearings conclusively demonstrated that a great advantage is enjoyed by oil-burning ships over ships which burn coal.

Mr. Munson, of the Munson Lines, and representing the committee of the American Steamship Owners' Association, testified as follows:

(Pages 1159–1161, part 2, hearings.)

Mr. BRIGGS. Now, in the operation of these bareboat vessels I want to ask you which are the ones you make a profit on?

Mr. MUNSON. The larger type.

Mr. BRIGGS. Ranging from where?

Mr. MUNSON. Well, as I have said, bareboat charters run from 5,000 to 6,000 tons. Those are the only ones.

Mr. BRIGGS. In what service?

Mr. MUNSON. Running between the United States, Cuba, and Mexico ports.

Mr. BRIGGS. In fact, that trade in the Caribbean is rather a valuable trade generally, is it not?

Mr. MUNSON. It has been for years.

Mr. BRIGGS. And in normal times one of the very best fields for trade, is it not?

Mr. MUNSON. I would not say so, no; I think that in normal times there are a number of other trades very much better.

Mr. BRIGGS. But it is a good trade?

Mr. MUNSON. It has been for a long time a very fair trade. There is a great deal of competition in it to-day of foreign-flag ships, foreign owners, trying to get into it very actively.

Mr. BRIGGS. In the ships that you are operating, what percentage of them are oil burners and what percentage are coal burners?

Mr. MUNSON. Of our own fleet 15 out of 20 ships are oil burners.

Mr. BRIGGS. Why do you have so many oil burners?

Mr. MUNSON. Because when we started in constructing the more modern ships in 1915, seven years ago, my judgment was that that was a great economy, and that it was a great thing for the consideration of American labor. The first ship that we turned out as an oil burner I went into the engine room on her trials myself and saw the differ-

ence in working conditions and made up my mind that it was going to be one of the greatest factors to get and keep good men in the crew.

Mr. BRIGGS. What difference was that that you observed?

Mr. MUNSON. Well, the engine room, the fireroom, was painted white and the men were in white suits in that ship, and they continued to be in white suits and not dirty suits throughout the voyage, and the working conditions were that the men were strolling around changing these oil burners every 20 minutes or half an hour, and they did not have that great physical strain of being before an open fire and drawing the fire and putting in new fuel, which is the case with the coal burner.

So that change was adopted as the standard for all the ships we built from that time on.

Mr. BRIGGS. You operate considerably fewer men in the fireroom, too, do you not?

Mr. MUNSON. About one-third less.

Mr. BRIGGS. What number is that? What is that in numbers?

Mr. MUNSON. Well, you take a freighter, it means six men.

Mr. BRIGGS. What does it mean—it means a very much higher number on passenger ships?

Mr. MUNSON. Very much greater.

Mr. BRIGGS. I think Mr. Rosseter testified that on some of them it went up as high as 250.

Mr. MUNSON. The large trans-Atlantic types, 200 to 250 men.

Mr. BRIGGS. Do you get very much more power out of a ton of oil than you do out of a ton of coal?

Mr. MUNSON. The efficiency is very much greater.

Mr. BRIGGS. What percentage do you estimate that at?

Mr. MUNSON. We figure that the speed on an oil-driven vessel is about 5 to 8 per cent better than it is on a coal-fired vessel. We converted two ships that we built under the American flag, coal burners, to oil burners, so we have an actual comparison.

Mr. BRIGGS. You have an actual comparison of the efficiency?

Mr. MUNSON. It was 5 to 8 per cent increase.

Mr. BRIGGS. Do you have as much repairs on your boilers with the oil burner as you do with the coal?

Mr. MUNSON. No; we don't have as much repairs with oil.

Mr. BRIGGS. That is a valuable saving, is it not, on the repair item?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. It amounts to a substantial sum?

Mr. MUNSON. The reason for that is, and one of the reasons for our adopting oil burning as a standard for our fleet, was that when you get a steady pressure under the boilers instead of a varying pressure dropping 20 or 30 pounds, as you do when you draw fires, you save the life of the boilers—increase the life of the boilers.

Mr. BRIGGS. How much?

Mr. MUNSON. Well, we haven't had them long enough to say yet, but we figure it will mean probably 10 or 15 per cent longer life.

Mr. BRIGGS. How do you find the fuel costs, relative costs of the two, coal and oil?

Mr. MUNSON. It varies very much. There are times when it would have paid to have gone back to coal, with the high price of oil. To-day it is about an even proposition. If the price of oil goes higher, the use of coal will be cheaper. It is running about level now. Whether you buy from the Atlantic ports or whether you buy from the Gulf, the variation is about the same. Of course, it is less in the Gulf than it is in the Atlantic.

Mr. BRIGGS. That is figured on the basis of oil delivered on board ship as well as coal delivered on board ship?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. That includes all those costs?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. Now, with reference to the uses of your cargo space, you save considerable cargo space by the use of oil rather than coal?

Mr. MUNSON. On long voyages, yes. Boats that are going on a long voyage have to take cargo space for bunkers when they use coal, and on the oil basis it is not so. We can, however, in the matter of dead weight very largely—and there you can figure on the dead-weight basis—that you actually get an increase of one-third of the bunker capacity of the boat more on the oil burner than you do on the coal burner, just because two-thirds as many tons of oil are consumed as coal.

Mr. BRIGGS. Now, what percentage of the dead-weight capacity of your ship is utilized usually in the carriage of trade, the cargoes they carry?

Mr. MUNSON. It depends altogether on the trade.

Mr. BRIGGS. What do they range from? Just give some ranges.

Mr. MUNSON. In the Caribbean Sea trade when a boat is loaded with cargo we——

Mr. BRIGGS (interposing). I am not speaking about dead-weight cargoes; I am speaking about the average cargoes.

Mr. MUNSON. The same thing. The answer will be the same. We run about 90 per cent cargo and 10 per cent for fuel storage.

Mr. BRIGGS. Is that the oil?

Mr. MUNSON. That is with oil.

Mr. BRIGGS. How would they run with reference to coal?

Mr. MUNSON. About one-third more; about 13 per cent for fuel, storage, etc.

Mr. BRIGGS. About 13 per cent more?

Mr. MUNSON. About 13 per cent total. About 87 per cent cargo.

Mr. BRIGGS. What are the other services that you run? What is the relation trans-Atlantic?

Mr. MUNSON. Well, take the South American trade, the percentage is on the cargo on the boat, about 75 per cent cargo and 25 per cent for fuel and storage.

Mr. BRIGGS. That is oil?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. How about coal.

Mr. MUNSON. With coal it will run about 32 or 33 per cent of the fuel in storage.

Mr. BRIGGS. Now, in your trans-Atlantic service, do you use any oil and coal on those boats?

Mr. MUNSON. Yes; the trans-Atlantic trade on oil runs about 20 per cent and on coal about 26 per cent.

Mr. BRIGGS. Do you carry in these services enough oil for a round trip?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. You do that right along, do you?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. You get your supply on this side and carry enough to supply you for the round trip?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. Is that true of the South American trade as well as trans-Atlantic?

Mr. MUNSON. That is true on South America and trans-Atlantic. The only trade that that is not true on is between New York and Mexico ports, because they can pick up oil at the Mexico end, and from the Mexico end they take fuel for the round voyage.

Mr. HARDY. Do they take coal for the round voyage, too? Do you take coal for the round voyage, too, or do you coal at each end?

Mr. MUNSON. We coal for the round voyage, because fuel is cheaper here, unless the boat is going to England, and if she is going to England we usually take on fuel there to bring us home.

Mr. BRIGGS. To what extent do you figure the total superiority of oil over coal in the efficiency of the ship? To what extent?

Mr. MUNSON. Just that percentage that I have mentioned. If the price is the same on the oil as on the coal, taking into consideration the saving of the crew, then there is that difference in dead-weight carrying capacity gained by having oil as compared with coal.

Mr. BRIGGS. In the carrying of your cargoes, of course, space is frequently more valuable than dead weight?

Mr. MUNSON. It is on regular line service.

Mr. BRIGGS. That is what I referred to a minute ago by dead-weight cargo. It is frequently so on line service, that a cargo of certain commodities may be lighter and more valuable than others. That is true, is it not?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. In other words, the prices for freight, too, are determined to some extent, and a very large extent, by the value of the cargo?

Mr. MUNSON. Not the value alone, but the space they occupy also.

Mr. BRIGGS. And the space they occupy?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. And very frequently, therefore, if you have got cargo that does not weigh so much as coal, for instance—you take a cargo of cotton, it doesn't consume so much of the dead weight, but it takes up a whole lot more space.

Mr. MUNSON. Yes, sir; and on an oil-burning boat with cotton you have a great percentage of efficiency, or any commodity which is lighter than the dead weight the vessel can carry.

Mr. BRIGGS. And you would find it far more valuable to you than a coal burner under those circumstances?

Mr. MUNSON. Yes, sir.

Mr. BRIGGS. All those advantages, therefore, are rather substantial ones?

Mr. MUNSON. Yes.

Mr. H. H. Raymond, president of the American Steamship Owners' Association, testified as follows:

(Pages 663, 964, and 966, part 18, hearings.)

Mr. BRIGGS. Are you familiar with the Shipping Board fleet?

Mr. RAYMOND. In a general way.

Mr. BRIGGS. Some of your lines have operated some of their vessels, have they not?

Mr. RAYMOND. Yes, sir.

Mr. BRIGGS. Were those vessels oil burners or coal burners?

Mr. RAYMOND. We have operated both.

Mr. BRIGGS. Which have you found the most economical in actual use?

Mr. RAYMOND. The oil-burning vessels.

Mr. BRIGGS. To what extent?

Mr. RAYMOND. Well, it is hard for me to tell, in the per cents. They ought to have those figures, because they buy the fuel and they have their capital charges if they have any. All we have done is to operate them and give credit for freights.

Mr. BRIGGS. I thought you might have known whether it was about 10 per cent, 20 per cent, or 30 per cent.

Mr. RAYMOND. No; I do not.

Mr. BRIGGS. In what service have you operated those vessels?

Mr. RAYMOND. The West Indies service particularly, and some of them off-shore—overseas.

Mr. BRIGGS. What price did you pay for oil and what price for coal per ton?

Mr. RAYMOND. We took the oil under Shipping Board contract; they had their own contracts.

Mr. BRIGGS. You took it under those contracts?

Mr. RAYMOND. Yes.

Mr. BRIGGS. How about the coal; the same way?

Mr. RAYMOND. The same way.

Mr. BRIGGS. You operated those ships with fewer men in the crew, did you not?

Mr. RAYMOND. Yes; decidedly.

Mr. BRIGGS. About how many; six or seven?

Mr. BRIGGS. What I am asking you, Is not that because you are engaged in the coastwise service? If the line was only engaged in the foreign service that would not be true?

Mr. RAYMOND. No; that would not be true.

Mr. BRIGGS. In other words, that exaction is not made with reference to other American lines which are operated in the foreign trade?

Mr. RAYMOND. No; that is right.

Mr. HARDY. Did I understand Mr. Raymond to say that some of their ships are operated both in the foreign and coastwise?

Mr. BRIGGS. That is in the Clyde Line.

Mr. RAYMOND. We may have a Santo Domingo ship arrive to-day and she may go out next week to Galveston.

Mr. BRIGGS. On the so-called Mallory Line?

Mr. RAYMOND. Yes.

Mr. BRIGGS. You say she is in the coastwise service, then, and, the other way, she is in the foreign service?

Mr. HARDY. I want to get that clear, because so many witnesses have left the impression on my mind that a ship either goes coastwise or foreign and never makes the two.

Mr. RAYMOND. I think, Judge, to understand that you should differentiate between the foreign and what we might term semiforeign. Of course, we are going foreign in going to Santo Domingo and the West Indies; but the ship that is suitable for that trade is not suitable for what is regarded as the trans-Atlantic and Pacific Ocean trade and the Far East. They are too small.

Mr. BRIGGS. I think most people have been concerned about that. I do not think there is any question about that. There is a substantial advantage in the use of oil over coal as a fuel, in your opinion, is there not?

Mr. RAYMOND. There is as long as you can get it at a price that is equivalent to the coal price.

As illustrative of how much the value of space in ships counts, attention is called to the difference in ocean freight

rates on cotton shipped in high-density bales and in standard bales.

The rates from the Gulf to United Kingdom ports recently announced are:

First-class rate high-density cotton, 45 cents.
First-class rate standard bale cotton, 60 cents.

The weight of the standard and the high-density bales does not vary materially, but the latter are compressed into a very much smaller compass than the standard bale and therefore occupy much less space in the ship, thereby permitting more high-density bales to be stored in the vessel than would be possible if the cotton was contained in standard bales.

The testimony at the hearings reflected beyond dispute that the saving in cargo space through the use of oil as fuel, rather than coal, was very material. To the United Kingdom and most continental ports sufficient oil for the round-trip voyage can be carried in the double bottoms of the ships without resort to cargo space. Of course, this is not true with respect to coal, which requires about one-seventh of the space of the vessel, which could otherwise be utilized for cargo (p. 547, hearings).

On June 30, 1921, the report of the United States Shipping Board—fiscal year ended June 30, 1921, pages 113 to 115—reflected the following number of ships of types indicated:

Active program by types.

	Steel.	Wood.	Composite.	Concrete.	Number.	Total dead weight tons.
Cargo	1,429	304	18	4	1,755	10,777,434
Tanker	138	1		8	147	1,427,730
Refrigerator	19				19	161,400
Transport	22				22	179,775
Passenger and cargo	25				25	308,972
Barges	6	28			34	93,200
Tugs (ocean)	46	13			59	(1)
Tugs (harbor)	8	56			64	(1)
Finished hulls		115			115	447,700
Hulls converted to barges		56			56	206,000
Hulls converted to sailers		8			8	30,500
Barges converted to schooners		2			2	4,000
Harbor tugs		6			6	(1)
Total	1,693	589	18	12	2,312	13,636,711

[1] No tonnage given on tugs.

FUEL OIL AND TANK STEAMERS.

"Fuel oil has become a vital factor in the economical operation of ships, and in view of the shortage in coal, with attendant high prices, the steel tank steamer program assumed a position of primary importance, as the majority of the vessels constructed for the corporation are either 'oil' or 'oil or coal' burners. This program was rapidly nearing completion, as only six vessels remained to be delivered, and the last of these was estimated for delivery during the month of August, 1921.

"The following figures show the active steel tank steamer program by class of construction:

Active steel tank steamer program.

	Active program.		Delivered.		To be delivered.	
	Number.	Deadweight tons.	Number.	Deadweight tons.	Number.	Deadweight tons.
Requistioned steel	53	519,030	53	519,030		
Contract steel	85	844,000	79	783,600	6	60,400
	138	1,363,030	132	1,302,630	6	60,400

"Of the vessels delivered, 40 per cent of 5,079,720 dead-weight tons were oil burning, 29 per cent of 3,510,338 dead-weight tons coal burning, and the remaining 31 per cent of 3,888,453 dead-weight tons oil or coal burning. Of the vessels to be delivered, 81 per cent of 223,400 were to be equipped as oil or coal burners. No vessels burning coal only were under construction."

FUEL OIL.

In the fifth annual report of the United States Shipping Board, fiscal year ending June 30, 1921, the following statement occurs:

The establishment abroad of fuel stations operated to reduce the price of oil in Europe, and since these stations were established purchases of oil abroad by the board from private concerns since the middle of April have been negligible.

From the foregoing statement it appears that the obtaining of fuel oil by the Shipping Board in Europe at a reasonable price is no longer a matter of any difficulty.

CONSPICUOUS FEATURES OF H. R. 12817 (OLD NUMBER, H. R. 10644).

TITLE I.

Section 1 amends section 5 of the present merchant marine act of 1920, which relates to terms and conditions of sale of Shipping Board vessels.

The proposed amendment seeks to strike out of the present law the following safeguards contained therein and adopted so that the fleet will not be absolutely sacrificed at forced sale:

The board in fixing or accepting the sale price of such vessels shall take into consideration the prevailing domestic and foreign market price of, the available supply of, and the demand for vessels, existing freight rates and prospects of their maintenance, the cost of constructing vessels of similar types under prevailing conditions, as well as the cost of the construction or purchase price of the vessels to be sold, and any other facts or conditions that would influence a prudent, solvent business man in the sale of similar vessels or property which he is not forced to sell.

The nature of the proposed amendment is to give five members of the Shipping Board authority to sell the ships without advertisement and without competitive bids.

It further fixes the rate of interest on deferred payments at 4 per cent.

It makes no provision for payment annually of any portion of the principal of the purchase price, though it would seem wise to do so, even if the present law has no such provision, but does state that "payments of principal shall be so arranged that the amounts due or paid under the contract of sale as principal up to any moment of time shall be sufficient to cover depreciation of the vessel up to such moment."

What the amount of such depreciation is to be, however, is not stated. The board, moreover, is given authority to waive this requirement upon the giving of adequate security.

One of the most important features which the present amendment, however, discards is that portion of the present law which in the sale of the Government ships requires the board to take into consideration—

any other facts or conditions that would influence a prudent, solvent business man in the sale of similar vessels or property which he is not forced to sell.

The value of such a provision is clearly evident when it is remembered that the only bids for the fleet which the Shipping Board was able to obtain as late as last March were of such character as compelled Chairman Lasker to designate them as "facetious" and a "joke."

Of course, the restraining influence of the quoted provision, which is sought to be eliminated from the law, would be to cause the Shipping Board to reject bids which meant simply giving the fleet away. But if the safeguard referred to is removed from the law it may be reasonably and fairly concluded that Congress and the people intend that the fleet shall be sold, no matter at what sacrifice, and even if it is to be practically given away.

Section 2 of the bill adds a provision for a two years' continuance of trade routes by the Shipping Board, unless sooner sold to persons of the domestic communities primarily interested in such lines. This provision, as written and under the definition of the term "domestic communities primarily interested in such lines," shall be understood to mean "geographical divisions of the coast lines," will permit any steamship company or organization along any part of a coast line, such as the Gulf of Mexico, the South Atlantic or North Atlantic or the Pacific coast, to take over the fleets and trade routes now operating from the various ports, and would permit such steamship company or companies to abandon all except one port on each of those coasts, if it desired to do so.

Subdivision (b) of the same section does not prevent this, although it indicates and expresses a policy of hope that trade routes established will be preserved.

The Gulf coast organizations, as well as the Mississippi Valley Association and Merchant Marine Committee of the Central West, advocated a five-year continuance of such trade routes, with preference right of the ports from which operated to purchase such vessels, and intended the term "domestic communities" to be so understood. This definition, however, has been so expanded as to practically destroy any preference right during even the two-year period to the ports to acquire the trade routes now operating from them.

Section 3 proposes to amend section 11 of the merchant marine act of 1920 by broadening the sources from which the $125,000,000 revolving construction loan fund is to be obtained. The old law indicated receipts from sales and operations, the new law, "all receipts of the board, except appropriations made by law and profits of the board from operation of vessels."

The old law is further amended by making the fund not only available for construction of vessels but for equipment both with respect to vessels to be constructed as well as those already built, such equipment relating to the most efficient and

most economical machinery and commercial appliances. The old law allowed no portion of the fund to be used for equipment.

Another proposed amendment is a limitation of 15 years upon such loans, but the interest rate is made 2 per cent. The old law fixed no limitation of the loan period, nor any interest rate; but this, of course, left the interest rate to be exacted at the usual current rates. No provision is made for repayment of any part of the principal before the end of the 15-year period.

The reduction which is thereby obtained in interest alone is of the greatest advantage, especially so when Mr. Munson, representing the committee of the American Steamship Owners' Association, testified that the rate for such purpose now was from 7 to 7½ per cent and under normal conditions from 5½ to 6 per cent.

The amount of loans for equipment purposes is allowed to be two-thirds of the cost of the equipment or two-thirds of the value of the vessel when thus reequipped. It is to be noted that the utmost difficulty in determining such value will not only be encountered, but this provision gives the Shipping Board the widest authority for advancing far more money even than the sale price of a vessel.

In other words, it was testified at the hearings by Chairman Lasker that some of the Shipping Board vessels were recently sold at $8 a dead-weight ton for conversion purposes into Diesel-engine types.

Congressman EDMONDS stated at the hearing that the cost of such conversion would be about $65 a dead-weight ton. Mr. Merrill, director of research of the Shipping Board and a naval architect and engineer, also testified that the conversion costs would be extremely high and approximated the amount named by Mr. EDMONDS.

There is nothing to indicate what the world market prices of such vessel or vessels after conversion or equipment would be, but if trade conditions do not materially improve soon it is easily appreciated that the Shipping Board can under this proposed law advance more money for the conversion or equipment of vessels already built than could be obtained for such vessels after the equipment was completed.

The provision for loans being two-thirds of the cost of the vessel for construction purposes is substantially the provision of the present law.

TITLE II—TAXATION.

SECTION 201.

This section is one involving amendment of section 23 of the present merchant marine act of 1920; but it also includes very much more, and amends the provisions of the revenue act of 1921 by adding new sections, beginning with section 265. Under the present law, as contained in section 23 of the merchant marine act of 1920, the only tax deduction allowed for the purpose of ascertaining net income is that income subject to the war-profits and excess-profits taxes.

As the war-profits and excess-profits taxes, however, were repealed by this Congress, all advantages which could have been gained under section 23 of the act of 1920 have already been enjoyed to the fullest degree.

It is now proposed by this new section to allow deductions in computing net income to an amount equivalent to the gross income in the foreign trade derived from the operation of vessels so engaged under the American flag, provided—

1. That the amount of income tax thereby allowed to be deducted shall—

(a) Be invested in building, in private shipyards in the United States, new vessels of a type and kind approved by the board; or

(b) Such amount be set aside by the taxpayer in a trust fund for investment in such building within a reasonable time, to be determined by the Shipping Board.

(c) The owner is required to furnish 50 per cent of the cost of the vessel in order to obtain the benefit of such tax deduction.

This last provision reduces the amount of the taxpayer's contribution for shipbuilding from two-thirds of cost of the vessel, as now provided by law.

Subdivision (e) of this section also provides allowance to a taxpayer, other than a corporation, shall not exceed the allowance to a taxpayer which is a corporation. It is also to be observed that this tax deduction is for a period which is retroactive to January 1, 1921, and continues for each of the eight taxable years following.

The purpose of making this provision retroactive is clearly no other than to enable shipowners who have already paid excess-profits taxes and war-profits taxes since January 1, 1921, to also obtain a refund of such excess-profits and war-profits taxes, if such return is invested in new ship construction.

SECTION 266.

This is the provision which amplifies the present law as contained in the second paragraph of section 23 of the act of 1920 and relates to exemption or deduction of the taxable gain derived from the sale, in taxable year 1921 and eight years thereafter launched—present law uses word "built"—of any vessel prior to January 1, 1914, which at the time of the enactment of the proposed measure was registered, enrolled, or licensed under the laws of the United States.

This section requires the entire proceeds of the sale to be invested by the taxpayer in the building in private shipyards in the United States of new vessels of a type and kind to be approved by the board to be registered under the laws of the United States (as now required by section 23), or to be put in a trust fund for investment for such owner within a reasonable time, to be determined by the board.

This section further amends the present law by granting tax exemption for any portion of such proceeds, less than the entire amount, which may be invested in new ship construction.

The section further amends the existing law by providing that "where a vessel is exchanged for property, or for money and property, the transactions shall for the purposes of this section be deemed to be a sale," and so forth. The full extent and meaning of this section is by no means clear. No testimony was given at the hearings with respect to it, because it was not incorporated in the original bill introduced. It is probable that this new addition to the law would enable many deductions to be obtained which ought not to be obtained and which would not represent any real investment in new ship construction or any improved types of converted ships.

SECTION 267.

This section deals with the investment trust fund and provides that the interest obtained upon such fund shall belong to such fund.

SECTION 268.

This is a section which has heretofore been referred to, and provides that a taxpayer who establishes a trust fund for investment may be allowed to furnish a bond with security "for an amount not less than the estimated income, war-profits and excess-profits taxes that would have been payable but for the deduction claimed under those sections (referring to secs. 265 and 266)." Clearly, it means nothing else, of course, than a refund of the excess and war profits as well as income taxes from January 1, 1921, provided they are used for ship-construction purposes or put in a trust fund for a similar purpose.

SECTION 269.

This section also deals with the investment of the trust fund and provides that any loan made by the board under the provisions of section 11 of the act of 1920 shall not be regarded as part of such fund created by the taxpayer.

SECTION 270.

This provides that sections 265 and 266 are retroactive to January 1, 1921.

SECTION 271.

Grants the benefits of sections 265 and 266 to the members of a partnership and the beneficiaries of an estate or trust.

SECTION 202.

This section amends the revenue act of 1921 by making appropriate changes in numbers of sections indicated in the proposed subsidy measure.

DEPRECIATION OF VESSELS.

SECTION 203.

This is a new section and a proposed new provision of law granting to American shipowners of vessels of 1,000 gross tons or more registered, enrolled, or licensed under the laws of the United States (does not indicate when, and therefore is available up to the time of the passage of this act), which vessels were acquired after August 1, 1914, and prior to January 1, 1921, a reasonable deduction for the taxable year 1922 and each of the four succeeding taxable years, for the exceptional decrease in value thereof since the date of acquisition. Such deduction to be determined under rules and regulations prescribed by the Shipping Board. No investment requirement is made and taxes returned may be used for any purpose.

This section, it is also stated, shall take effect as of January 1, 1922.

This is one of the most important provisions in the bill, and is unquestionably designed to enable the American shipowners to write down the capital cost or book values of all vessels acquired after August 1, 1914, up to January 1, 1921, for a period of five years, so that such owners may enjoy the benefit

of a tax deduction or exemption of a most unusual and valuable character, and which will enable such owners to write down the book values of vessels built at war costs or high costs after the war to prevailing world-market rates during the five-year period, with a range from $225 a ton to $25 a ton or less, without charging against such owners any portion of the enormous returns earned by them during such period from the fabulous freight rates paid.

At the hearings it was frankly admitted by the representatives of the steamship owners' association, such as Mr. Munson, Mr. Marvin, Mr. Raymond, and Mr. Thompson, that the profits during and for a year and a half, at least, after the war closed were enormous, and that it was the custom and practice of the shipowners to write down capital costs or book values of their ships in accordance with the extraordinary and unusual profits received, but that this had not been done because under the bookkeeping system and requirements of the income-tax bureau only the small amount of depreciation provided for could be written off. The result was, as testified, that the enormous net earnings were either declared in dividends or reinvested or carried to surplus.

It is now proposed, therefore, to grant a bounty to such shipowners of a most startling sum in order to write down the so-called capital cost of ships acquired by them since January 1, 1914, when the testimony reflects that many of such steamship companies earned during such period far more than the total cost of their investment. In fact, one concern earned more than 600 per cent upon its capital in one year, while another earned over 250 per cent in a similar period.

If capital costs are to be allowed to be written down by tax deductions which must be paid out of the Treasury, or by withholding money from the Treasury which would otherwise be received there, then surely those who have already enjoyed, through their enormous earnings, the benefit of already having entirely or in part written off the capital costs of their ships should not be granted any further gratuity or benefit for such purpose.

REDUCTION IN CAPITAL COSTS.

(Pages 1136–1137, part 20, hearings.)

Mr. BRIGGS. And you know the bill provides, of course—has provisions providing for the reduction in investment costs, do you not?

Mr. THOMPSON. Yes, sir. That is the book costs.

Mr. BRIGGS. Yes.

Mr. THOMPSON. Yes.

Mr. BRIGGS. Bringing them down to what might be called the world market prices, as testified to by one of the witnesses here.

Mr. THOMPSON. Yes.

Mr. BRIGGS. That would be a very substantial provision to your company, or any other company that fell under the provisions of this bill, would it not?

Mr. THOMPSON. If we earned money enough. I take it that is a relief in taxes; is not that the way it is going to work out?

Mr. BRIGGS. That is what I am talking about. Is not that a substantial relief?

Mr. THOMPSON. Yes. It is going to be of material benefit if we earn a lot of money; it means we will have to pay less taxes; but if we do not earn a lot of money it will not mean much.

Mr. BRIGGS. Money that does not go into the Treasury of the United States means real money to a company that has that privilege, does it not?

Mr. THOMPSON. If you have taxes to pay, yes; that is true. But some of them won't have any taxes to pay.

Mr. BRIGGS. That may be, too.

Mr. THOMPSON. Over a period of time, assuming reasonable prosperity, that will be of some advantage.

Mr. BRIGGS. And it is intended to be, by reducing those investment costs and bringing them down?

Mr. THOMPSON. Certainly; otherwise it would not be in the bill.

Mr. BRIGGS. Certainly. It is intended to bring down the capital costs.

Mr. THOMPSON. That is as I understand it.

Mr. BRIGGS. It will bring down your capital costs, which you have averaged so high here?

Mr. THOMPSON. Yes, sir.

Mr. BRIGGS. And it is a fact, of course, that the exemption from taxes in any form is like a return of the same taxes from the Treasury if you had already paid them in.

Mr. THOMPSON. That is true.

Upon the failure of American-owned steamship companies to write down book values in spite of large earnings, Mr. Thompson, of the Texas Steamship Co., representing all tanker and industrial company tonnage, testified as follows:

(Pages 1135–1136, part 20, hearings.)

Mr. BRIGGS. But you do not know what effect even the passage of the bill would have on the market for tonnage?

Mr. THOMPSON. On tanker tonnage?

Mr. BRIGGS. Yes; in view of your statement that the tanker tonnage market is already oversupplied.

Mr. THOMPSON. It is oversupplied.

Mr. BRIGGS. There is a great excess, of several million tons?

Mr. THOMPSON. Yes, sir.

Mr. BRIGGS. In your capital costs—you were referring to those a little while ago—you do not carry those capital costs for your ships at the high prices you named a moment ago, at $175 to $185 a dead-weight ton, do you?

Mr. THOMPSON. I said they would average up to $185 a dead-weight ton of new tonnage.

Mr. BRIGGS. You are not carrying those high prices on your books?

Mr. THOMPSON. Yes, sir.

Mr. BRIGGS. You have not marked them down to the world market price, to what tanker tonnage can be obtained for now?

Mr. THOMPSON. No.

Mr. BRIGGS. You are carrying them at the old costs?

Mr. THOMPSON. Yes; allowing usual depreciation which is allowed by the Internal Revenue Department.

* * * * * * *

Mr. BRIGGS. Did they issue stock dividends—your company—in the last two or three or four years?

Mr. THOMPSON. We issued a stock dividend of 10 per cent. Just what year it was I do not recall.

Mr. BRIGGS. About when was it?

Mr. THOMPSON. In March, 1921.

Mr. BRIGGS. Is that the only one?

Mr. THOMPSON. Yes, sir.

Mr. BRIGGS. On what capitalization was that, Mr. Thompson?

Mr. THOMPSON. Well, at that time I rather think it was on a capitalization of $130,000,000, but I would rather submit that to you if you want it.

Mr. BRIGGS. Oh, I have no objection. If you want to correct the figures and make them accurate, I have no objection at all.

Mr. THOMPSON. Yes; because I am not quite sure what the capitalization was.

Mr. BRIGGS. Did you have any dividends declared at that time other than stock dividends—during that period?

Mr. THOMPSON. Well, we have paid—within the last few years we have paid 12 per cent dividends.

Mr. BRIGGS. Annually?

Mr. THOMPSON. Yes; within the last few years.

Mr. BRIGGS. What do you mean; from what date on; take it from 1914, say?

Mr. THOMPSON. My recollection is that in 1914 we were probably on a 10 per cent basis but earning more than that, and we finally put ourselves on a 12 per cent basis. However, in 1921 we did not earn 12 per cent.

Mr. BRIGGS. Had you been carrying some to surplus during this period?

Mr. THOMPSON. We had.

Mr. BRIGGS. About what would that average with reference to your capitalization?

Mr. THOMPSON. Well, our surplus is now—I guess it is about 50 per cent of our capital.

Mr. BRIGGS. So that in order to make up some of this full 12 per cent you are resorting to some of your surplus for that purpose?

Mr. THOMPSON. Yes, sir.

Mr. BRIGGS. At the present time?

Mr. THOMPSON. Well, that is not quite accurate, because a part of our loss in 1921 was due to the depreciation in values in petroleum products from 1920. Petroleum products were high in 1920, and they gradually went down. In 1921 they had depreciated materially.

Mr. BRIGGS. How much, approximately?

Mr. THOMPSON. Oh, I think with us it was about ten million.

Mr. BRIGGS. About 10 per cent—8 or 10 per cent? Well, that is close enough; I do not care to have it any closer.

Mr. THOMPSON. Yes; something like that.

Mr. BRIGGS. Has it gone up since 1921?

Mr. THOMPSON. No.

Mr. BRIGGS. It has just kept about the same?

Mr. THOMPSON. About the same.

Mr. BRIGGS. None of this 12 per cent, then, of dividend paid was paid out of any of the surplus?

Mr. THOMPSON. No; our surplus remained about the same.

Mr. Frank C. Munson, of the Munson Steamship Co., who also represented the committee of the American Steamship Owners' Association, testified that his company, in spite of the enormously high operating profits made during the war and for some time thereafter—that high construction costs of vessels built during such period were not written down, although the custom is to do so whenever large profits are made. It appears the bookkeeping proposition in following income-tax regulations, however, resulted only in a comparatively small depreciation charge being made and the large profits which were not declared in dividends being carried to surplus. (Hearings, p. 1153.)

(Extract from testimony on page 1153, hearings.)

Mr. BRIGGS. Certainly; he can put in both. This calls to mind another proposition I want to ask about. In the capital cost, which refers to investment cost largely, practically, how are your vessels carried—the one you own? Has the book value been written down to world-market prices or not?

Mr. MUNSON. No.

Mr. BRIGGS. Are you still carrying them at the book values?

Mr. MUNSON. You see, the Treasury Department provides we can only depreciate them 5 per cent per annum, and in calculating our income tax we have only been able to depreciate them that amount.

Mr. BRIGGS. That is under the allowance by the income-tax bureau—the Government?

Mr. MUNSON. Yes.

Mr. BRIGGS. I mean so far as the years are concerned. Suppose you had an unusually good year—say the years of the war, 1918, 1919, the early part of 1920, when rates were, as has been testified by everybody here, enormously high——

Mr. MUNSON. Yes.

Mr. BRIGGS. That is perfectly true?

Mr. MUNSON. Yes.

Mr. BRIGGS. The amounts that were earned at that time would usually and ordinarily come out of the net earnings and go toward the writing off of a large part of the capital costs, or, perhaps, all of them, if they were sufficient?

Mr. MUNSON. If we had no restriction from the Treasury Department we would have written off a larger amount, but we did not write off a larger amount because of that restriction. We couldn't carry a different value on our books.

Mr. BRIGGS. I understand. That involves a great deal of bookkeeping. If you couldn't write it off you had to do something with the money, and it either went into surplus or something else.

Mr. MUNSON. It went into surplus.

Mr. BRIGGS. So the representation is here, though the books may have it in a certain form. The process that would have been employed, except for the accounting system, would have been to have applied those surplus earnings in the reduction of the capital cost?

Mr. MUNSON. Yes.

Mr. BRIGGS. One gentleman testified here that one ship practically paid for itself in a year—I think it was $75,000—and they just wrote off the whole capital cost in one year.

Mr. MUNSON. Yes.

Mr. BRIGGS. That is the practice, isn't it?

Mr. MUNSON. That is the practice in normal times, when we do not have the income tax we have now.

On custom of writing down capital cost out of large earnings, Mr. Love, vice president of the Emergency Fleet Corporation, testified that it was customary, such testimony being as follows:

(Pages 850 and 851, part 16, hearings.)

Mr. BRIGGS. How does the foreign line compare with that? Is that the same thing with reference to a foreign line and an American line privately owned?

Mr. LOVE. Some of them write off more than 5 per cent depreciation.

Mr. BRIGGS. The amount of depreciation varies?

Mr. LOVE. It does, sir.

Mr. BRIGGS. To what extent; just give the levels?

Mr. LOVE. Possibly from 15 per cent down to nothing, according to the year.

Mr. BRIGGS. Just what do you mean by that?

Mr. LOVE. If they have had a good year, they will write off a larger amount of depreciation; if they have had a poor year, they won't write off so much.

Mr. BRIGGS. In other words, if the profits are big they write off depreciation not only for the one year but sufficient to cover the extent of the surplus profits they have made?

Mr. LOVE. It might be.

Mr. BRIGGS. In other words, if they have made 100 per cent net they might be able to write off the whole capital cost in the one year?

Mr. LOVE. It might be; it is possible.

Mr. BRIGGS. Is that customary?

Mr. LOVE. Not to that extent.

Mr. BRIGGS. Is it customary when you make big earnings to write off the capital costs—to write them down in a very large measure?

Mr. LOVE. Yes, sir.

Mr. BRIGGS. That is customary in all well-established shipping lines?

Mr. LOVE. Yes; I have seen companies that had a ship that cost $75,000 write off the ship, write it right off to the dollar.

Mr. BRIGGS. Out of the profits they had made?

Mr. LOVE. Yes; the first year, to write it right straight off.

Mr. BRIGGS. I say that is customary whether it is an American privately owned line or a foreign-owned line, is it?

Mr. LOVE. Yes, sir.

Mr. Rossbottom, of the Panama Railroad Co. steamship line, now temporarily with the Shipping Board, also testified to the same effect:

(Page 380, part 6, hearings.)

Mr. BRIGGS. I want to ask you a question as to depreciation, too, as an element of cost. Do you carry on the books the actual value of the ships, or the cost value of the ships, in figuring depreciation? In other words, take the Shipping Board fleet to-day, ships costing $200 a ton to construct, and which it is stated now would probably have a market value of $30 a ton dead weight; on which basis would they be carried?

Mr. ROSSBOTTOM. I do not know.

Mr. BRIGGS. On which basis would they be carried on the books?

Mr. ROSSBOTTOM. I do not know just how the Shipping Board does carry depreciation.

Mr. BRIGGS. But, as a ship operator, how would you carry it?

Mr. ROSSBOTTOM. As a ship operator, if I had bought a ship for $150 a ton and had a capital expenditure of a certain amount, and I found out I had bought the ship at too high a price, I would reduce the capital expenditure; I would charge off to profit and loss a certain amount of the capital cost and then base the depreciation on the actual value of the ship.

Mr. BRIGGS. In other words, you would carry the ship along at actual value, constantly, whether it rises or falls?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. Is that it?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. In figuring off depreciation on capital investment?

Mr. ROSSBOTTOM. That is right.

Mr. Merrill, for the Shipping Board, also testified on the subject of custom of writing down capital costs of ships out of excess profits, as follows:

(Pages 514 and 515, part 9, hearings.)

Mr. BRIGGS. Now, Mr. Merrill, did not the ships during the period of these high rates to which you referred a while ago earn enormous returns in freights directly after the armistice and on up till January, we will say, 1920?

Mr. MERRILL. I think they did; yes, sir.

Mr. BRIGGS. Is not your familiarity with the subject such that you are able to state they did? If you don't know, of course, just say so.

Mr. MERRILL. I don't know, absolutely, sir, because—the reason I qualify the statement is that I can testify clearly and fully that the freight rates were very, very high.

Mr. BRIGGS. Extremely high.

Mr. MERRILL. Extremely high, but at the same time costs were very high, too.

Mr. BRIGGS. Were not the net returns extremely high, too?

Mr. MERRILL. I am not in a position to testify that.

Mr. BRIGGS. Didn't some ships earn as much as a quarter of a million dollars on a single voyage?

Mr. MERRILL. I should not be surprised if they did.

Mr. BRIGGS. And some even in excess of that sum, up to nearly $500,000?

Mr. MERRILL. I know, of course, there were very large earnings made during the war, or even before we got into it.

Mr. BRIGGS. I am talking about after the war, when the war ended, or the armistice was signed.

Mr. MERRILL. I don't know so much about that.

Mr. BRIGGS. Wherever these large earnings were made at any time, do they tend to reduce the capital costs in any way—are they regarded as doing so—over and above the estimated return that the investment should reasonably pay? In other words, if a ship earns enough in one year to about halfway or fully pay for itself, is that estimated in the reduction of the capital costs on the books?

Mr. MERRILL. I assume that is a matter for the particular owners to decide.

Mr. BRIGGS. It could not be regarded necessarily as such a reduction?

Mr. MERRILL. They may and should write it off.

Mr. Marvin, after stating that Mr. Thompson would testify for "that entire group of shipowners" affected by old section 701 (f), relating to cash subsidy—private operators for their own benefit, like Standard Oil and Steel Trust—was asked, "Do you feel that with the resources of these great organizations that they will really need a subsidy to succeed and carry on the operations of their lines," and answered, "I know so far as their ships are concerned they do." (Page 1051, part 19, hearings.) Yet Mr. Thompson testified (page 1135, part 20, hearings):

Mr. BRIGGS. I mean the cost of operating the vessels, generally, just like the cost of operating the plants on shore, they are all carried as part of the cost of operating the company?

Mr. THOMPSON. That is true.

Mr. BRIGGS. And they are figured in as part of the ultimate costs in the disposition of your product, are they not?

Mr. THOMPSON. Well, yes.

SECTION 204.

This section adds a new section to the revenue act of 1921, and replaces section 301 of the original subsidy bill.

It grants a tax rebate of 5 per cent of the amount of freight money paid by the taxpayer for the transportation of cargo in the foreign trade which moves in a vessel under the United States flag.

It also provides that where a vessel is chartered by the owner of any part of the cargo from a person not affiliated with such owner the amount of freight money paid by the charterer shall be such amount as is determined by the Shipping Board.

It is also provided, subdivision (b), that "the credit provided in this section shall not be allowed with reference to transactions between persons who are affiliated." This is ostensibly to deny the benefit of this provision to large concerns having enormous subsidiaries or interlocking companies, such as the Standard Oil Co.; but the value of the provision just quoted is destroyed by the further provision that for the purposes of this section two or more corporations or associations shall be held to be affiliated if one corporation or association owns or controls more than 50 per cent of the outstanding stock or interest in the other.

Of course, it is generally known that many of the great combines and trusts are so welded together that frequently less than 50 per cent of the stock of a subsidiary company is held by the parent company, but the control over the subsidiary is just as complete and effective, through understandings of a mutually satisfactory character, as if the parent company owned all of the stock of the subsidiary. It is therefore believed that this provision will not in any way interfere with the Standard Oil Co. or any of its subsidiaries, the Steel Corporation, or others operating large fleets for their own benefit, enjoying the advantage of this tax rebate.

This provision is the one which is intended to replace section 301 of the original bill, and also section 34 of the present act of 1920.

The mere fact that an affiliated company may not own 50 per cent or more of the stock of another company does not in the least determine the question of actual domination or control or identity of interest.

Even the ownership of 30 or 40 per cent, or less, of the stock of another company may give the owning company control of the other corporation. That this is not a fanciful or extravagant assertion is borne out by the findings of the Federal Trade Commission in the recent investigation of the Wyoming petroleum industry, wherein the commission expressly states:

During the past year, 1920, the Standard Oil Co. (Indiana), which has had close business relations with the Midwest Refining Co. since its formation, purchased 205,053 shares, or about 33 per cent of the Midwest Refining Co.'s stock. This percentage is admitted by representatives of both of these companies to be sufficient to give the Standard Oil Co. (Indiana) practical control of the operation and policies of the Midwest Refining Co.

The Standard Oil Co. of Indiana is also shown by the Federal Trade Commission to be interested with the Sinclair interests, upon a 50-50 stock ownership basis, in the organization of the Sinclair Pipe Line Co. and the Sinclair Crude Oil Producing Co. in Wyoming, and through other subsidiaries of the Standard Oil Co. dominates the petroleum industry now in that State.

I am also advised that the largest stockholding which the Gould interests held in any one railroad at the time the late

Jay Gould was operating was in the Missouri Pacific, and that he actually controlled no more than 23 per cent. In other roads which he controlled as fully as though he owned 100 per cent the actual ownership was much less.

The chairman of the Federal Trade Commission, Hon. Nelson B. Gaskill, informs me that—

> in effect it seems to be the fact that control seems to be dependent not so much upon the amount of stock the active minority holder may own as upon the diversification of holding and inert qualities of holders of the majority interest.
>
> One thing is certain, and that is that no mathematical proportion can be assigned as necessary to constitute control.

The fact, therefore, that ownership of 33⅓ per cent of the stock of the Midwest Refining Co. admittedly gives to the Standard Oil Co. of Indiana practical control of the operation and policies of the Midwest Refining Co., and that even a smaller minority stock ownership has enabled other interests to control the policies and operation of other companies, demonstrates that under the definition in the bill of affiliated companies no serious difficulty will be encountered by such affiliated concerns in also reaping the benefits of the 5 per cent tax rebates allowed under section 204 of the bill.

SECTION 205.

This provision, innocent enough in appearance, amends the revenue act of 1921 and exempts all subsidy payments received by steamship companies under this bill from any income tax whatever and without any requirement as to how such fund shall be invested.

SECTION 206.

Is the one which provides for doubling tonnage duties and taxes.

SECTION 301.

Is the immigration section of the law.

Title 4 and sections 401 to 419, pages 20 to 46, inclusive, are the provisions relating to payment of cash subsidies, nature of contract for subsidy, provisions relating to crew, definitions, and so forth.

TITLE V.

SECTION 501.

This provides for the abolition of the Army, Navy, and Marine Corps transport service.

TITLE VI.

Contains provisions relating to rail and water transportation and for coordination of such relations.

SECTION 604.

This provides for the railroads engaging in overseas steamship business.

SECTION 607.

This is the proposed amendment to section 28 of the act of 1920.

TITLE VII.

Relates to transportation of Government officials on Shipping Board vessels when practicable.

CURRENT SHIPBUILDING.

The tremendous decline in ocean freight within the last two years has occasioned a corresponding decline in the amount of shipbuilding during such period.

During the war and immediately for some time after the armistice, shipbuilding increased by leaps and bounds, particularly in the United States, in order to overcome the submarine campaign against merchant ships which was being waged with disastrous effect.

The United States, with its vast resources, ingenuity, and energy, increased its steel tonnage from 1,837,000 gross tons, on June 30, 1914, to 12,314,000 gross tons, on June 30, 1921, or an increase in steel tonnage during such period of nearly 700 per cent, while the increase of the British fleet during such period was practically negligible. On June 30, 1914, its steel tonnage consisted of 18,887,700 gross tons; while on June 30, 1921, it was 19,288,000 gross tons, or an increase during such period of only 411,000 gross tons.

On June 30, 1914, the gross steel tonnage of the British Dominions amounted to 1,407,000 gross tons; while on June 30, 1921, it was 1,950,000 gross tons, or an increase of 443,000 tons.

On June 30, 1914, Germany had 5,098,000 gross tons of steel ships, which, through losses and surrender during and after the war, was reduced, on June 30, 1921, to 654,000 tons.

Japan, on June 30, 1914, had 1,642,000 tons, which was increased to 3,063,000 tons of steel tonnage on June 30, 1921, or less than 100 per cent increase.

The following table, taken from Commerce Reports for August 28, 1922, page 616, published by the Department of Commerce, gives the relative standing of the countries of the world with respect to their merchant marines up to as late as June 30, 1922:

Tonnage of steel steam and motor vessels, over 100 gross tons each.

Countries.	June 30, 1914.	June 30, 1921.	June 30, 1922.
	Gross tons.	*Gross tons.*	*Gross tons.*
United Kingdom	18,877,000	19,288,000	19,053,000
British Dominions	1,407,000	1,950,000	2,201,000
United States	1,837,000	12,314,000	12,506,000
France	1,918,000	3,046,000	3,303,000
Germany	5,098,000	654,000	1,783,000
Holland	1,471,000	2,207,000	2,613,000
Italy	1,428,000	2,378,000	2,600,000
Japan	1,642,000	3,063,000	3,325,000
Norway	1,923,000	2,285,000	2,237,000
Other countries	6,913,000	6,973,000	7,181,000
Total	42,514,000	54,158,000	56,802,000

From the foregoing table it appears that the United States is not only possessed of the greatest ocean tonnage of all the nations, except Great Britain, but has now more than three and a half times as much tonnage as Japan, over seven times as much as Germany, and nearly four times as much as France.

In addition, the American fleet is the newest of all the other nations, as the great bulk of its vessels have been built during and since the World War. This in itself is of the very greatest advantage because the United States has thereby had the advantage of the most modern methods and improvements in shipbuilding.

The proposal of Chairman Lasker for solving the existing difficulties of the American merchant marine which has heretofore been referred to may again be repeated as the substitute for the subsidy legislation which is now being so strongly urged:

> When the world shipping gets buoyant, the avarice of men will make them want to increase their fleet and will sell the ships, and that day is sure to come. And the Government has got to keep the ships going, and put confidence either in ourselves or some others, to keep them going as efficiently as can be under the circumstances until such time arrives.

Mr. DAVIS of Tennessee. I ask unanimous consent to extend my remarks in the RECORD.

Mr. HARDY of Texas. I make the same request.

The CHAIRMAN. Is there objection to these requests? [After a pause.] The Chair hears none.

Mr. BANKHEAD. Mr. Chairman, I ask unanimous consent that the gentleman from Texas [Mr. MANSFIELD] be permitted to extend his remarks in the RECORD?

The CHAIRMAN. Is there objection to the request? [After a pause.] The Chair hears none.

Mr. GREENE of Massachusetts. Mr. Chairman, I wish to ask that Mr. EDMONDS, who has been obliged to go home on account of sickness in his family, may extend his remarks in the RECORD.

The CHAIRMAN. Is there objection to the gentleman from Pennsylvania extending his remarks in the RECORD? [After a pause.] The Chair hears none.

Mr. GREENE of Massachusetts. Mr. Chairman, I yield 20 minutes to the gentleman from Pennsylvania [Mr. GERNERD]. [Applause.]

Mr. GERNERD. Mr. Chairman and gentlemen of the committee, a number of years ago, in 1911, I had the pleasure of visiting the city of Genoa, Italy, on a summer's tour. One morning I walked down to take a view of their beautiful harbor and there I saw hundreds of ships anchored—German, English, Portuguese, Danish, and in fact ships from all parts of the world, all busily engaged in unloading their cargoes; but in that busy harbor with its great maritime business there was not a ship that floated the American flag. Little did I realize then that I should ever be called upon as a Member of Congress to help in preserving our merchant marine, for at that time we possessed none. I frankly tell you that I was sad and my pride was wounded when I stood there and realized that the leading Nation in the world even then was without representation in one of the greatest seaports of the world. That same thing happened when I got to Liverpool, Antwerp, and Trieste. I traveled thousands of miles on the seas that summer, and I had to travel all of that distance under a foreign flag. Now, my friends, the World War has brought about a changed condition—we needed ships; we had none. When we realize that more than a million of our boys had to be transported to the scenes of action in foreign vessels, it should occasion our pride to droop just a little and cause us to realize that we had failed to develop one of the greatest commercial opportunities in our history. We never even thought of the danger that confronted us. We paid Great Britain more than $57,000,000 to

take our boys to the front to fight for the common cause. Here we are confronted with a merchant fleet of 7,500,000 tons, admittedly a good fleet. It may require some strengthening; yet there are many who are hesitating to sustain that fleet from decaying for fear that certain large commercial corporations might get a little subsidy out of this great undertaking. To my mind, these fancied allegations are of small circumstance and should be brushed aside in the honest consideration of a matter as important as this. I recall that just a few years ago we had no Rural Free Delivery Service, nor did we have a parcel-post system, yet the Postal Department, through acts of Congress, made both of these services possible. It was known at the time that it would cost tremendous sums of money to inaugurate this service; and yet who to-day, realizing the great benefits it has produced, would hesitate to appropriate enough money out of the funds of the United States Treasury to make up the deficit or even criticize the expenditure of so large a sum of money to maintain it? By reason of this service large commercial houses sprang up, whose businesses are exclusively founded on mail orders, and they have been tremendously successful, earning large profits, which have been made possible only through the Parcel Post and Rural Free Delivery Service, which service is being maintained by the Government. Yet no one would criticize anyone engaged in a business of this character, and yet these business enterprises were fostered and made prosperous by indirect governmental aid. Who is criticizing the nominal cost of carrying the magazines and newspapers of the country through the mails?

I wish to say that the newspapers and magazines have been making large profits, and yet they are getting postal rates that are most favorable to them. Upon what theory? Upon the theory that they are disseminating public information to the American people. These papers and magazines are owned privately or by corporations, and yet we know that the American people through their Government are paying for this special service, for none of them are paying the actual cost of distribution, and their success is also based upon governmental aid. Realizing these facts, are we going to hesitate now when we all agree that we need a merchant marine and when only a matter of twenty or thirty million dollars a year is involved? There was a time when we could do without a merchant marine in this country. There was a time when this country was able to consume all of her manufactured products. That day has passed. There was a time when the South, with her great production of cotton, a noncompetitive article in the world's market, brought the ships of the nations of the world to her ports because they had to have her cotton to feed their manufactories. They are still coming for that cotton, and will continue to do so just as long as cotton remains a noncompetitive article. But we must not overlook the fact that Egypt and other countries are developing the cultivation of cotton, and there may come a time when those freight ships will turn their prows in other directions, and then the prosperity of the cotton growers of the South will be dependent upon the American manufacturer and his ability to sell the finished merchandise in the markets of the world. I fear that most of the hostility of my southern friends to this bill is predicated upon the theory of free trade.

There was a time when Europe needed the wheat of the United States, when our only competitor was southern Russia, and that is less than 25 years ago. In those days it was a question whether Odessa or Chicago, through Liverpool, sold Europe's supply of wheat. To-day Russia is not a competitor, but we have in her place Australia, the South American Republics, and Canada. They have become most active competitors, and it is reasonable to suppose that southern Russia will in a few years again become a real factor. During this last year 34 per cent of our production of wheat, and wheat converted into flour, was exported and came in direct competition with Canada, Australia, and the Argentine. That represented 279,406,776 bushels of wheat. Of that amount American vessels carried 27 per cent of the wheat shipments and foreign vessels carried 73 per cent. We must not lose sight of the fact that transportation rates and favored preference shipments are very important factors in the sale of a competitive article such as wheat. A very large proportion of our export tonnage passes through Canada to Montreal and Vancouver, which have become the two great embarkation centers for Europe and the Orient in the north of America, and since the great agricultural areas of the United States are adjacent to Canada we can not help but recognize what an advantage the Canadian possesses over that of the American shipper. Permit me to call to your attention what actually happened last year at the port of Montreal by quoting to you from an article that appeared in the Montreal Gazette of October, 1921:

PORT OF MONTREAL ACUTELY CONGESTED BY UNPRECEDENTED GRAIN SHIPMENTS—UNITED STATES SWELLS TOTAL.

The extraordinary activity has been largely due to the shipment of grain from the United States through Canadian ports. American grain has constituted about 40 per cent of the total shipments from Montreal this season. At the beginning of the season it was all Canadian, and at the present time it is about 60 per cent American and 40 per cent Canadian; but the proportion of Canadian grain will be larger as soon as the western crop movement begins properly. In order to prevent Montreal being blocked with American grain to the detriment of Canadian shippers the railways will apply the permit system to American grain coming to Georgian Bay ports for transit to Montreal. In future no boat can come from American lake ports without a permit to unload. The congestion appears to be increasing rather than otherwise. About 2,100 cars were reported at Montreal waiting a chance to receive elevator handling to the ships, and about 2,000,000 bushels were being sent to Quebec, to which about a dozen tramp ships are bound for cargo.

Mr. RAKER. This is from Montreal to the Orient?

Mr. GERNERD. No; that is going to Europe, but I say shipments to the Orient go by way of Vancouver, and the same obstacles that are confronting American shippers at Montreal are confronting American shippers by way of Vancouver. My friends, when we realize that that is the situation, I can not understand why——

Mr. RAKER. Mr. Chairman, will the gentleman yield for a question?

Mr. GERNERD. Yes.

Mr. RAKER. Taking the gentleman's statement in regard to the large amount of tonnage that has gone to those ports, and I suppose some has gone to the American ports, is there a sufficient amount of ship tonnage to handle it to foreign ports, or has there been in the last year?

Mr. GERNERD. Yes. If they had gone by way of American seaports, and if the American ships could have been utilized.

Mr. RAKER. Was there any congestion at New York or Philadelphia or Baltimore in regard to the freight to be sent from there?

Mr. GERNERD. I am not prepared to give you an answer on that point. There was a time, not far distant, when we had American ships plying between the Orient and the Pacific Coast, but to-day we have none. Are we going to permit $1,877,000,000 worth of wheat and other export articles to be shipped in foreign bottoms? That is what we exported last year. Are we going to close our eyes to this great commercial opportunity? Shall we continue to hazard our prosperity for lack of an effective merchant marine just because we fear that some one will get a little governmental aid, called a subsidy? We must rise above all prejudices and resolve that our merchant fleet must sail the great waterways of the world. Gentlemen, I wish to say that I am for a well-rounded development of our country, and while I come from one of the largest industrial centers of the country, at the same time I represent a large farming element. I recognize that 45,000,000 farmers and stock growers in this country have got to be prosperous and their business put on a safe and substantial basis. I am eager that it should be done, for two-thirds of the country can not be prosperous and the other third be weighted down by adversity. The one is going to draw the other down eventually. What we must do is to inaugurate such a policy as will bring prosperity to all of our people. I firmly believe that the passage of this great, constructive measure will prove fundamental in establishing such a policy. Just as we have developed our transcontinental lines in years gone by and brought California within less than a week's travel of New York City, and opened up that great and vast territory, so I want the ships of my country to bring the ports of the world nearer to my own country. If we are to be among the leaders of civilization and to insure our industrial supremacy, we must have ships that will ply the seas and appear in every foreign port of the world We must give them a little touch of the American spirit, and in order to win the world's confidence and good will we must trade with them, for I contend that we can no longer remain inactive and do our part for the world's progress. Up to 1890 we were primarily an agricultural nation. Then by inventions and through the discovery of the Lake Superior ores and the great iron deposits in Alabama, there came about a great transition. An evolution in the steel industry, and, almost as if by magic, we became the world's real competitor in the manufacture of steel with Birmingham, England. This was due to the genius and the God-given natural products that we had in our own hills and valleys that we knew not of, and that were brought under the spell of American ingenuity and the spirit of aggression that caused us to outdistance Europe in that industry. From 1890 to 1912 we experienced a marvelous development. We came to be one of the leading industrial nations of the world.

I can recall that when I was a boy, in my district we had only a few small manufacturing industries. We knew nothing about silk mills. We had no hosiery or cotton mills. But to-

day we have more than 72,000 industrial workers employed in our mills. Those plants, during the war, more than doubled their capacity and production. It is contended that between 8 and 12 per cent, and some say 15 per cent, is the surplus production in our country. We must find an outlet in order to protect ourselves, or even to maintain normal production. My friends, I firmly believe that if the industries of our country are going to be run at normal capacity as they now stand, we can not consume more than 75 per cent of our production, either industrially or agriculturally. If that be true then it is absolutely imperative that we find world markets to dispose of that surplus production. I realize that we ought to consume as much of our agricultural products in our own country as we can, and I want to see Texas, Nevada, California, Idaho, and those other western States that are adapted to grazing and stock raising, continue to raise their cattle and their sheep and their wool, rather than have it imported from Australia or New Zealand or any other part of the world. I recognize that those very people need every extension of help that the American Nation can give them.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GERNERD. May I have just a few minutes more?

Mr. GREENE of Massachusetts. I yield to the gentleman five minutes more.

Mr. RAKER. Right in that connection, will the gentleman yield for a question?

Mr. GERNERD. Yes.

Mr. RAKER. Our farmers and our stockmen are practically being bankrupted.

Mr. GERNERD. I realize that.

Mr. RAKER. They have their cattle and they can not get a price to live on.

Mr. GERNERD. I agree with you.

Mr. RAKER. And the sheepmen the same.

Mr. GERNERD. That is true.

Mr. RAKER. And tons of potatoes and carloads of apples and all the produce that the American people ought to have are rotting in the fields.

Mr. GERNERD. That is true.

Mr. RAKER. And the eastern people can not get this produce. What is the matter?

Mr. GERNERD. Do you recognize that that agriculture depression is world-wide; that it is not only true of the United States, but of the whole world? The potato growers in my district are but 62 miles from Philadelphia, a natural market for the sale of potatoes, and my farmers are obliged to sell those potatoes at 50 cents a bushel, and they can not begin to grow those potatoes for less than 70 cents a bushel. That is the situation. That condition is not alone true in the West, it is true in the East. They are getting 85 cents a bushel for wheat and 55 cents a bushel for corn. No farmer can grow wheat or corn or potatoes at any price like that. But when you read about conditions in Denmark, Holland, Ireland, and get the story of the Republics of South America and of Australia they will tell you the same thing.

Mr. RAKER. Will the gentleman yield for another question?

Mr. GERNERD. Yes.

Mr. RAKER. That being true, would it not be good business judgment and sense for the American people to just hold on to this merchant marine for another year or so, rather than to give it away and destroy it?

Mr. GERNERD. Who wants to destroy it? I want to preserve it, and I want to help strengthen it, so that when the shipping revival comes the United States will be right there to meet the competition of the world. [Applause.] I am not afraid of this bugaboo about this corporation or that private individual getting a subsidy. I want to say to you that I have faith in the integrity of the business men of America. [Applause.]

Mr. RAKER. That being so, ought we not to have business men enough who could handle the shipping activities, or the various functions now performed by the Shipping Board, that could make this merchant marine a success if conditions revive in the next six months or a year?

Mr. GERNERD. I believe we have the best business minds in the world; but as the President of the United States said in his address, there are laws on the statute books that make it impossible for that business ingenuity to utilize the business opportunities that we have from the standpoint of shipping. I am not criticizing the wisdom of those laws. It is a condition and a fact, and I have listened here for three days to arguments, and no one has said that he is willing to revoke those laws. They are willing to extend them——

Mr. RAKER. No one has yet pointed out wherein the law is deficient or wherein the law prohibits the Shipping Board from making this American fleet a success.

Mr. GERNERD. I grant you that.

Mr. RAKER. Now, that being the case, why should America practically give away this fleet until it has honestly tried to make a success of the ships that we have which have cost us $3,000,000,000 or more?

Mr. GERNERD. Of course, there seems to be a cleavage in the minds of some men as to whether they want Government ownership and operation of this fleet or whether it is to be operated by private enterprise. Japan, England, France, and Germany all have merchant fleets which are operated by individual enterprise. Why does England find it necessary to pay subsidies even to her own great merchant fleet when she has been the leading maritime nation of the world for years? If she is obliged to do it, when she has really carried the commerce of the world, then why shall we, who are just novices in the game—for we are really starting out as pioneers—how can we expect to do better than England when she has reached the acme of the shipping business? To my mind Japan furnishes a splendid example of what a little nation can do. What is she doing? She is building up a merchant marine, and her Government is giving every aid and assistance that she can to the private operators of her merchant marine, and she guarantees to them a profit of 6 per cent—a profit, mind you, not an operating cost of 6 per cent. But all her ships have to be designed according to the plans of the naval board of the Japanese Navy, so that they can be converted, almost at an instant's notice, into transports for her troops.

I regard this as a wise policy. It is foresight. I think the United States, with her many interests and important possessions in the Pacific, with the Hawaiian Islands, as beautiful as they are and productive as they are going to be, and the Philippine Islands, our outposts of civilization, where for the first time in centuries modern ideas are being taught by American school-teachers, should carry her own commerce in her own ships and not have Japan do it for her. If we desire to be a Christianizing nation, if we wish to take our place alongside of England and the other Christian nations, I say to our people that the establishing and maintenance of our American merchant marine is a proposition that will bring more cheer and more real assurances to our many missionaries, who are engaged in the world's great work of spreading the gospel of peace, than any other thing that I know of. The establishment of a merchant marine is not all mercenary; it is not all dollars and cents. I believe the moral effect and influence on oriental civilization to have American boats go into Shanghai and other ports of China will be an inspiration to the young Chinaman of the future just as the Americans have been to the Japanese. It is less than a century ago that Japan was taken out of her long sleep, and in this short period of time has taken a foremost position among the leading nations of the world. Are we who in the early part of the eighteenth century had a merchant marine which was the equal of Great Britain and which took our cotton to Europe and helped to build up the great textile mills in Scotland now to lose the prestige on the seas which had been lost for years but now regained? Are we, on the threshold of this century, with the opportunity before us and the costly price we paid for our merchant marine, going to surrender our pride and our patriotism for fear that somebody is going to get a little benefit, a little governmental help called a subsidy? I am not afraid of the word "subsidy." It is not an evil word. If the word "subsidy" and the idea that it conveys to me is going to put our boats on the ocean highways, so that when I go to Italy and I shall be permitted to stand where I stood in 1911, in the harbor of Genoa, and can see our merchant ships flying the American flag in competition with the rest of the maritime world, I shall feel proud of the fact that by my vote I helped to keep our flag upon the seas and thereby assured our Nation's place in the onward march of civilization.

Mr. GREENE of Massachusetts. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. TILSON, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 12817) to amend and supplement the merchant marine act of 1920, and for other purposes, and had come to no resolution thereon.

ENROLLED BILLS PRESENTED TO THE PRESIDENT FOR HIS APPROVAL.

Mr. RICKETTS, from the Committee on Enrolled Bills, reported that November 24 they had presented to the President of the United States for his approval the following bills:

H. R. 367. An act for the relief of J. Irving Brooks; and

H. R. 10144. An act conveying the peninsula of Presque Isle, Erie, Pa., to the State of Pennsylvania, its original owner, for public park purposes.

EXTENSION OF REMARKS.

Mr. FREAR. Mr. Chairman, the correspondence herewith presented discloses a clear failure to enforce existing income tax laws by the Secretary of the Treasury. It further presents an arrogant disregard of law by powerful business interests that should be squarely met in the interest of the general public. My letters to Mr. Mellon have laid stress on his failure or refusal to enforce section 220 of the 1921 revenue law, set forth in letter of October 23 and in the following correspondence, but the main purpose has been to present a specific illustration of the ruthless disregard of law by big business, the unconscionable profits extorted from the American people by great monopolies, now disclosed by unprecedented stock-dividend distributions in addition to previous cash dividends, and the preposterous farce that permits Treasury records and income-tax administration to remain secret, thereby encouraging fraud. When big business interests were crying most loudly against an excess-profits tax and unwilling to divide profits over the 8 per cent legal exemption, the record of enormous "melon cutting" shows that profits exacted from the public, then in times of peace, were without parallel.

Destructive criticism is valueless, and after presenting the picture of riotous profiteering and tax evasions painted by the interests themselves, I have offered tentative constructive proposals, which if enacted into law will prevent us from slipping into a destructive economic whirlpool, to be avoided in time by sane legislation and its official enforcement.

The letters are self-explanatory:

WASHINGTON, D. C., *October 16, 1922.*

Hon. ANDREW W. MELLON,
Secretary United States Treasury Department,
Washington, D. C.

DEAR MR. SECRETARY: I have noted that the Standard Oil Co. of New Jersey has declared a 400 per cent stock dividend on its capital and that other subsidiary members of the Standard Oil Co. are declaring various stock dividends. In this morning's Post it is claimed that United States Steel will take the same course, with a surplus estimated at several hundred million dollars.

My attention has been called to section 220 of the revenue act of 1921, which provides methods for reaching holders of surplus stock when held for the purpose of escaping taxation. Can you please advise me whether or not this statute has been invoked by your department in the case of any corporations, and whether it has been considered in reaching the surplus earnings held by the Standard Oil Co.?

Thanking you for an early reply, I am,

Very sincerely,

JAMES A. FREAR.

A GREAT LOSS IN TAXES.

On receipt of Secretary Mellon's letter, hereafter inserted, excusing his failure to impose the penalty, I wrote immediately, urging him not to be misguided because the stock-dividend decision had no relation to section 220, and that if he failed to impose penalties the Treasury would lose possibly hundreds of millions of dollars in unenforced penalties and unreleased surtaxes.

Also, a reference was made to the stock-dividend 5-to-4 decision and a plea in the name of tens of millions of gasoline users that he impose a penalty on the extortioners as disclosed by the secret records of the Treasury under his control:

WASHINGTON, D. C., *October 23, 1922.*

Hon. ANDREW MELLON,
Secretary United States Treasury Department,
Washington, D. C.

DEAR MR. SECRETARY: Your letter of October 20 received, in which you announce your ruling against the enforcement of section 220, which was passed by Congress to reach large surpluses accumulated by corporations in order to prevent the payment of individual surtaxes. Your letter ignores and misapprehends the plain reading and purport of the statute, and your ruling assumes the prerogatives of the Supreme Court when it sets aside this law. Section 220 is intended to reach a different situation than that involved in the Macomber decision, as I shall endeavor to show herein.

In your ruling you go far beyond any holding of the Supreme Court, and by your ruling overthrow the action of both Houses of Congress approved by the President and passed for the purpose of compelling large profits accumulated in the form of a surplus by big business to be taxed either through penalties enforced by you or by a cash distribution which would then be subject to the provision of the law affecting surtaxes.

I trust you are not under a misapprehension, Mr. Secretary, as to the question squarely presented to you because the press has been filled with announcements that the stock dividends to be issued by the Standard Oil Co. and the proposed stock dividend of $500,000,000 in United States Steel, in which you are supposed to be interested, is for the purpose of avoiding the surtaxes that would apply if these enormous amounts, aggregating over $1,000,000,000, were distributed as cash dividends.

As a great financier and public officer of large responsibilities you certainly understand that the Standard Oil surplus, reaching in the aggregate upward of a billion dollars according to reports, if permitted to be distributed as stock dividends without enforcement of law, will rob the Government Treasury, of which you are guardian, of many millions of dollars, depending upon the rate of surtax or of penalties which you are directed by law to impose.

SECRETARY MELLON ALONE EMPOWERED TO ACT.

You are the only man authorized by law to prevent such result, because the commissioner of whom you speak is an officer who acts under your direction and according to your will; otherwise you would kick him out of his position, as you no doubt ought to do. I assume you know, Mr. Secretary, that the Commissioner of Internal Revenue is under your department and under your orders, and that you have further had many discussions with him on matters of policy and of law.

The statute of 1917 to the same effect as section 220, section 3, provides: "The fact that any such corporation * * * permits gains and profits to accumulate beyond the reasonable needs of the business shall be prima facie evidence of a fraudulent purpose of escaping such tax." This provision requires the Secretary of the Treasury to interpret the law as to the reasonableness of the surplus accumulated by the corporation, and a Commissioner of Internal Revenue acts under the Secretary of the Treasury, as he is required to do in all other matters, and his act is your act under the law.

I propose to set forth the enormous profits placed in surplus by the Standard Oil Co. for the purpose of escaping taxation. The facts and reports in your department were secret, so that the country could not understand the character or amount of profits until announcement was made that they were to be distributed as stock dividends.

Naturally, as a man of great wealth, interested in 60 or more corporations which may be affected by the ruling on stock dividends and taxation, you may find your personal interest involved in any decision, but I assume in your position as a public officer you will be governed by the law and by the interests of the public rather than by any personal consideration in the enforcement of the provisions of section 220 which I ask you to enforce and which reads as follows:

"That if any corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its stockholders or members through the medium of preventing its gains or profits to accumulate instead of being divided or distributed, there shall be levied and collected for each taxable year upon the net income of such corporation a tax equal to 25 per cent. The amount thereof shall be in addition to the tax imposed by section 230."

In your letter to me you say the corporation has paid its full tax. This refers, I take it, to section 230, but the penalty of 25 per cent is imposed by Congress under section 220 in order to reach unwarranted surpluses that are held by the corporation and not distributed as cash dividends in order to evade payment under the individual surtax law. That is the distinction so clearly made by Congress that it can not fairly be misunderstood. It is another way of providing a tax on undistributed profits which is undoubtedly permitted under the law and the decision of the Supreme Court in the stock-dividend case.

SECRETARY HOUSTON'S DRASTIC RECOMMENDATION.

Your predecessor, Mr. Houston, Secretary of the Treasury, recently proposed to tax such undistributed profits and reach the same annual accumulation of surplus by corporations. He then estimated that for the year 1920 that tax would bring in $190,000,000 additional revenue as a corporation tax, and that the effect on individual surtaxes, which is the point in question, would bring in additional revenues of $500,000,000 for that one year, or a total tax of $690,000,000, and this was his estimate for 1921. You will note that the revenue received from individual surtaxes which would be forced out by cash dividend distributions was estimated at more than double the amount received from this tax on the corporations, and that is the point involved in the enforcement of section 220, not to reach the tax on corporation but to reach the individual surtaxes which should be released by cash dividends not held as surplus, thereafter escaping taxation.

You have been opposed to the Houston tax proposal as a matter of principle on the theory, as I understand it, that the corporation ought not to be further taxed or its surplus distribution enforced. It was also on this theory, as I understand, that you lent your powerful influence last year to the repeal of the excess-profits tax on corporate profits of over 8 per cent, which at that time was bringing into the Treasury Department $450,000,000 or more per year.

In other words, your efforts to protect the Government Treasury in the past have not been directed toward collecting a tax upon large and powerful corporations, and in the present emergency your action in overruling the express act of Congress will result in a loss to the Treasury of an amount reaching several hundred million dollars annually, depending upon the rates of surtax as estimated by Secretary Houston.

Your suggestion that it is a corporation "formed" for the purpose of evading the law is not in any way involved. Whenever a corporation has been "availed of" for this same purpose it becomes a case where Congress directs the penalty to be invoked.

WHAT PROFITS ARE SUBJECT TO PENALTY?

In the case of the Standard Oil, United States Steel, and other companies, whose records are subject to your inspection—and yours alone, because they are secret—will you please give your views to the country, stating just what amount of extortionate profits and surplus you believe should properly be amassed before section 220 of the statute enacted by Congress applies, or do you hold that such statute is nugatory under the plea that the corporations have already been taxed?

I fear you are unwittingly aiding in a gigantic fraud upon the Government Treasury, which I do not believe you would countenance if familiar with the purpose of the statute.

Many thousands of farmers to-day in this country have relinquished their farms during the past year because they can not make ends meet, and their heavy debts compel such course. Hundreds of thousands of farms will be sold this year for taxes, for the same reason. Millions of farmers in the aggregate with a small average income and with only 60 per cent purchase power compared with pre-war prices are unable to make a net profit of 6 per cent on their farms. Yet they are confronted with the fact that oil used in running their tractors, their separators, and various other farm machinery, together with the steel purchased in various farm implements, has all returned an annual net profit running from 25 per cent to 100 per cent, according to the press, and that due to your proposed action this enormous surplus to be distributed in the form of stock dividends will escape a surtax which properly ought to be paid to the extent of hundreds of millions of dollars, thus enhancing the enormous profits of a few to the injury of the many, who have equal interests in our Government and are expected to have equal protection under its laws.

Let us here briefly set forth the surplus earnings of the Standard Oil, which is gathered from the press reports of which you have inside information through the secret documents in your possession and can easily verify such statements.

On October 11 of this year the press states that stocks of the Standard Oil subsidiaries have increased in value this year $1,060,944,532. This increase is reported from 31 of the 33 companies of the Standard Oil. During the last three weeks it was also stated that oil stocks have soared through expectation of huge stock dividends in some of the leading companies.

"This expectation has been gratified in the companies of Standard Oil of New York, which declared a $150,000,000 stock dividend, and 100 per cent dividend in the California company, with like dividends with other branches. The Standard Oil Co. of New Jersey showed an appreciation of $253,000,000 over the year's low price for its stock, and apart from 20 per cent cash dividend this company has accumulated $592,000,000, or nearly six times the amount of its common stock, which is to be distributed in a stock dividend." I have the published list of the 31 Standard Oil companies mentioned and if correct it bears out the truth of both statements.

OVERRULING AN ACT OF CONGRESS.

Can you, Mr. Secretary, overrule an express act of Congress when the following statement is offered you, quoted from the press of October 5?

"One of the biggest dividends in history was declared by the Standard Oil of California, which is reported to have the largest earnings of any oil company last year. One hundred per cent stock dividend will be paid the last day of the year at a par value of $25. This stock sold on the New York Stock Exchange Monday at $120, and the dividend amounts to $115,000,000 value based on the New York sales."

The article further states that the oil disbursements this year are estimated to reach $580,000,000. It is significant that the Standard Oil of California is the one on which the Supreme Court decision on stock dividends was originally based, and to which I will refer.

I will not discuss the question of extortionate and unconscionable profits, which amount will be apparent even to you, but I quote from the rulings of your department on section 220, appearing in the revenue act of 1918, wherein it is stated, article 352, that the application of 220 of the statute depends upon two elements.

(*a*). Purpose to escape surtaxes, (*b*) unreasonable accumulation of gains and profits. Prima facia evidence of (*a*) exists * * * where a company permits its gains and profits to accumulate beyond the reasonable needs of the business.

Article 353 of the act of 1918 holds the accumulation of gains and profits as unreasonable if it is not required for the needs and purposes of the business, considering all circumstances of the case. * * * The need of the investment of gains and profits is immaterial if they are not in fact needed in the business.

With this specific interpretation of the law by your own department for enforcement by your own regulations and rules, can you, in view of the facts regarding the enormous profits made by the Standard Oil which have been set aside as surplus for the purpose of escaping individual surtax, say that you will refuse to enforce the penalty provided by Congress?

NO COMPANIES WERE INTERROGATED.

Again I quote from the press, all of which articles are for your inspection and verification if desired, that "no corporation has yet submitted its case to the commissioner, so far as known (to ascertain its liability under section 220)." In the same article it states that other concerns reputed to have made large profits this year "are corporations in the nonunion coal, iron, steel, oil, lumber, and building-construction materials industry."

Again quoting, "Most conspicuous in this practice is the United States Steel Corporation, which is known to have enjoyed an extremely prosperous year thus far. The last annual financial statement of that corporation discloses an accumulated profit surplus of nearly $500,000,000." It is the general impression, whether well founded or not, Mr. Secretary, that in many of these vast interests about to declare dividends you have financial interests that desire protection, and I urge upon you in your public capacity as an official to set at rest any criticisms that might arise, and that you declare, as you were expected by Congress to declare, that the penalties provided by law be imposed before these stock dividends are allowed to be distributed.

I now come to the Macomber decision of the Supreme Court to which you refer and with which I am familiar. It is found in the case of Eisner *v.* Macomber (252 U. S. Reports) and arose from a distribution of stock dividends in 1916 by the Standard Oil Co. of California, which then sought, as it now seeks, to escape taxation through a stock-dividend distribution.

In that case it was held by a majority of one member of the court, with Justices Brandeis, Clark, Holmes, and Day dissenting, that such dividends were not taxable. In that opinion Justice Pitney says, among other things, "reexamination of the question with the additional light thrown upon it of elaborate arguments," etc., influenced the decision. The first counsel named in the case, Mr. Charles E. Hughes, now Secretary of State, of national eminence and ability, made an argument which, however elaborate and enlightening, did not convince the four dissenting judges from whom I briefly quote because of its direct application to the situation before us.

Justice Holmes, dissenting, said: "The word 'incomes' in the sixteenth amendment (to the Constitution) should be read in the sense most obvious to the common understanding at the time of its adoption. * * * The known purpose of this amendment was to get rid of nice questions as to what might be direct taxes, and I can not doubt that most people, not lawyers, would suppose when they voted for it that they put the question like the present at rest. I am of opinion that the amendment justifies the tax." "Justice Day concurs."

Justice Holmes states that "most people" when they voted for the amendment believed it applied to stock dividends, and also no doubt the four dissenting judges of the Supreme Court believed the same.

FOUR JUSTICES FILED VIGOROUS PROTESTS IN MACOMBER CASE.

The dissenting opinions of Justice Brandeis and Justice Clark in equally positive language state "If stock dividends representing profits are held exempt from taxation under the sixteenth amendment, the owners of the most successful businesses in America will be able to escape taxation on a large part of what is actually their income. So far as their profits are represented by stock received as dividends they will pay these taxes not upon their income but only upon the income of their income. That such a result was intended by the people of the United States when adopting the sixteenth amendment is inconceivable. Our sole duty is to ascertain their intent as therein expressed."

Mr. Secretary, the effect of your action in refusing to invoke section 220 is not only to prevent the clear imposition of the law enacted to reach the present situation in cutting enormous financial melons but for all time it confines a tax paid by such stockholders to their "income on their income," as quoted by Justice Brandeis. Again quoting from the dissenting opinion, "It is but a decent respect due the wisdom, the integrity, and the patriotism of the legislative body by which any law is passed to presume in favor of its validity until its violation of the Constitution is proved beyond all reasonable doubt."

I call your attention to this last provision, approved by four justices of the Supreme Court, and point out that by your proposed action you will do what four justices of the Supreme Court hesitated to do in that case, ignore a decent respect due to the wisdom, the integrity, and patriotism of Congress. I can not believe from the decision to which attention has been called that the Supreme Court will hold as unconstitutional section 220, because it is based on an entirely different state of affairs from that set forth by the stock dividend decision.

Among the facts stated in the decision it was recited that the Standard Oil Co. of Indiana had increased its capital stock from $1,000,000 to $30,000,000 in a comparatively short period and paid a stock dividend of 2,900 per cent.

Again, the Standard Oil Co. of Nebraska had also increased its holdings and issued stock dividends, and the Standard Oil Co. of Kentucky within a period of four years had increased its capital stock from $1,000,000 to $6,000,000. I call your attention to the fact that the enormous surplus recently reported by the Standard Oil Co. of over $1,000,000,000 has been based upon enormous capitalization caused by stock dividends heretofore issued by the same companies, and that unless some action is taken by the Government pursuant to the laws of the country that these great interests and others that to-day are controlling prices, profits, and press, and to a large extent legislation will indeed be supreme.

When that time arrives, and it would seem to be almost here, if such decisions as yours are to become substituted as the law of the land for those covered by Congress, we may well believe that the people of the country, in whose hands lies the decision, will lose confidence in their officers, their courts, and their form of government under which we live. I am only seeking in a modest way to point out to you the dangers of such decisions as you write me you propose to invoke setting aside section 220, a law passed by Congress for the purpose of meeting an exigency such as confronts the country to-day.

A COUNTRY HALF TAXED AND HALF FREE.

The language of ex-President Harrison was significant when he said, "Lincoln's startling declaration that this country could not continue to exist half slave and half free may be paraphrased to-day by saying that this country can not continue to exist half taxed and half tax free." When enormous aggregations of wealth escape taxation through the extortion of unconscionable profits, thereby creating enormous surpluses, which are to be issued as stock dividends for the purpose of escaping taxation, I submit that the situation presented by ex-President Harrison is one of deep concern to the country.

Publicity that will disclose such investments and such enormous profits and the efforts to evade taxation by those best able to pay will help curb the evil and will enable Congress by constitutional amendments affecting tax-free securities as such through legislation as may be desired, and also, if need be, to enact a law affecting undistributed profits in addition to the reenactment of excess profits law.

In addition to all this, of course, the country has a right to place in position high officials who will enforce the laws already on the statute books, and I trust, Mr. Secretary, that you will remain among this number, and that you will reconsider your ruling which may cause a loss of hundreds of millions of dollars taxation to the Treasury without any possibility of recovering the same.

In conclusion, I repeat what I recently stated when writing my first letter of inquiry, that the "administration of the law lies with Secretary Mellon, whose absolute honesty is not questioned in following the strict letter of the law; but Mr. Mellon is quoted by Klein to be worth $300,000,000, which, if reasonably accurate, should yield an annual income of about $15,000,000 or more annually, while his daily income of $50,000 is several times his annual salary as Secretary of the Treasury. Whether Mr. Mellon avails himself of the same avenues of income tax escape as Mr. Rockefeller is only known to the Secretary of the Treasury, who has the records, and what is true of Mr. Rockefeller and Secretary Mellon is equally true of many of the 20,000 individual income-tax oayers whose annual incomes are supposed to run from $50,000 to $200,000,000 each, if correct reports are to be had.

These records, I submit, in all fairness should be made public by law, and I trust you will cooperate in securing that result.

Very sincerely,

JAMES A. FREAR.

WHY EVADE THE ISSUE?

When Secretary Mellon was pressed to impose the tax penalty that for some unknown reason he refused to enforce, the Treasury press bureau that keeps up a constant chatter over what the Secretary intends to do sent word broadcast that the Treasury was about to urge the passage of a law preventing the issuance of tax-free securities. This looked singularly like a smoke screen, because a bird in the hand was found in section 220, reaching eventually possibly hundreds of millions of dollars' income to the Treasury, whereas over $10,000,000,000 are invested in tax-free securities that can not be reached, and it will take many years to pass a constitutional amendment, with accompanying approval or required number of States, even if ever secured. This proposal was smothered last session. Where was the Treasury then? I urged its passage.

These matters were presented to Secretary Mellon in the following letter:

WASHINGTON, D. C., *October 26, 1922.*

Hon. ANDREW W. MELLON,
Secretary United States Treasury Department,
Washington, D. C.

DEAR MR. SECRETARY: On October 23 I wrote you expressing a hope that you would reconsider your announced ruling which sets aside section 220 of the revenue law passed in 1921, to reach a fraudulent diversion of corporation profits to an amount estimated at several hundred million dollars in increased income-tax payments to the Federal Treasury. You, of course, are charged with the administration of this law and any failure on your part to enforce its provisions will, according to estimates afforded by the press, rob the Treasury of tax

receipts due on surplus corporate profits which are estimated to reach the enormous amount of over $2,000,000,000 in 1921—the surplus, not the tax imposed.

This surplus of corporation profits, reaching from 25 to 100 per cent annually, will in the case of Standard Oil alone aggregate over $1,000,000,000, according to the press, a large part of which has been set aside instead of being distributed in order to escape surtaxes otherwise due the Government from individual stockholders. There can be no reasonable question about the meaning of the law which I have quoted to you, and with which you are familiar, nor of the fraudulent purpose to evade individual income-tax payments through the issuance of stock dividends. You are directed by law to exact penalties when evidence of undue surplus for business purposes exists to an amount of penalties alone that is assumed to reach over $200,000,000, a conservative estimate under the retroactive provision of the statute.

Believing it my duty to urge your attention as strongly as I can to this evasion of taxes, that you may not later on mistake the full official responsibility for the enormous loss to the Treasury, I again write to point out the apparently defenseless position, in my judgment, you have taken and to suggest that your action may involve a serious economic and political mistake, apart from its failure to perform a plain official duty required of you by law.

On October 23 you gave to the press a statement regarding your purposes regarding tax-exempt securities, which according to Treasury Department practices I predicted would be done in order to distract attention from the requested execution of section 220 of the revenue law. Your statement was significant, however, because it cuts the ground from under any attempted subterfuge regarding enforcement of section 220. It intimates you will not impose penalties under any circumstances however fraudulent or howsoever flagrant the effort to evade taxes may be, although absolutely directed so to do by that section. Let me quote from your statement given to the press October 23:

"Reenactment of the excess-profits tax has its advocates in both branches of Congress, but this is opposed by the administration, as is also the proposition to tax undivided surplus of corporations."

President Harding signed the revenue law of 1921 containing section 220, directing that penalties be imposed, and surely he is not the "administration" you refer to in refusing to enforce that section which has been interpreted by your Treasury regulations, article 353, to mean:

"ART. 353. The accumulation (by corporations) of gains and profits is unreasonable if it is not required for the needs and purposes of the business." * * * "The need of the investment of gains and profits is immaterial if they are not in fact needed in the business."

An announced purpose in financial journals to distribute a large part of over $1,000,000,000 surplus in stock dividends by Standard Oil in order to avoid payment of individual surtaxes through a cash distribution is certainly known to you, and you alone of all men have control of the secret official records that evidence that fact. Will you refuse to enforce section 220, passed by Congress in 1921, under a plea that the administration is opposed to tax the undivided surplus of corporations?

I leave that statement to your own sense of justice in view of a law passed during your own incumbency in office, approved by the President, and which you are required by such law to enforce.

WHAT HAS MR. MELLON DONE OR WILL HE DO?

Your statement that you will urge upon Congress the passage of an amendment to prevent issuance of tax-free securities is noted. During last session I urged passage of such an amendment through the committee and through the House. It failed. What did you do apart from giving it your official approval, and what will you do next session toward its passage that you failed to do in the last? The publication of your statement, I fear, was to sidetrack the issue of penalties now due under the law.

You know, and so do the people generally, that it is impossible constitutionally to get any tax-free amendment through Congress in any form to reach the many billions of State and municipal securities on the market, and that it will take several years under the most favorable conditions to get any kind of an amendment enacted into law. You are only announcing with some gusto that you will ask Congress to lock the door after about all the horses have escaped. Why didn't you do before what you say you will do now?

It is a convenient explanation for failure to reach the tax-exempt security amendment, but I am asking why you do not enforce tax penalties now due on corporations by enforcing a release of "fraudulently" held surpluses which may bring to the Treasury in the aggregate several hundred million dollars in tax receipts? A surplus of over a billion dollars now held by Standard Oil alone and over $500,000,000 by United States Steel, according to the press, is awaiting early distribution as stock dividends largely for the purpose of escaping individual surtax payments. Will you permit it to escape the legal penalty?

Paying tribute to the exactions of the oil king to-day are over 10,000,000 users of business and pleasure cars throughout the country, and whether the price of oil be 10 cents or 20 cents per gallon more than is a fair price to the corporation, the consumer pays the price exacted. Profits of over 400 per cent on the stock, apart from cash dividends paid, indicates the character of the extortion. Millions of farmers who run tractors, separators, and other farm machinery in like manner pay full tribute exacted by the king. The user of oil not only pays the plunder price but also any increased tax burden caused by every enforced tax-dodging stockholder reaching an amount among nine figures.

FAILURE TO PENALIZE THROWS BURDEN ON HONEST TAXPAYERS.

Some one must pay the tax to run our Government, and apart from assessments according to ability to pay, if the burden is shifted or evaded by the oil stockholder through the "fraudulent" handling of surplus by the corporation under the department's definition of the statute, the remaining taxpayers of the country must make good any Treasury deficit reported by you, Mr. Secretary, either in the form of increased tax rates or from other sources. That is to say, the consumers pay the extortionate price of the oil, and their own tax, together with any deficit caused by the oil stockholders' escape.

In the name of 10,000,000 car owners and of many millions of farmers and countless others who use oil now controlled by Standard Oil, I urge you to impose penalties on the subsidiary companies mentioned in my letter of October 23 and thereby release a large part of the surplus profits estimated to have been accumulated by this company to the amount of over $1,000,000,000.

May I extend the list, Mr. Secretary, and ask in the names of the many millions of people of all vocations and parties, whom you equally represent as Secretary of the Treasury, and in the name of right dealing and common fairness will you not compel these great public evaders of taxes to comply with the tax laws of the land through the power vested in you under section 220?

In view of your understood statement in your letter to me, that you have never assessed a penalty under section 220 or sought to reach by taxation the fraudulent accumulation of surplus by corporations mentioned by statute, and also the failure on your part to indicate what surplus or what accumulations you personally would consider "fraudulent," notwithstanding an interpretation by statute and by your department, which I have quoted in a previous letter, I desire to ask you a question which under the circumstances I trust is not inquisitive or impertinent, because you alone have access to the income-tax reports of persons and corporations required by law to be kept secret.

SECRETARY MELLON'S COMPANIES.

Stated briefly, have any of the 60 or more corporations of which you were an officer prior to assuming the duties of Secretary of the Treasury announced or indicated a purpose this year of issuing stock dividends from the accumulations of surplus by such corporations? Have any of such corporations during the past five years averaged a net surplus apart from cash dividends of over 10 per cent annually. Have any of such corporations during the same period averaged 50 per cent annually or more, apart from cash dividends, or approaching an amount understood to have been averaged by some of the Standard Oil subsidiaries to which I called your attention in my last letter?

I do not ask the specific amounts nor rates, nor your individual interest, beyond a further query that if such surpluses have been set aside have you declared a penalty due on the surplus so accumulated by any such corporation, or do you expect to do so under the provisions of section 220? If not, what profits would you hold subject to a penalty, if any?

I do not believe you will refuse to enforce the law, Mr. Secretary, when its purpose is fully understood by you, but the effect of your decision ought to be well considered. The amount involved as estimated reaches a tremendous loss to the Treasury of hundreds of millions of dollars unless you impartially enforce the law, and will have a greater and more far-reaching influence on the country than you seem to appreciate, so I again ask you to reconsider your ruling on section 220 and again urge that the provisions of the 1921 law be enforced by you.

Very sincerely,

JAMES A. FREAR.

DOES "OIL" RULE THE GOVERNMENT?

It will be noted that Secretary Mellon was asked what profits his own companies had accumulated as surplus. The directness of this inquiry will later appear in these letters. A restatement of the law imposing penalties was deemed necessary in the following letter, and after referring to the unconscionable profits extorted by the Standard Oil Co. I called Secretary Mellon's attention to the tremendous power now wielded by this great oil monopoly that embraces Mexico, Central America, Teapot Dome, and far away Mesopotamia. Where goes the Standard Oil driller, there goes the flag and the Army and Navy, according to Cabinet members.

What is true of oil control in this country is equally true across the sea in England, where it is also under scrutiny.

The next letter is as follows:

OCTOBER 29, 1922.

Hon. ANDREW W. MELLON,
Secretary United States Treasury Department,
Washington, D. C.

MY DEAR MR. SECRETARY: On October 16 and again on October 23 and October 26 I wrote you asking if you, as Secretary of the Treasury, acting through the Commissioner of Internal Revenue in your department, had enforced section 220, revenue act 1921, enacted by Congress to reach "fraudulent" accumulations of surpluses by corporations in order to escape individual surtaxes. In those letters I urged that you, as the "watch dog of the Treasury," were expected by Congress when enacting the law to enforce the penalty and save an impending loss to the Treasury of several hundred million dollars, according to estimates. That was the law's purpose.

Your only answer, received on October 20, states nothing has been done by you under section 220, that the "commissioner" is the official authorized by the law to act, and in effect that the stock-dividend decision of the Supreme Court several years ago renders nugatory section 220, relating to penalties.

I have consistently tried to prevent you from falling into such a serious error whether due to any unconscious influence of your own individual interests or advice of others that may later be discussed, and I still maintain that while you are understood to be interested as a former official in over 60 corporations, including United States Steel, that announces a proposed stock dividend distribution of $500,000,000, it will not influence your decision as a public officer. Further that your reputed wealth, according to Klein, of $300,000,000 with a possible daily income of $50,000, places you in a position where you can unquestionably prove that your official act is independent of any personal interest.

Let me briefly again quote from section 220, law of 1921: "If any corporation, however created, * * * is availed of for the purpose of preventing the imposition of the surtax on its stockholders or members through the medium of permitting its gains or profits to accumulate instead of being divided or distributed, there shall be levied and collected for each taxable year upon the net income of such corporation a tax equal to 25 per cent in addition to the (regular corporation) tax imposed by section 230."

You will readily perceive that the stock-dividend decision has no more relation to the law of 1921 than an edict of Mohammed. I have pointed out this fact heretofore by liberal quotations, including one from your own Treasury regulations, which reads, article 253:

"The accumulation of gains and profits is unreasonable 'if it is not required for the needs and purposes of the business, considering all the circumstances of the case. * * * The need of the investment of gains and profits is immaterial if they are not in fact needed in the business.'"

This is a plain statement by your department showing section 220 bears no relation to the stock-dividend decision affecting dividends when distributed. The rule of law that full credit is to be given by every administrative official to the law, in this case passed by the present Congress and signed by your present chief, certainly applies to you, however great or powerful you may deem your present position to be.

The only question, then, is what facts are before you that call for the imposition of a penalty under section 220. As hundreds of millions of dollars in taxes are involved, I feel it my duty to present the matter as fully as my imperfect powers will permit.

EXTORTIONATE OIL PROFITS DISCLOSED.

On October 11 the press stated the stock of the Standard Oil subsidiaries had increased in value this year $1,060,944,522. This increase was reported from 31 of the 33 subsidiaries. That the Standard Oil of New York had declared a stock dividend of $150,000,000, and the Standard Oil of New Jersey, apart from 20 per cent paid in cash dividends, had accumulated $592,000,000, or nearly six times the amount of its common stock, and had declared a 400 per cent stock dividend; that Standard Oil of California, on a par value stock of $25, now worth $128, had reported a stock dividend of $115,000,000.

I am only discussing oil stocks, although others require equal attention through the secret official reports in your department known only to you. One week ago, October 23, Standard Oil stocks, for illustration, sold on the New York stock market at: Indiana, 127; Kentucky, 110; Ohio, 331; So. Ohio, 540; So. Kansas, 593; New York, 570; Prairie Oil & Gas, 670; Vacuum Oil, 655. The latter company reports, for illustration, on a $15,000,000 stock, apart from $11,400,000 cash dividends paid in the past, a surplus of $67,000,000. Of like character are profits reported by Mexican Petroleum, Pan American, and Doheny oil interests generally.

The law of 1917 certainly declares to be "fraudulent" evidence of setting aside of surplus, if any sane reading applies to that law and to the profits I have quoted.

You say in your letter to me of October 20 that the Commissioner of Internal Revenue, in the case of the New Jersey Standard Oil Co., "has found no evidence of the accumulation of surplus beyond the reasonable needs of the business." As the commissioner's findings are yours, I remind you that according to the press quoted in my former letter of October 23, "No corporation has yet submitted its case to the commissioner, so far as known." Is that correct? Your secret records will show.

If the commissioner has not asked any company for any statement, and if this New Jersey company, apart from cash dividends, has accumulated $592,000,000, or nearly six times the amount of its capital stock, in the name of conscience, which is supposed to have some place in your department, notwithstanding ugly reports in my possession concerning the commissioner's office, I ask, What do you understand was the purpose of Congress in passing section 220? Mr. Secretary, if you should suddenly resign your present portfolio, can you conceive it possible for any successor of yours or of your commissioner to view this remarkable situation without concern?

SEVEN MILLION INCOME-TAX PAYERS CONCERNED.

The purpose of issuing stock dividends to avoid payment of individual surtaxes will never be more flagrantly evidenced in the history of the country than now, and your failure to impose any penalty on the Standard Oil Co. will arouse more widespread concern than you seem to realize. What explanation can you make, Mr. Secretary, satisfactory to the 7,000,000 of income-tax payers of the country who pay their taxes according to law and are faced with this attempt to escape over a hundred million dollars in income taxes by one company, whether through a financial and political power exerted by that company or because of the shrewdness of its officers is immaterial.

In this connection I submit that Standard Oil is the best argument that can be offered for the reenactment of the excess-profits law, which was right in principle, according to many tax experts, but which you and other large business men asked to have repealed last session. Your aid in securing that repeal saved these gigantic companies large payments of taxes, that from all sources brought $450,000,000 tax to the Treasury in 1921. Doleful tales last year of corporate profits do not measure up with the average yearly profits now reported to have been maintained by oil and steel, all of which were known to you from the secret records in your department. What can be said regarding the sudden announcement of these oil and steel companies after several years of enormous profits that they now disclose by their books? Does it not seem a strange and striking coincidence that the announcements were held up until the excess-profits tax was repealed?

GASOLINE DROPS 1½ CENTS.

A strange coincidence representing over a million dollars saved daily to consumers and other data, occurred on October 26, the date of my third and last preceding letter to you, published quite generally in New York papers the same morning. In the afternoon Washington Star, same date, page 28, column 5, three leading notices strangely follow each other: First, "No change in crude-oil prices"; next, "Standard Oil to-day reduces price of gasoline 1½ cents per gallon"; next, "Aluminum Co. of America 7s, 1933, 106½ bid."

No common stock quoted on market. All of which is interesting, if not significant.

Several chapters of interesting reading would be disclosed if the true inwardness of these stock-dividend announcements at this time was made public, and I again urge you, as some slight means of avoiding the enormous Treasury loss affected by the excess-profits tax repeal that you impose the 25 per cent penalty on surpluses found to be "not in fact needed in the business."

Government by Standard Oil and United States Steel will not be a matter of fiction if these great combinations of wealth are able to put aside between them a billion and a half dollars in surplus for the purpose of escaping the payment of individual surtaxes without any imposition of the law provided by Congress in 1921 to reach such "fraudulent" efforts, and at a time when the humblest citizen is obliged to pay every penny of his tax.

Letters and words of commendation for calling these facts to your attention have come from actuaries, attorneys, and leading Members of Congress to the effect that this matter will not be settled until settled right. Frankly, no better argument can be offered for the necessity of passing a law directly to reach all undistributed profits of corporations; for the reenactment of an excess-profits tax law; for an increased inheritance tax law, and for absolute publicity of the secret income-tax records of your department.

STANDARD OIL'S SUPREME POWER.

How far Standard Oil and its oil associates control this Government and threaten our relations with others may not be part of a discussion of its refusal to pay legitimate taxes due the Government, but I believe it not amiss briefly to call your attention to its recognized power to-day.

Standard Oil fixes absolutely the price for 10,000,000 of car users of oil in this country, for millions of farmers who use tractors and other farm machinery and for every large industry and every municipality that uses oil. No law can reach the price or the rate of profits or apparently the tax that should be paid by this octopus company.

The most eloquent pleader before the Supreme Court in the Stock Dividend case, who won to his views the fifth and deciding justice, now in his present position as a Cabinet officer of great ability and distinction, has just secured for Standard Oil and other American oil interests a right to 10 per cent of Mesopotamia's oil fields. If Turkey protests and refuses the demands of Standard Oil it remains for the Government to use force to carry out the demands of any Secretary of State, and force means an army and navy with which to fight the battles of private oil corporations.

Notwithstanding Washington's past and prospective world peace conferences, your close associates, Secretaries Weeks and Denby, are constantly quoted in the press in favor of a larger Army and Navy with which to meet foreign complications, the greatest of which appears to lie in protecting Standard Oil's various foreign developments and exploiting activities. Would it not, Mr. Secretary, be a matter of partial justice to compel Standard Oil to pay its full share of taxes with which to build any extra $40,000,000 battleships thus needed and to pay the extra men assumed to be required for the protection of private oil exploitations? In other words, why not let "John" and not "George" do it?

PHILIPPINE INDEPENDENCE DEPENDS ON OIL.

It is regarded as an open secret in many quarters that Philippine independence or the date of our release of the islands depends in part upon the result of Standard Oil exploitations in the islands. This statement made in the press may fairly be assumed to have some basis of fact.

I do not pretend to say just what part Standard Oil has played with existing and past strained relations between this Government and Mexico, but that oil and oil alone has been one great source of friction leading to violence and governmental interference by us with Mexico is a matter of history. Oil is the inspiration for such differences, whether Sinclair, that is reputed to be controlled by Standard Oil, or Pierce Oil or Doheny Oil, all of which stand together for mutual interests and level prices that are always maintained. In like manner, Central American countries can tell the same tale of our private oil exploitations and other activities there which affect our relations with the weaker countries at the south who have little voice in the control of their own countries.

Secretary Fall and the Teapot Dome "deal," to use no stronger term, is of recent date, and I am informed that 300 newspapers are advertising 9,320 acres known as naval petroleum reserve No. 3 in Wyoming; that oil wells there are flowing between 10,000 and 20,000 barrels per day and the Salt Creek field, of which this is a part, is producing 150,000 barrels per day. Shares are being sold by the Mammoth Oil Co. (Standard Oil controlled) that have no par value but have brought to the manipulators of the deal somewhere around $90,000,000 and that the Government has lost between $15,000,000 and $20,000,000, due to the low rate of royalties.

I can not vouch for the correctness of all these reports, but the one outstanding figure on the public mind is that another leading Cabinet official should have permitted this lease, sale, or gift to a powerful company that lays its hands on American and European fields with equal certainty; that places Mexico and all Central American Governments in a virtual state of subjection by our Government, and as a last evidence of its power after receiving a stock-dividend decision several years ago, in the California Standard Oil case, by a bare majority of one justice in the highest court in the land, again comes into public notice through its resistance of law and of any effort by Congress to compel a disgorging of a small part of its unconscionable profits which rests for its protection with your department, Mr. Secretary.

It has been common practice to denounce oil and steel magnates and to place them in a class with Jesse James and Captain Kidd and other buccaneers, with a limousine polish brought down to date. All these men may have hold-up records of their own, each in his particular specialty, but I am not concerned with their acts or attitude, past or present. I am only presenting to you facts in my possession and the law and ask if any failure to impose the penalty on these interests or others that may be culpable occurs, will the responsible officer be held blameless for permitting plunderers to escape scot free?

Let me say frankly, Mr. Secretary, I do not believe the question is one for which any political party alone can be held responsible, but the principal actor on the stage now is yourself and I trust you will not place your party and the country in a defenseless position by any failure to enforce the law. Again I repeat, I do not believe upon reexamination of the law and the facts you will refuse to impose the penalty.

Sincerely yours, JAMES A. FREAR.

OUR OIL DIPLOMACY.

Great statesmen at both ends of the Capitol who rage over the League of Nations, and those who criticize the four-power treaty, I ask of them what is more serious as a matter of Government policy than the following extract from the Washington Post of November 23. Found in an inconspicuous place, it notifies us that we are kept from knowing the true facts regarding Standard Oil and our relations with foreign governments due to smothering of facts.

Not content with fleecing the American public out of a 775 per cent net profit on its capitalization in 10 years, or $775,000,000, the Standard Oil Company reaches out with its demands all over the world in the name of the Nation. Then, after provoking international entanglements that invite armed intervention, this same company boosts its profits by increas-

ing the price of oil to Government vessels within 30 days over 30 per cent, as I have shown in these letters.

October 26, as stated in my last letter to Mr. Mellon, the Exchange stated: "No change in crude-oil prices," yet Uncle Sam has just been stuck for a 30 per cent increase by Standard Oil on a large naval fuel purchase made on November 14 with a 50 cents per barrel increase. We have given away our oil fields to these companies, and may well say "And you, too, Brutus."

Read the latest news of this infant industry:

AMERICANS' OIL RIGHTS GUARDED AT LAUSANNE—AMBASSADOR CHILD WILL DEMAND OPEN DOOR IN MOSUL FIELDS FOR NATIONALS.

[By Henry Wales.]

(Special cable dispatch.)

LAUSANNE, November 22.—Determined efforts to bottle up all the news of what is going on at the Near East peace conference are being made by the French and British. The latest suggestion is that the delegates and all persons attached to the conference shall be forbidden to converse with newspaper men. The communique, which is given out daily by a committee composed of French, British, and Italians, is becoming smaller and smaller.

Ambassador R. W. Child, the American observer, stated to-day that when the Mosul oil fields come up for discussion by the conference he will enunciate the American Government's policy and will demand an open door there the same as in other mandated territory where there are oil fields.

It is understood that the American observers have been instructed by the State Department to safeguard the interests of the Standard Oil Co. in Mesopotamia and not to accept without a protest any disposition by the British of the country's fabulously valuable oil deposits.—(Copyright, 1922, by the Chicago Tribune.)

November 26 the press carried another threat by this country if Standard Oil rights to develop the Turks' country are not respected. We threaten the Turk to protect a questionable right of an oil company and stuff cotton in our ears when Armenians ask equal protection. Doubtful oil-property rights superior to humanity is the European and American policy.

On November 24, two days later, McDonald, leader of the Labor Party of 141 members, declared in the House of Commons that his country (England) is entitled to a much fuller statement of the Government's policy in the Near East, and further he asked: "Is our foreign policy to be guided by the oil interests as in the past?" What is the answer here and in England to that same question?

MR. MELLON, THE TREASURY CUSTODIAN, LEADS THE RACE.

In the next letter follow two significant articles. The first by the official organ of Standard Oil—the "Lamp"—gives the net profits of the New Jersey company for 10 years at $775,163,260, and is an eye opener to the millions who have bought "gas" and paid tribute to the monopoly for a decade.

Another quotation is more startling because it charges Secretary Mellon, the "capable Secretary of the Treasury," with instituting the mad riot that has given the country a shock not easily forgotten, because nearly every citizen has contributed to the oil extortion profits, and now we find that the man who is chosen to enforce the law is the chief offender with his Gulf Oil properties. No more grotesque maladministration of office can be imagined if these charges by reputable New York brokers are true. The letter follows:

WASHINGTON, D. C., *November 12, 1922.*

Hon. ANDREW W. MELLON,
Secretary United States Treasury Department,
Washington, D. C.

MY DEAR MR. SECRETARY: I have your letter of November 2 stating that you have received my several letters and that you pointed out in your previous letter: "The declaration of a stock dividend has no significance under section 220, and in any case where the section applies the department can proceed with its enforcement quite as well after as before the declaration of a stock dividend. The Treasury is diligently enforcing section 220, according to its terms, in every case where applicable but can not, of course, extend the law to cover matters beyond its scope."

I thank you for your letter, and will say in no way have I sought to urge that a stock dividend was taxable, but I am presenting to you, based on information not heretofore given to the public, the following statement by the official publication of Standard Oil Co., the Lamp:

"In the years from 1912 to 1921, inclusive, the company (New Jersey Standard Oil subsidiary) has shown net before taxes of $775,163,260. Of this sum $115,517,677 has been paid for taxes, $222,065,226 represents aggregate dividends, and $437,580,357 has been absorbed by the needs of the business."

This shows, if interpreted correctly, that Standard Oil of New Jersey, the subsidiary company under discussion, made in profits for 10 years 775 per cent, or 77½ per cent annually; that after paying taxes it distributed 220 per cent in cash dividends, or 22 per cent annually, to its stockholders, and in addition to this enormous profit it laid by in surpluses $437,580,357, or 44 per cent, additional profits every year.

WHAT MORE EVIDENCE COULD BE ASKED?

On this showing I ask you is it possible that you can find question in your mind regarding the imposition of penalty provided by section 220? And is it not a fact that your commissioner has failed to demand of Standard Oil a statement of its "needs in business" and has refused to enforce the penalty provided in section 220, acting under your advice in the matter? Is it not prima facie evidence that the purpose of setting aside 437 per cent surplus in 10 years by Standard Oil was to prevent the imposition of the individual surtax on its stockholders? If you claim it is not, then, indeed, Congress has a duty to perform in reaching by law the undistributed surplus that thus avoids individual surtaxes.

This evidence of extortion that I am calling your attention to, and when enormous surpluses are placed beyond the reach of individual surtaxes it seems a stretch of imagination to say that all such surpluses are exempted from the provisions of section 220.

You say that after the stock dividends are declared the statute still applies. I ask you frankly why it should not apply before the dividends are declared when the evidence has been submitted? And I further ask you in all sincerity what cases, if any, have been required by you to pay a penalty under section 220? I ask this because the press states that the Commissioner of Internal Revenue has never asked the Standard Oil Co. for a statement of its "needs in business" that would reach 400 per cent surplus accumulated in 10 years. Again, I ask you what companies have been penalized, and I do not make this inquiry out of curiosity, but call your attention to "Investment Opportunities," volume 4, No. 11, November, 1922, published, I believe, in New York, which contains many blank applications for investment in Standard Oil stock, and which states in its introductory paragraph, page 1, as follows:

"Since we were last privileged to address you two dominant factors in world finances have made decisive moves. Andrew Mellon, banker, oil magnate, and capable Secretary of the Treasury, controlling the immensely wealthy Gulf Oil Corporation, inaugurated the stock dividend and melon-cutting era of 1922–23. Gulf Oil led the movement with a 200 per cent stock dividend. The stock jumped from $400 to $800.

"The Rockefellers followed immediately by deciding to distribute the Standard Oil surpluses. The Standard Oils—Kentucky, California, New Jersey, New York, and Vacuum—followed with a distribution of from 100 to 400 per cent. Nearly 30 more Standard Oils are 'possibles.' The American Radiator and National Biscuit Cos. were doubtless influenced, and also declared large stock dividends. Many others will follows.

"Our last issue indicated these possibilities (p. 5, September, 1922). The probable effect on future American markets is not exaggerated. Nothing like it has ever happened before, and is unlikely to happen again in a generation."

SECRETARY MELLON LED THE MELON CUTTING.

This startling statement, made by an investment journal and a reputable house, I take it, in New York, terms you as the very capable Secretary of the Treasury, controlling the immensely wealthy Gulf Oil Corporation that inaugurated the stock-dividend and melon-cutting era of 1922–23, when the stock of your company jumped from $400 to $800 and that Rockefeller companies simply followed your lead.

I recall your letter of October 20 in response to mine of October 16, therein announcing that you did not intend to impose any penalty under section 220 on the New Jersey Standard Oil 400 per cent stock dividend surplus. I now ask your attention to that company's published statement, herein quoted, that in 10 years, on a capitalization of $100,000,000 (Manual Statistics, 1918, p. 456), a net profit was had of $775,000,000, of which $222,000,000 was distributed in cash dividends and $437,580,000 held as surplus, or 437 per cent surplus.

Also that section 220, enacted during your term, provides: "If any corporation is * * * availed of for the purpose of preventing the imposition of the surtax upon its members by permitting its profits to accumulate instead of being divided, there shall be levied and collected for each taxable year upon the net income of such corporations a tax equal to 25 per cent in addition to the tax imposed by section 230." That prior to your own incumbency Treasury Department instructions, article 353, 1918, defined this to mean: "Unreasonable accumulations, if not required for the needs of the business, * * * the needs of the investment of profits is immaterial if they are not in fact needed in the business."

Your attention is next asked to the public statement quoted from "Investment opportunities" that "Andrew Mellon, oil magnate and capable Secretary of the Treasury, controlling the immensely wealthy Gulf Oil Corporation, inaugurated the stock-dividend and melon-cutting era of 1922–23. Gulf Oil led the movement with a 200 per cent stock dividend. The stock jumped from $400 to $800. Rockefellers followed immediately by deciding to distribute the ($1,000,000,000) Standard Oil surpluses," etc.

Also the significant statement, "Nothing has ever happened before—and is unlikely to happen again—in this generation." Standard Oil stock applications were attached and offered for sale with this announcement. If I have incorrectly quoted any fact or the law, I shall be glad to be so informed and will make full corrections.

Your statement to the press that this year's Treasury deficit will reach $670,000,000 (due in large part to the $450,000,000 excess-profits tax repealed, urged by you) is also noted, and while hundreds of millions of dollars in penalties and surtaxes doubtless may be collected under section 220, as intended by Congress, to my mind other factors in the case, heretofore referred to, are of greater importance. Only secret records and secret administration of the law makes this startling situation possible.

In the next letter I may carry coals to Newcastle when indicating the purpose and effect of section 220 as distinguished from the stock dividend decision. Extended editorial comment by the New York Journal of Commerce, Times, Commercial, and a two-column editorial in the Wall Street Journal all speak from the viewpoint of a distinguished New York banker who said he spent 1 month in making up his tax return and 11 months trying to learn how to avoid his taxes. Apparently your solution will be a happy one for him, but I feel sure it is not that contemplated by the average legislator when the law was enacted.

Renewing my observation that it is an incongruous situation that asks you to enforce section 220, but again urging a strict imposition of the penalty therein provided to reach abnormal surpluses, I am,

Very sincerely yours,

JAMES A. FREAR.

WHEN A MELON BECOMES A LEMON.

In addition to this apparently authentic statement that Secretary Mellon and Gulf Oil, his company, started the riot of melon cutting, I have been advised that Secretary Mellon has just closed out a great deal whereby Standard Oil of Indiana has taken over the Mellon Gulf Oil Co. And Standard Oil is the chief culprit with over $1,000,000,000 surplus that followed the Mellon company's "melon cutting" lead. What conclusions must be drawn?

A review of the law and facts disclosed is submitted in the following letter to prove that the celebrated Captain Kidd was "a piker." Jesse James in like manner belonged in the verdant youth class compared with hardened gamblers who squeezed the men and women of the land until the eagles and half eagles shrieked with pain. Now, these interests are getting away with their ill-gotten gains and all the public can do is to shout, "Officer, do your duty." Then we hear the New Yorkers answer, "Why, the officer is the fellow that led us astray." As I have said, somewhere in these letters, it is a sad case when the "melon" to the tax-dodging stockholders by a transposition of letters becomes a "lemon" to the Government Treasury. The following letter to the Treasury custodian explains itself:

WASHINGTON, D. C., *November 19, 1922.*

Hon. ANDREW W. MELLON,
Secretary United States Treasury Department,
Washington, D. C.

MY DEAR MR. SECRETARY: In continuation of my discussion of section 220, relating to tax penalties, I call your attention to a remarkable spectacle in our governmental taxing system which occurs when you, the only official empowered by law to impose tax penalties under section 220 on large accumulated surpluses, are charged by reputable New York brokers with being one of the chief beneficiaries of the system. It is stated that Standard Oil, United States Steel, and other great corporations now about to distribute over a billion dollars in stock dividends, thus escaping individual surtaxes, have only followed your lead. In your letters to me you fail to say if any company has been penalized under section 220 of the law. I repeat the inquiry and again ask what accumulations of surplus, if any, in your judgment, should pay a penalty tax under section 220? I renew both inquiries.

One of your own companies, Gulf Oil, is declared by Investment Opportunities to have led the nation-wide mad melon-cutting race. Standard Oil of New Jersey, with 775 per cent net profit during 10 years, followed Gulf Oil's precedent with a $437,000,000 stock dividend that will escape any penalty tax or any surtax. Why? How can you penalize Standard Oil or any other company when your own company, Gulf Oil, led the way with a 200 per cent stock dividend of accumulated surplus and why should the Government lose possibly hundreds of millions of dollars in penalties and surtaxes because of this anomalous situation? What should Congress do and what is your duty, Mr. Secretary?

SECRET REBATES TO SECRET COMPANIES.

The Internal Revenue Bureau already asks Congress for $42,000,000, only a fraction of the total amount needed, with which to refund taxes rebated in secret to secret companies or individuals. With your own attitude against surtaxes, excess profits, and tax penalties in general and the record of that office, what protection has the Government Treasury when the conflicting claims of big business and strict enforcement of the law meet? Is not the answer found in the way section 220 is now administered?

I repeat two short paragraphs, one from the official Standard Oil publication, The Lamp, as follows:

"In 10 years, from 1912 to 1921, inclusive, the company (New Jersey Standard Oil subsidiary) has shown net earnings before taxes of $775,163,260. Of this sum, $115,517,677 has been paid for tax, $222,065,226 represents aggregate dividends, and $437,580,357 has been absorbed by the needs of the business."

The other from Investment Opportunities carries its own story, as follows:

"Since we were last privileged to address you two dominant factors in world finances have made decisive moves. Andrew Mellon, banker, oil magnate, and capable Secretary of our Treasury, controlling the immensely wealthy Gulf Oil Corporation, inaugurated the stock-dividend and melon-cutting era of 1922–23. Gulf Oil led the movement with a 200 per cent stock dividend. The stock jumped from $400 to $800.

"The Rockefellers followed immediately by deciding to distribute the Standard Oil surpluses. The Standard Oils—Kentucky, California, New Jersey, New York, and Vacuum—followed with the distribution from 100 to 400 per cent. Nearly 30 more Standard Oils are 'possibles.' The American Radiator and National Biscuit Cos. were doubtless influenced, and also declared large stock dividends. Many others will follow."

An extract from section 220 is also repeated to make the case:

"If any corporation is * * * availed of for the purpose of preventing the imposition of the surtax upon its members by permitting its profits to accumulate instead of being divided, there shall be levied and collected for each taxable year upon the net income of such corporation a tax equal to 25 per cent in addition to the tax imposed by section 230." Prior to your own incumbency article 353 (1918) defined this to mean an "unreasonable accumulation, if not required for the needs of the business; * * * the needs of the investment of profits is immaterial if they are not in fact needed in the business."

The Lamp statement, I take it, means that for a period of 10 years last past in good times and poor the average net profits of this one Standard Oil subsidiary company out of a total of 33 reached the enormous amount of $775,163,260 on a capitalization of $100,000,000, or 77½ per cent net profits annually. After payment of taxes it reports a net profit to the stockholders of $659,645,583, or 66 per cent annually, and of this amount 22 per cent annually was paid in cash on every dollar invested, and it now proposes to place in stock dividends the remaining 44 per cent of its annual profits in round numbers.

WE WALKED THE PLANK.

The "holdup" of 10,000,000 owners of cars and many millions of farmers who use oil and were squeezed for a profit during the last 10 years of 77½ per cent annually by Standard Oil shows clearly, as contended by car users, that Captain Kidd was a piker. While the average farmer with $186 average annual income, according to the agricultural investigating committee, gets 50 cents a day and the Government bonds bring only 4¼ (three times oversubscribed), and industrials average around 6 per cent, Standard Oil extorted 77½ per cent net profits annually, or 66 per cent after payment of its taxes, self-assessed.

On this statement editorial writers in New York papers say Congressmen do not understand the tax problems. Unless purposely wrong, it is evident that supposedly learned high-priced men do not know the rudiments of a question of which you, Mr. Secretary, know all the ramifications, and I am only giving an illustration of the effect of Standard Oil stock dividends in order to indicate the necessity for the imposition of section 220 and to reach such unconscionable profits hereafter by adequate legislation.

HOW THE SURTAX WAS DODGED.

The press says your commissioner has not asked for the facts from any Standard Oil company. The "Lamp" confesses, after paying 22 per cent annually in cash dividends, it must go into the market for funds to exploit the world unless it uses the amount belonging to stockholders to exploit Mesopotamia and other foreign fields. How does it work? Mr. Rockefeller, for illustration let us say, holds one-half of the New Jersey Co. subsidiary stock, or $50,000,000. He has then received during the past 10 years $110,000,000, or 22 per cent annually, in cash dividends. If after deduction of all corporation taxes he had been paid all of the 66 per cent net profits in cash remaining, his half of the 44 per cent about to be issued in stock dividends would, in addition to past dividends, be $218,000,000 more in cash, or one-half of $437,580,357, now about to be issued in stock.

The income tax law for 1921 reached 68 per cent for normal and surtax on amounts over $200,000, which Mr. Rockefeller would have paid the Government unless avoided, or $148,000,000 more in taxes in round numbers on $218,000,000 income from the New Jersey Co.'s undistributed dividends alone, which is now going into tax-free stock dividends. Under existing law (1922) the income tax rate on all over $200,000 annual income is 58 per cent, and the amount of tax properly payable can readily be ascertained in like manner. Of course, this amount if spread over 10 years in profits would have received lower tax rates when resting on the New Jersey Co. alone, but if from all his investments Mr. Rockefeller has been receiving $100,000,000 annually, or several times that amount, that he is popularly supposed to receive on his estimated wealth of $2,500,000,000, then the illustration holds good.

STOCK DIVIDENDS V. CASH DIVIDENDS.

By the stock dividend alley all these vast taxes from Mr. Rockefeller, or Mr. Morgan, or Mr. Mellon, apart from corporation taxes payable by all others, are lost to the Government. The stock dividend case by a decision of five justices to four exempts the dividend when once actually declared, but section 220 seeks to reach surplus profits every year not needed for the business. If it is not imposed, then that particular evil must be reached by a law taxing undistributed profits and not left subject to the dissenting action of any official or the decision of any court, however close.

Of course, the New Jersey corporation pays a tax on its stock of possibly one-quarter what Rockefeller would pay on his individual income, but after that tax was paid by the company Rockefeller received his 66 per cent dividend, one-third in cash, and unless you now impose the penalty he will not pay any tax on the 44 per cent, or two-thirds of his income, from this company that will go to him in stock dividends. And what is true in Rockefeller's case is equally true of every other stockholder in the New Jersey Co., and also of every one of the 32 subsidiaries of Standard Oil, and also of every other oil company, because oil prices and profits are largely in harmony, and what is true of oil is true of many other industries, as you well know, Mr. Secretary, through your own connection with 60 or more corporations.

If Standard Oil and Steel were distributing their profits in cash dividends instead of covering up by stock dividends, how long do you suppose it would be before the American public would set up a persistent howl over disclosures of 77½ per cent annual net profits during the past 10 years, and how long before public sentiment would force Congress to grapple with two corporations that now fix the price of gas and steel and extort unconscionable profits from every user in the country?

Under present conditions we know how wealth escapes through stock dividends, but how does the small taxpayer fare who does not receive stock dividends from the Standard Oil or Steel? Possibly you do not remember there are a hundred of these to every large taxpayer or tax evader?

JOHN JONES AND SAM SMITH.

Let us suppose John Jones, an individual, received $10,000 or $20,000 annual income—the smaller amount is many times the general average. If received from professional or personal business work, not corporate, ordinarily he pays over and above his exemption every dollar of tax under the law and does not escape through stock dividends nor through tax-free investments. If he wants more money for his business, he goes into the market for it or uses from his savings after having deducted his personal tax. If Sam Smith, who runs a farm and earns the average 1921 net income received by the farmer of $186, he will not have much left after paying living expenses for himself and family. If he does not pay taxes, however, on his horses, cattle, and farm, along comes the collector and sells Smith's property, including in his execution sale on the tax judgment Smith's horses and cattle and other live stock. Smith must go into the money market like Standard Oil may do to borrow money, not for exploiting his business in foreign countries but for taxes to prevent the loss of his home and stock.

As you well appreciate, Mr. Secretary, out of the wealth of your experience, more financial crimes are committed in the name of "stock dividends" than by all the tax-exempt security transactions which you denounce, past, present, or future. In the case of Standard Oil and United States Steel, I am informed the number of stockholders is rapidly decreasing, with a prospect of having these great monopolies eventually owned and controlled by a handful of men, if, in fact, the latter stage has not already been reached. The small stockholder with a small surtax needs and wants his cash dividend. The large surtax payer like Rockefeller or Gary, with a certainty of avoiding individual taxes under the Supreme Court decision, elects to declare a stock dividend and the big fish swallow the little fish who can not hold on because they only receive one-third of the profits in cash dividends.

The Government certainly needs the money, with its $23,000,000,000 debt burden unpaid, so when an enormous corporation surplus of $437,580,357 is placed in stock dividends by one company it invites a humble protest when you say that it is not reached by section 220. The stock-dividend fever encourages tax dodging; it spreads out and furnishes surpluses for gobbling up small competitors, and it freezes out the little stockholders of the same company. Other evils need not be enumerated, but four justices of the Supreme Court had a premonition of its wrongful use by a handful of men who would thereby control all our industries. The fifth justice, on a rehearing of the Macumber case, fell on the other side and opened the door to subsequent frauds, made possible with the passage of the income tax law. Section 220 is not as comprehensive as a tax on undistributed profits

nor does it go as far as a tax on excess profits, but it seeks to prevent piling up of surpluses accumulated to avoid individual taxes, and to that extent on behalf of the people whose confidence you have as keeper of their strong box it is your plain duty, as I view it, to impose the penalty provided by section 220. Prima facie Standard Oil and United States Steel are under suspicion when they pile up large surpluses, and it is for them, not you, to prove their case under the statute. If they do so, then curative legislation will certainly follow.

WHO CAN MEASURE THE SHYLOCK TRIBUTE?

It is claimed that the clashing of Germany and Britain in war was due to a "megalomaniac nationalism," or a nationalism made aggressive by prosperity. This country seems to be reaching a megalomaniac money imperialism, in the judgment of many sober, conservative, thinking men—an aggressive financial domination that stops at nothing in its world-wide campaign. Those who believe in the rights of property under the Constitution and the rights of men guaranteed by that same instrument are fearful that the growth of widespread distrust and misgiving is primarily chargeable to men who exact a Shylock's tribute from the public and then seek to shift their tax burdens upon those already fleeced. I am not discussing at length a problem that must squarely be met in the near future beyond expressing the effect of Standard Oil's revelation of profits and tax evasion on the average mind.

Secret diplomacy in international relations is a breeder of war and distrust, and secret administration of the Government's taxing power creates a well-grounded suspicion against the administration of the law. The shifting of tax burdens under existing law can only be ascertained by full publicity, and if you should now fail to enforce the law where the Shylock's tribute has been so clearly exacted by a public confession, how can your department's secret administration of other laws invite confidence?

I am frank to say, Mr. Secretary, if your commissioner failed to do his duty in demanding from Standard Oil a statement under section 220 he is not the man to act in the matter. In a written statement from an ex-official of the Revenue Bureau, supported by personal corroboration from other ex-employees, I am informed refunds to big business and individual taxpayers approaching nine figures have been made since your incumbency; that favoritism exists; that a former chief solicitor of the bureau, now a successful practitioner before it, under the Wilson administration was an usher at the White House without previous legal practice or experience, and that his brother-in-law, appointed to the same high position, had an equally limited tax experience. As the records are all secret, individual favoritism is certain to occur, for secrecy begets such practices.

$42,000,000 MORE TO PAY TAX REFUNDS.

A noisy profession of desire to collect five-year-old back war taxes has been given publicity recently by the Treasury press bureau, accompanied by a demand on November 10 that Congress give the Internal Revenue Bureau $42,000,000 to pay recent secret refunds of taxes. To whom were the refunds given, and why and what attorneys recovered the refunds for their clients, and were former bureau contesting employees given especial consideration? Why should Congress blindly appropriate $42,000,000 to cover secret adjudications based on secret records made by men whose judgment is of uncertain value to men whose past records in the bureau may also properly be subjected to inquiry? The bureau might easily have collected in taxes and penalties several times the amount demanded if section 220 was imposed. The query arises, Why have you not directed that it be done?

In my next letter, Mr. Secretary, I shall endeavor, however imperfectly, to show by incontrovertible evidence that you have not been in harmony with Congress or the country on some of the most vital and important matters of legislation that have come before that body since your appointment as Secretary of the Treasury, which may account for the attitude of your department on section 220, and that your failure to impress your undoubted great ability on Congress has occurred through a lack of understanding of the sentiment of the country which Congress is chosen to represent.

Trusting in the meantime you will not ignore my efforts to bring to your attention the importance of section 220, and assuring you that a thorough, impartial administration of the law instead of more law frequently solves the problem, I am

Very sincerely, JAMES A. FREAR.

CONGRESS DIFFERS FROM MR. MELLON OFTEN.

In my letter of November 22 I pointed out specifically why Secretary Mellon, with his enormous wealth and varied business interests, could not understand the viewpoint of Congress or of the people we represent. Time after time he has been checked in his efforts to force his ideas on Congress and the country, and the official record is submitted in order to show the utter hopelessness of expecting any penalty to be imposed in any case by an official who not only led the melon-cutting race but does not believe it right to impose any penalty irrespective of profits, surplus, or needs of business, or of the plain reading of the law.

No Cabinet officer has met with more rebuffs from Congress than Mr. Mellon, and Mellon's Cabinet associates have had many experiences to their credit. But I leave the letter to carry its own story:

WASHINGTON, D. C., *November 22, 1922.*

Hon. ANDREW W. MELLON,
Secretary United States Treasury Department,
Washington, D. C.

DEAR MR. SECRETARY: In my last letter of November 19 I promised to point out what I deemed to be your failure to grasp the viewpoint of Congress, not mine personally but the collective view, as I shall endeavor to show. I have discussed the 77½ per cent annual profits of Standard Oil, its billion dollar surplus earnings now waiting stock distribution and avoidance of taxes, and the workings of stock dividends generally, as well as the secrecy clause that cloaks the tax administration of your office. Also your own responsibility, according to New York brokers, for leading the orgie of melon cutting and resulting tax evasions under section 220.

I will not knowingly misstate your position at any time, but feel it has been so repeatedly indicated to Congress that the blind may read. Further, that in tax legislation and tax administration your views are at violent variance with a majority of those on the hill and consistently are ever found in defense of big business whatever the issue.

It may be unnecessary to say I have no motive nor interest, nor have I had in the past, than to perform what I believe to be a plain duty, and whatever the final result the responsibility, of course, rests with you as to the enforcement of section 220. I have ever granted you equal sincerity when we differed on legislative propositions in the past. Because it has a direct bearing on your present action now, may I venture to recall some of these important differences to your attention?

THE DANGEROUS FOREIGN DEBT REFUNDING RESOLUTION.

You presented to the House committee during this Sixty-seventh Congress a resolution for refunding the $11,000,000,000 of foreign war debts, in which resolution you alone would have been granted absolute, unlimited power to make such settlements as you chose; to cancel debts or substitute securities, if you so decided; and all of this unprecedented power to be exercised by you in secret and without time limit were contained by construction in a resolution we were urged to put through committee by the chairman on the same day it was received from you. Several members of the committee supported my successful protest against any such action until your proposal could be considered.

In the CONGRESSIONAL RECORD of October 21, 1921, is set forth my statement of protest lodged against this transcendant assumption of power asked for by you and of five amendments then prepared by me and urged upon the committee, which were all adopted with modifications after securing their reluctant acceptance from you before the committee, with alternative of contest in the House. No other amendments were considered by the committee or the House. These five amendments were: First, for a commission instead of for you alone to settle the method and duties of refunding of the $11,000,000,000; second, removing all power by you or the commission to cancel any foreign debts, now seriously and persistently urged by New York banking interests; third, the same restriction on power to substitute any other country's obligation for the debts; and the fourth and fifth amendments relating to publicity and limitation of time in which to act. These, with minor changes in form, were adopted and were embodied in the resolution by the committee, by the House and Senate, and are now law. You and I then differed, as both had a right to do, but I submit, especially in view of your proposed ruling on section 220, that the limitations pressed by me and accepted and eventually adopted by both Houses with the approval of the Executive, were not only desirable limitations on your power proposed in your resolution but from the standpoint of protection of public interests were necessary.

REDUCING THE HIGH SURTAX RATES.

Again, your strenuous efforts to reduce the maximum income surtax rates from 60 per cent to 32 per cent, or practically one-half, which you publicly announce you propose to repeat, are familiar to Congress and to the country, due, presumably, to the same influences that now surround you when the enforcement of penalties, section 220, is considered. In the CONGRESSIONAL RECORD of November 17, 1921, is set forth my protest in the House made against the wholesale reduction of surtaxes to 32 per cent, which you supported, as you do now, and you may remember that after a vigorous contest your contention was defeated by a vote of 202 to 173, while the Senate provision, which also defeated your efforts after a lively contest, was approved finally by Senate, House, and your chief and is now the law of the land over your repeated public protests.

A HALF BILLION DOLLAR PROPOSED TAX REBATE.

Again, prior to passage of the 1921 revenue act your contention that the excess profits tax repeal should be made retroactive from January 1, 1921, was forced by you and your supporters to a decision in a Republican House conference with over 180 Republicans present. It was briefly shown there by the undersigned that such action would permit corporations that claimed the tax "had already been collected by them through increased prices" thereafter to pocket $450,000,000 in 1921 so collected and lose to the Treasury that amount in taxes. While the conference was not public—a cause for regret—your proposal was squarely defeated and prevented by a majority of the members of your own political party in party conference. The conference in defeating your proposal saved to the Treasury, in round numbers, a half billion dollars from corporation excess-profits taxes and from reduced surtaxes in 1921, because the House and Senate by law ratified the conference decision. May I suggest such action over your protest again indicates the difference between the collective legislative wisdom of Congress and your own individual judgment, which you say exempts a 400 per cent surplus accumulation from section 220?

THE DYE MONOPOLY FIGHT.

Again, the dye embargo fight, in which you were reputed to have large coal-tar interests involved, was another measure repeatedly defeated by an overwhelmingly Republican House of 169 majority, notwithstanding its support by other Cabinet members and its constant reappearance in the House. It was rejected because of the selfish, unjust proposal to give a dye monopoly unlimited license to fleece the public under the cloak of "national defense." Your own desires were understood and quoted contrary to the action of both Houses in the matter.

Again, after the President had refused to accept the special taxes recommended by both House and Senate committees in joint session to finance the soldiers' bonus bill, you insisted upon a consumption or sales tax as a condition for its passage. The exact reason for the Executive's rejection prior to the bill's passage was not explained, but his written recommendation and yours for a sales tax as the only alternative that would be accepted was an administration ultimatum served on Congress.

We had just repealed the excess-profits tax relieving you and other men with large corporate connections of nearly a half billion dollars aggregate corporate tax annually. A reduction of high individual surtaxes to an estimated amount of $50,000,000—not $90,000,000 as you urged—had also been placed in the 1921 revenue act, or a combined reduction reaching double any reasonable average demand during the 20 years covered by the bonus bill, according to expert testimony offered the committee.

DEFEATING THE VICIOUS SALES TAX.

Both Houses presumably felt that the sales tax urged by you was a vicious tax placed on what both rich and poor ate, wore, and used, not exempted, and that it was an unjust, heavy burden to place on the backs of those who grub to make ends meet, and who were thus asked to bear the rich man's burden of excess profits you had success-

fully urged for repeal. I refer to the vast army you sought to tax, and who have no income tax to pay, but are glad to eke out a bare existence. All of these would help disproportionately to pay your proposed sales tax, whereas if you contribute the income tax you are popularly supposed to pay, as one of the richest men of the world, you would pay into the Treasury, according to Klein's estimates on $300,000,000 of wealth, an annual tax running well into seven or eight figures. If any evidence of a sales tax failure, due to enforced underconsumption, is desired, then the present French national deficit of 4,000,000,000 francs for 1923 is a warning.

I do not believe in "soaking the rich" because they are rich, but in common with the overwhelming majority who make up the country a belief exists that taxes should be laid according to ability to pay, and this is the teaching of every recognized authority and the history of every prosperous people. Your sales-tax proposal would pinch the poor by taxing their necessities, and was believed to be unjust and vicious in principle and was defeated in committee by a vote of 19 to 5.

Notwithstanding a Republican majority of 167 in the House, I feel sure any vote there would register the same proportion as in the committee against a sales tax, and the same is true of the Senate, notwithstanding your official recommendations to the contrary. Particularly is this true since a would-be sales tax Galihad from Hoosierdom and a genial Canadian sales tax free-excursion conductor from Manhattan will both be absent from our midst next session, due to the vagaries or verdict of voters.

Even letters from the Executive urging several of these measures on Congress failed to sway a membership that, with all due respect to party leaders, still has constitutional duties to perform that can not be abrogated nor responsibility shifted.

Again, another attempted direction of congressional action came on the passage of the so-called soldiers' bonus bill, against which you frequently expressed your violent protest. Five years ago Congress was told by financial interests that the ex-service men now proposed by Congress as beneficiaries were then saving your own hundreds of millions of dollars from German indemnity exactions and that they would never be forgotten.

MISREPRESENTING THE BONUS.

You published a letter at the outset last year as Secretary of the Treasury over your own signature that the bonus bill would involve a Government liability of $185,625,000,000, or eight times the total national debt, and then later explained it was a typographical error of one hundred and eighty-odd billion dollars, which, unfortunately, however, helped prejudice the popular mind against the bill you were so strenuously opposing. Later you gave out statements from your office that the amount involved would be between four and five billion dollars, stated in practically the language later found in the President's veto, and you left an impression with the public mind that it was a present disbursement of that large sum, whereas the amount to be distributed over 20 years was estimated to be a little above $200,000,000 annually, according to testimony of experts before the committee. A strict imposition of section 220 penalties now by you with surtaxes released would probably more than meet any average annual charge on the Treasury from the bonus bill. Every other allied government has extended similar aid to its ex-soldiers, but ours failed largely through your own activities against the bill.

Your advice to the Executive, consistent with your frequently expressed opposition, resulted in the soldiers' bonus veto, but the sentiment of the House was shown by its vote of 258 to 54 in overriding the Presidential veto and in the Senate by a vote in favor of the bill of 44 to 28, lacking only 4 votes of the necessary two-thirds. In other words, you crucified the hopes of 4,000,000 ex-soldiers, but you will now save enormous plundering profits of Standard Oil, reaching 77½ per cent annually, from tax penalties unless section 220 is invoked, an express provision of statute which I again urge upon you.

OPPOSES EXISTING ESTATE TAXES.

Your last statement opposing existing estate taxes was given to the press recently, and your position before our committee frankly opposing the principle of inheritance and gift taxes is well known, notwithstanding Congress long ago enacted an inheritance tax reaching a maximum of 25 per cent, which many Members now believe should be doubled on great fortunes. Again I submit you are opposed to the existing inheritance tax law as a matter of principle, and because of that opposition and prejudice you fail to understand the congressional viewpoint when called on to administer estate tax laws or section 220.

Again your disregard for congressional mandates appears, Mr. Secretary, from my letter of November 13 calling your attention to a published statement in "Investment Opportunities," wherein your official position and private business manipulations were concisely discussed with engaging frankness.

During your own incumbency in office, as stated in other letters, Congress passed the 1921 revenue law, containing section 220, a provision directing your department to impose a penalty of 25 per cent on profits set aside by corporations as surpluses to avoid taxation and not absolutely needed in business. You, and you alone, of all men in the country knew of the enormous surpluses that have been accumulated by great corporations, in some of which you are reputed to have interests, for all these companies were required by law to file secret reports in your office.

OPPOSED TO PENALTY LAW BY EXAMPLE.

Investment Opportunities, in a strong plea to investors for Standard Oil stock subscriptions, states on page 1 of November, 1922, issue (vol. 14, No. 11) as follows:

"Andrew Mellon, banker, oil magnate, and capable Secretary of the Treasury, controlling the immensely wealthy Gulf Oil Corporation, led the movement with a 200 per cent stock dividend. The stock jumped from $400 to $800. The Rockefellers followed immediately by deciding to distribute the Standard Oil surpluses * * *. Nothing like it has ever happened before—and is unlikely to happen again in a generation." (The orgy of melon cutting.)

Instead of enforcing section 220 of the law passed by Congress in 1921, you are credited by this publication with leading a mad race in melon cutting of secret surpluses. It declares you set the pace that was followed by Rockefeller and all the others. The public had been secretly plundered of upward of a billion dollars in surplus, apart from generous cash dividends, and a great oil monopoly apparently squeezed 77½ per cent in net profits annually from its consumers and laid by over $475,000,000 in undistributed profits. Investment Opportunities points out when Gulf Oil said the coast was clear no one could interfere to enforce the penalty in section 220 and a swarm of corporation surpluses began to cut their millions from melons.

If this is true regarding your own position, can any more certain disregard for Congress and opposition to its will as expressed by law be cited? An avalanche of votes a few days ago took from the House 150 of the Republican majority. Prior thereto party campaign subscriptions of $50,000, equally divided between the Mellon family and the Rockefeller family, were announced by the press. If surpluses that in the aggregate might bring to the Treasury in penalties and surtaxes hundreds of millions of dollars are now held immune, the situation presented will be hard for your party associates to explain or defend. Providing you do not care to impose penalties under section 220, you have an easy solution of an embarrassing predicament.

WHAT WILL THE HARVEST BE?

I need not again refer to the administration of the Internal Revenue Bureau, wherein a hundred or more millions of dollars in tax refunds under your direction are progressing. The New York Times has an item that will be of interest to Congress and the country. It reads:

"The Journal of Commerce learns from Washington that the pending deficiency appropriation of $42,000,000 for repaying taxes unlawfully collected is only a beginning * * *. Many times forty millions are undisclosed in tax collections in arrears, which may reach $500,000,000, according to the Journal's information."

Mr. Secretary, I am informed a rebate of $16,000,000 to Standard Oil of New Jersey and large refunds to companies with which you are connected have been made. Can any more serious situation be imagined in our public affairs, if so?

The appeal is renewed that notwithstanding your recognized extreme opposition to Congress that you act in accordance with what I believe is the plainly expressed purpose of the law, and that you exact from the enormous accumulations of corporation surplus recently disclosed all penalties provided by section 220.

Very sincerely yours,

JAMES A. FREAR.

PRESENT CONDITIONS AND PROPOSED REMEDIES.

I have tried to impress Secretary Mellon with the seriousness of his position when he refuses to impose penalties under section 220. Congress can pass laws, but can not administer; and if Secretary Mellon refuses to enforce a plain mandate it is for those who represent the people to pass laws that he can not ignore. Standard Oil and Steel have been principally discussed because they illustrate the far-reaching power of great monopolies that set prices and extort enormous dividends from the helpless public. If further evidence of their power and profiteering of the people is desired I recommend a reading of evidence offered in my remarks against the ship subsidy in RECORD of November 25 and of statistics found in speech of Representative MICHAELSON of that same day. Both show the consciousless tax refunds, proposed primarily for these two monopolies under the ship subsidy bill reaching many millions of dollars to be taken from the Treasury for more refunds annually. In the following letter proposals are set forth, which if passed retroactively will turn into the Treasury more money from those best able to pay, including the vast army of stock-dividend tax dodgers, than would be collected under the penalty clause. Complete publicity of every tax return and administrative activity has been shown to be absolutely necessary, for publicity would have prevented such an enormous accumulation of surpluses.

The following letter suggests remedies that may profitably be adopted, either entire or in modified form:

WASHINGTON, D. C., *November 26, 1922.*

Hon. ANDREW W. MELLON,
Secretary United States Treasury Department,
Washington, D. C.

MY DEAR MR. SECRETARY: In these letters I have tried to present to your attention a few plain facts that will not down. Necessarily they have been hurriedly written in an effort to save you from error and to suggest laws that will curtail extortion and tax evasion.

It has been shown, first, that for 10 years last past one subsidiary Standard Oil company has squeezed out of the American public without its knowledge $775,000,000 net profits, of which 22 per cent annually was paid in annual cash dividends and 44 per cent annually was covered up in surplus to prevent disclosures, and later by the stock-dividend route escapes the imposition of any Federal tax on individual incomes. The records of your department were not open to the public, but you had full opportunity to know the facts long in advance.

Further, the Standard Oil with its 33 subsidiaries has plundered the American public and laid by approximately a billion dollars in surplus apart from generous 22 per cent annual cash dividends distributed by one company, and that these conditions were known only to the Treasury Department where the records and administration are by law kept secret. Gulf Oil—said to be your own child—aluminum, coal, United States Steel, and doubtless many other melons are also being cut, according to rumor or report, and the public from its own necessities and sacrifices has created every melon for the few who now divide.

You, Mr. Secretary, one of the wealthiest men in the world, identified with many great corporate interests now engaged in the pastime of cutting these melons, are the only man empowered by law to secure any small portion of the Federal tax due from these great surpluses.

A RECORD OF OPPOSITION.

You helped repeal the excess profits law with a loss to the Treasury annually, when added to surtax reductions, of approximately a half billion dollars You opposed any tax on undistributed profits intended to reach such enormous surpluses; you pressed for passage a reduction of one-half of surtax on great incomes; you opposed any inheritance tax or gift tax that would reach gigantic mushroom estates, never before known in history; and you express no opinion against legalized secrecy or concealment of public records by your department. In fact, during your own administration the corporation excess profits tax law has been repealed and a large reduction secured in individual high surtax rates. Large melons that for some reason have been gathering for a decade are now being cut during your administration, and you are publicly proclamed by investment journals to be a great stock-

dividend beneficiary, and yet you are the only one acquainted with the enormous profits and authorized by law to exact tax penalties under law.

The press gives many columns to a weak New Jersey minister's liaison and only a brief line to a New Jersey monopoly's plundering of millions of people. Those who own and control the press feed a morbid public appetite on things that were but do not reach out against the things that are. A reason may not be hard to find when examining records of press ownership. Your own Treasury press bureau sings your praise nearly every day, Mr. Secretary, generally over a proposed hopeless constitutional amendment you ask Congress and the country to pass, but you ignore present evils that you are alleged to countenance in the melon-cutting field. In other words, a smoke screen, however unintentional, distracts public attention from a live issue in which you have become the central figure.

Recent election returns wiped out nearly all of the 169 Republican majority in the House. The country apparently could see little hope from a party whose officials during and since the war permitted extortionists to plunder or a party whose officials have continued the plundering license and recovered nothing. Knowing a division of power would be hopeless, a Republican majority was returned, but it was manifestly another "vote of protest," like that of two years ago.

I have always been a Republican and, like yourself, have been brought up to believe in certain fundamental principles that my party advocates. My only opponent this year was a Socialist candidate, whose theories do not take into calculation the inherent weakness of human nature. Experience teaches us that the only hope for reformation in official or public evils must come from within the party rather than from without, because greed, selfishness, and money autocracy has ever been bipartisan, and party or partisan lines can not be preserved when coping with such evils.

Parties are political instrumentalities formed to serve the public, but if either branch of Congress or the administration of the law is controlled by a selfish bipartisan, big business combine and no constructive national program is offered to meet the evil, then what party, I ask you, can invite confidence and support in 1922 or 1924?

THE PEOPLE CONTRIBUTE EVERY DOLLAR OF PROFIT.

The people are now confronted with the fact that one great corporation by secret plundering has built up an unlimited financial and individual power second to none in the world, and the people from out their necessities have contributed every dollar to that building. Men in a lifetime connected with Standard Oil have gathered in fortunes beyond comprehension. Other companies, separate or interlocking, have run in that same race for money and power. A small group now controls the industrials, the money, and the fortunes of our Government and of many smaller countries on the Western Continent. Feverishly these interests play the game like gamblers at Monte Carlo, without thought of the future or of those they fleece. A training on the stock exchange is a post-graduate course compared with Europe's gambling resort.

In this game the rest of us are insignificant pawns and contributors, however small, and 10,000,000 farmers, who averaged $186 income in 1921, according to Government reports, have been helpless spectators. They ask why they averaged only $186 income instead of $1,860 or more last year, and it is small consolation to them now to learn their meager income through unconscionable extortions has contributed to the vast accumulated surpluses disclosed by Gulf and Standard Oil, steel, aluminum, coal, and other overgrown monopolies.

Five million laborers or more, ranging from experts to nonexperts, who blindly strike for better conditions and yet are impotent, find their own contributions were exacted by the ever-increasing demands of these great monopolies, now engaged in unprecedented melon cutting, that in war and peace have squeezed persistently and relentlessly. The financial press chorties over a $2,000,000,000 increase in bank deposits, but does not say to whom they belong, nor does it mention how many of the farmers whose average national income reached $186 were among the depositors standing in line.

Millions of people who have no independent vocation status but who also contributed to selfish big business demands are asking why 2 per cent of the people own 60 per cent of the wealth, according to economists, and what will occur when 1 per cent of the same people own 75 per cent of the wealth with a more complete control of the Government in a vicelike grip.

I make no reference to history or the logical end of undisturbed growth of wealth and power. Common sense and reason are no different now than when Rome and Russia were among the great nations of the world. "Americanism," taught by a "National Security" League, is meaningless pastime when those who contribute to a business propaganda and who represent unlimited wealth and power become a greater liability to general contentment or to peaceful, orderly government than a whole fleet of vessels loaded with wild-eyed Bolshevists.

UNEVEN-HANDED JUSTICE.

I may be old-fashioned concerning notions of even-handed justice, but I wrote you before in letter of October 29 that Justice Stafford, of Washington, had sentenced a boy the day before to 10 years' hard labor for attempting to pick a pocket. In a New York dispatch of November 9, Judge Tulley is reported to have sentenced Louis Wiley to 15 years' imprisonment for attempting to steal a purse containing 32 cents. Those now trying to escape tax penalties on a $437,000,000 surplus would require many centuries, reaching back to the Stone Age, if Tulley was keeper of the Treasury and a proportionate term penalty was imposed. Such efforts are not criminal, of course, but I submit Judge Tulley might well be transferred from his 32-cent job to the larger field on Fifteenth Street if we are to have a strict imposition of section 220 with which to reduce $670,000,000 1922 Treasury deficit.

A Newburgh (N. Y.) dispatch of November 13 says that of 438 tons of coal delivered to Highland Falls in the last three months, 353 tons went to J. P. Morgan's estate and 85 tons to the villagers living in Highland Falls. The Fuel Administrator seized the Morgan coal under his war-time powers for general distribution. This brief dispatch is a text for our existing economic system; but if Perkins, the fuel administrator, was Secretary of the Treasury, I feel sure hundreds of millions of dollars in penalties and released surtaxes would be recovered by the Government under section 220, whereas if you were fuel administrator for Highland Falls, Mr. Morgan's 353 tons of coal would remain in his bins.

It would be presumptuous for me to offer any solution of a problem that has grown up in a half century and is a present menace of unprecedented proportions. Neither would I presume to be more than a private, content to serve in the ranks, without ambition to gratify. Modestly I offer suggestions that may not—I fear will not—meet with your approval; but you could perform no greater service for yourself and your country than to join your great wealth, power, and experience in a movement having for its ultimate aim the equal protection of property and of human rights, and a better, fairer adjustment of conditions that now make for unrest.

I would hold myself blamable if I did not point out what may be a partial remedy for our fiscal troubles, even though you, a great financier, may radically disagree. Ideal government will not be reached until human nature ceases to be selfish, and we will not find any millennium on this earth, but conditions may be improved by a little sacrifice on the part of those who have so enormously profited by the sacrifices of the many, and sooner or later we must all recognize that as parts of the same Government we are all in the same boat.

SECRETARY MELLON INDICTS TAX DODGERS.

You, Mr. Secretary, struck a keynote of the evil when you indicted your financial associates and charged them with tax dodging. Your harmless, homeopathic treatment on tax-free securities, of course, is puerile and hopeless of results for years to come, as I have shown heretofore, but it was inspired by your knowledge of enormous tax dodging to-day by wealth.

You have declared it necessary to pass a constitutional amendment to stop the issue of tax-exempt securities. Why? Because men of wealth, your associates and great financiers of the country, have been dodging taxes and have placed their funds in upward of $10,000,000,000 or more of tax-exempt securities. Billions more are available for investment before any law can check them. They have cleared their decks of all loose cash, and now that they have scuttled the ship you say let us try and stop the holes with a constitutional amendment, which if ever passed and ratified by the States will take many years at the earliest to shape into a plug to stop tax dodging.

Mr. Jules Bache, a New York banker and stockbroker, whose advice through financial journals to Congress and the President is both unsought and unremittant, sums up the tax activities of big business men generally when he stated to the national industrial tax conference: "The taxpayer * * * spends 11 months a year devising schemes by which during the 1 month that he tries to make up his tax statement he can avoid as many of the taxes as is legally possible, and he generally succeeds in avoiding many of them." This confession of universal scheming and tax dodging by such an eminent practitioner and financier as Mr. Bache, supported as it is by your own sweeping indictment of tax-dodging men and methods, presents to Congress its own responsibility for such scandalous tax evasions.

The immediate necessity for adequate legislation is emphasized in order to meet a critical nation-wide general evasion of the income tax law; also to reduce materially an existing Treasury deficit, and finally, in a helpful way, directly to aid big financiers by giving them 11 extra months annually in which to transact legitimate business.

I will say nothing more severe of those who hide behind the Supreme Court stock-dividend decision of 5 to 4 and have consistently dodged taxes in like degree, and possibly to like extent. You defend one under the pretext it is to help business, but why not have a 77½ annual net profit of Standard Oil pay some share of the 44 per cent individual taxes to a Government that has enabled it to make that profit? Why make the American consumer furnish unlimited wealth, that dodges surtaxes, with which to exploit the world?

THESE MEASURES WILL STOP TREASURY LEAKS.

The tax administration of the Treasury should not be left discretionary, even if records are made public. The disease needs more heroic treatment if we would save to posterity a country in which every citizen has a vital interest, notwithstanding all its natural resources have been gobbled up by a few monopolies and money kings. Let us in this rebuilding plan—

First. Reenact the corporation excess-profits tax for 1922, fixing a reasonable graduated tax rate to discourage extortion.

Second. Let us place a retroactive graduated tax on undistributed corporation profits to reach large surpluses heretofore accumulated to avoid taxation.

Third. Increase the inheritance tax after reasonable exemptions, and add a gift tax to prevent a menacing money oligarchy.

Fourth. Enact a stock dividend tax law, making such law retroactive, subject to action on the second proposal.

Fifth. Make all tax returns and all tax proceedings public.

Every proposed tax will afford needed legislation to meet existing tax-dodging evils or dangerous economic conditions. Graduated tax rates will prevent injustice to legitimate business, and the country has been so satiated with big-business tax propaganda that it will not be frightened when motives and methods are disclosed.

First. The excess-profits tax is sound and right in principle according to eminent tax authorities. It taxes according to ability to pay. It grants reasonable exemptions (8 per cent), and then reaches the man who would squeeze humanity because he has the tools. The only pretext for its repeal was a claim it hurt business and removed incentive. This is not a vital objection to the farmers of the country, whose incentive is only a livelihood and who made less than $200 last year on the average. This tax is just and should be reenacted to help reach present profiteering and to compel large profits to pay just taxes because best able to do so.

When Standard Oil on a fictitious capitalization of previous stock dividends exacts 77½ per cent from the 10,000,000 of $200 a year agriculturists and from 10,000,000 of car users, I believe they would all look with equanimity while the Government exacted three-fourths of that hard-fisted extortion, if need be, for Government use.

Second. The tax on undistributed profits urged by Secretary Houston at 20 per cent was estimated to produce in 1921 $690,000,000 in addition to the excess-profits tax returns, as explained in my letter of October 23. Apart from its value as a Government agency with which gradually to shave away $23,000,000,000 of national indebtedness and a $670,000,000 revenue deficit in 1922, a tax of that kind would do away with tax-dodging stock dividends by forcing a distribution of any unnecessary surplus. No greater need for this tax can be shown than in announcements this year of $437,500,000 stock-dividend melons to be cut by big stockholders of a single company, thereby freezing out the little fellows and avoiding surtaxes on profits that are generally paid by abiding citizens from necessity if not from desire.

A graduated tax of from 5 to 20 per cent, depending on the profits, would permit legitimate laying by of surplus for banking and other business needs, and a maximum 20 per cent rate would release large surpluses accumulated to avoid taxes and would protect small stockholders.

INHERITANCE TAXES.

Third. A graduated inheritance tax reaching 50 per cent on all amounts over $30,000,000, and a gift tax graduated to 25 per cent. This is less than extremists advocate. For many years during their lifetime men have built up private fortunes from a few dollars a week to a surplus

reaching hundreds of millions and even billions in a single family. Sometimes it avoids estate taxes by gift distributions before death. A gift tax would reach such evasion. Through consolidations, destruction of competition, railway rebates, profits on fictitious stock, monopoly, and tax evasions they have laid aside more wealth than was conceived to exist in the wildest dreams of a century ago. What is it all for? Only to play the money game, the gamesters declare. They have done this while the vast majority have been struggling for a bare existence. What does it profit that 2 per cent of the men in the country now control 60 per cent of the national wealth? To what purpose is the game played? Every day the world is informed of escapades, divorces, and extravagances of heirs to this wealth; of fortune hunters of foreign titles; American huntresses, whose pot of gold, contributed by the American public, is the price of a title; of inherited wealth that tends to leave arrogance, un-Americanism, and discontent with the heritage, while the concentration of power grows. The country has unwillingly and restlessly accepted a situation that certainly demands correction.

Is it not time, Mr. Secretary, then to do the common-sense thing and say generous exemptions will be allowed to save from want, not work, a chance progeny, but that men who accumulate must after death leave to their Government for its needs an equal share of vast accumulations of wealth over liberal exemptions, of accumulations wrung from their fellow men because of protection by the laws of our Government? Men have avoided tax laws through stock dividends and have invested in tax-free securities, which you denounce. This money or property has been laid away like the miser's gold, sometimes accumulated in a lifetime, often by unscrupulous methods. We can not differentiate with these estates beyond saying a generous exemption free from taxes may first be deducted before the tax applies and then a graduated tax to reach the enormous fortunes that have become all powerful and a menace to the people. Many millions of people have no estate to leave; they fight for existence, and to them this proposal seems liberality personified.

A gift tax to reach gifts made to avoid the inheritance tax, such as was introduced last session in Senate and House, should also be enacted. To the complaint that estates can not be unscrambled in a day it may be answered that is true on the existing maximum 25 per cent tax on estates, and sufficient time to collect the tax should be provided by law.

HOW TO REACH STOCK DIVIDENDS.

Fourth. Enact specifically a stock dividend tax law, making it retroactive. The Macumber decision by the Supreme Court (252 U. S. Repts.) arose under a general statute without any direct expression from Congress relative to stock dividends. Five justices there held that stock dividends were nontaxable, and four justices, the balance of the full court, dissented and held them taxable.

Justices Brandeis and Clarke in their dissenting opinion held that the majority decision "would result in limiting taxation to 'the income of the income.'" All dissenting judges subscribed to the proposition that "most people, not lawyers, would suppose when they voted for it (the amendment) that they put the question (stock dividends) at rest * * * the amendment justifies the tax." Again, the dissenting justices said: "If stock dividends representing profits are held exempt from taxation under the sixteenth amendment, the owner of the most successful businesses in America will be able to escape taxation on a large part of what is actually their income. * * * That such a result was intended by the people of the United States when adopting the sixteenth amendment is inconceivable." This opinion of four justices was based on a Standard Oil stock-dividend melon and the reasoning appears to be eminently sound.

One justice on reargument swung his decision aganist the above principle and held that the will of the people as expressed in the sixteenth amendment to the Constitution was of no effect, but four able justices dissented from the majority decision. Is it probable that the court which has rendered several unpopular decisions by a bare majority of one vote will declare unconstitutional a direct law by Congress expressing specifically the will of the people to tax stock dividends, as declared by the people in the sixteenth amendment and heretofore found to be the law by four justices of the Supreme Court? If so, sufficient unto the day is the evil thereof, for then it will be the right of Congress to say that no act of the House and Senate approved by the President shall be held unconstitutional by a bare majority of one or two justices, and little doubt will be had of the approval of the people to that proposal.

Fifth. I offer no further argument against the income-tax secrecy clause that was retained by the Senate last session only by a vote of 85 to 33. Your own administration, the record of the Internal Revenue Commissioner, the secret accumulation of $1,000,000,000 surplus by one company known only to your office, the widespread evasion of taxes now disclosed, enormous secret tax refunds reaching hundreds of millions of dollars, also known alone to your office, all are offered without further comment. With these few observations, Mr. Secretary, I leave a subject in which we may differ, but you have no more vital interest than I, because public interest is not measured by dollars. Citizenship and interest in the country's prosperity and perpetuity comes not with wealth. It finds place equally with the humblest citizen, who often is most contented with life if blessed with a mere competence.

It need not be expected that all the proposals, however meritorious, will be enacted into law, nor have I sought to offer any cure-all, but these suggestions if adopted will ultimately reduce the Government's fiscal obligations and will meet a present need for more equitable sharing of tax burdens. Let those who have profited enormously and unduly under our laws give generously (without dodging) from their profits to their Government's support. By so doing they will quiet a growing unrest that can not safely be ignored. There must be proposed a constructive program not found in vague party platform platitudes, and my suggestions are to that end. Other legislation is needed, of course, but after some hesitation I have proposed a means of reducing the evil of high-finance tax dodging that ought also to strengthen and improve our whole fiscal policy.

Very sincerely,

JAMES A. FREAR.

Letters received from Secretary Mellon are offered herewith. In view of an express statute and evidence of stock dividend tax dodging submitted, and of the melon cutting of a 200 per cent Gulf Oil dividend by Mr. Mellon I invite a careful scrutiny of his letters to ascertain what companies he has penalized, what profits he would penalize, or what prospect of law enforcement is suggested by any of his letters which follow. His one plea of "secrecy" does not apply to his own case, which can with his consent be made public, but it is a cry that ought to be prevented hereafter by the enactment of widest publicity measures. His letters are offered herewith:

THE SECRETARY OF THE TREASURY,
Washington, October 20, 1922.

MY DEAR CONGRESSMAN: I have your letter of October 16 calling attention to the fact that the Standard Oil Co. of New Jersey has declared a 400 per cent stock dividend on its common stock, and that other companies are declaring various stock dividends. You refer to section 220 of the revenue act of 1921, which you say "provides methods for reaching holders of surplus stock when for the purpose of escaping taxation," and you ask whether this statute (section 220) has been invoked by this department or considered "in the case of any corporations, and whether it has been considered in reaching the surplus earnings held by the Standard Oil Co."

It would seem that you are under a misapprehension concerning the situation as to this so-called stock dividend. Taking, for illustration, the Standard Oil Co. of New Jersey, to which you refer, the holder of its stock, after he has received the new certificates or shares, has altogether no more than he had before, and therefore, so far as the holder is concerned, there is no income to tax. This was aptly expressed by the Supreme Court in Eisner *v.* Macumber (252 U. S. 189) as follows:

"This, however (declaration of a stock dividend), is merely bookkeeping that does not affect the aggregate assets of the corporation or its outstanding liabilities; * * * it does not alter the preexisting proportionate interest of any stockholder or increase the intrinsic value of his holding or of the aggregate holdings of the other stockholders as they stood before. The new certificates simply increase the number of the shares with consequent dilution of the value of each share."

Section 220 to which you refer does not apply to the situation relating to these stock increases. It provides that if any corporation is formed or availed of for the purpose of preventing the imposition of the surtax upon its stockholders through the means of permitting its gains and profits to accumulate, there shall be levied a tax of 25 per cent of the amount thereof in addition to the other taxes imposed upon corporations, but it further provides that the fact that the gains and profits are permitted to accumulate and become surplus shall not be considered evidence of the intent to escape the surtax, unless the Commissioner of Internal Revenue certifies that, in his opinion, such accumulation is unreasonable for the purposes of the business. In every case, therefore, it is necessary under the statute that the Commissioner of Internal Revenue determine that the accumulation of the surplus is unreasonable for the purposes of the business before it can be held that the corporation was formed or availed of for the purpose of evading the imposition of surtaxes.

The declaration of a stock dividend is not significant in connection with this section of the statute, nor has it any relation to a determination by the commissioner under section 220. The primary purpose of section 220 is to reach those corporations, the stock of which is usually closely held and the earnings and profits of which are accumulated for the purpose of enabling the shareholders to avoid the payment of surtaxes upon their dividends.

As to the question of the accumulation of surplus by the Standard Oil Co. of New Jersey out of past profits, this company, I believe, had over $200,000,000 of surplus which was accumulated before the passage of the income tax law in 1913, and the accumulations since that time have been accretions from earnings in addition to dividends declared from year to year; but in all of these years the company was subject to full taxes upon its earnings—some of it under the excess-profits tax and war taxes at the then high prevailing rates. It is not practical in any active business to distribute all the net earnings in dividends to the stockholders, and if part of the earnings were not put back into the business there would be no progress or industrial growth. In the case of this company the Commissioner of Internal Revenue has found no evidence of the accumulation of surplus beyond the reasonable needs of the business.

I have gone into this detail as to the Standard Oil Co. of New Jersey as you make that company the example, but the same principles apply generally, and, so far as this department is concerned, there will be no laxity in invoking the application of section 220 wherever there is any basis for so doing.

Sincerely yours,

A. W. MELLON, *Secretary.*

Hon. JAMES A. FREAR,
House of Representatives.

THE SECRETARY OF THE TREASURY,
Washington, November 3, 1922.

Hon. JAMES A. FREAR,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: I have received your several letters of October 23, 26, and 29, 1922, further expressing your views as to the application of section 220 of the revenue act of 1921. I have noted your comments, but find that everything relevant to the issue has already been covered by my letter of October 20, 1922, which stated the attitude of the Treasury toward section 220, particularly as related to the stock dividends declared by the Standard Oil Co. of New Jersey and other companies. As I pointed out there, the declaration of a stock dividend has no significance under section 220, and in any case where the section applies the department can proceed with its enforcement quite as well after as before the declaration of a stock dividend. The Treasury is diligently enforcing section 220, according to its terms, in every case where applicable, but can not, of course, extend the law to cover matters beyond its scope.

Very truly yours,

A. W. MELLON, *Secretary.*

THE SECRETARY OF THE TREASURY,
Washington, November 17, 1922.

Hon. JAMES FREAR,
House of Representatives.

MY DEAR CONGRESSMAN: I received your letter of November 12, further commenting on section 220 of the revenue act of 1921 and urging its enforcement to reach surpluses accumulated by the Standard Oil Co. of New Jersey and other corporations.

As I have said before, section 220 applies only to corporations formed or availed of for the purpose of preventing the imposition of the surtax upon the stockholders through the medium of permitting

gains and profits to accumulate instead of being divided or distributed, and it expressly provides that the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the tax unless the Commissioner of Internal Revenue certifies that in his opinion such accumulation is unreasonable for the purposes of the business. The section does not impose a tax on undistributed profits or on accumulated surplus, as you seem to suggest, but rather puts penalties on the accumulation of gains and profits beyond the reasonable needs of the business when made for the purpose of escaping the surtax. As heretofore stated, the Commissioner of Internal Revenue has found no evidence in the case of the Standard Oil Co. of New Jersey of the accumulation of gains and profits for this purpose beyond the reasonable needs of the business, and there are on the other hand many evidences—as, for example, in the dividend reports of the company—that it had for many years, before there was any income tax, been consistently putting a substantial part of the profits back into the business, and that its dividends since the surtax have been maintained at no less rate. I understand that it has also, within a few years, sold about $200,000,000 of preferred stock in order to get additional capital to meet the needs of the business. This does not indicate accumulation of gains and profits beyond the reasonable needs of the business, and the same holds true of other companies actively engaged in business whose capital and accumulated surplus take the form of plant, equipment, and inventory with necessary working capital.

You request information as to cases that may have been penalized, but in view of the restrictions imposed by law on the publication of income tax returns and information derived therefrom, I do not feel at liberty to disclose the status of any cases which have arisen under the section.

You will appreciate, of course, that this section, which for the first time imposed a penalty upon the corporation, did not become effective until the taxable year 1921, and that the Bureau of Internal Revenue did not receive the returns for that year until March, 1922, and is only now in the course of examining them. The Commissioner of Internal Revenue has standing instructions to enforce the provisions of section 220 wherever applicable.

As to the statements put out in Wall Street speculative circles, which you quote in your letter, they were evidently intended for stock market purposes and have no bearing on the question of tax administration. To endeavor to answer questions arising from these statements, based as they are so largely on statements from irresponsible sources, would be impossible.

Very truly yours, A. W. MELLON.

A PROPOSAL TO PREVENT TAX DODGING AND REGULATE MONOPOLY.

Mr. Chairman, I have sought in the foregoing correspondence with Secretary Mellon to set forth the dismal failure to enforce the income tax law, due largely to inefficiency or deliberate refusal of officials, and have pointed out tax dodging and tax evasion that must be stopped if we are to keep faith with the people. Methods of evading tax provisions through investments in tax-free securities, stock dividends, and other devices are so numerous and dangerous that Congress must act and act fearlessly if we would carry out the purpose of the sixteenth amendment.

To meet some of these evasions and to curb the unlimited power of wealth I have suggested in my letter to Secretary Mellon of November 26, with brief arguments in their support, several proposals as follows:

First. A reenactment of the corporation excess-profits tax for 1922, fixing a reasonable graduated tax rate to discourage extortion.

Second. A retroactive graduated tax on undistributed corporation profits to reach large surpluses heretofore accumulated to avoid taxation.

Third. Increase of the inheritance tax after reasonable exemptions, and a gift tax to prevent a menacing money oligarchy.

Fourth. Enactment of a stock dividend law, making such law retroactive subject to action that may be had on the second proposal.

Fifth. Publicity of tax returns and all tax proceedings.

To these tax proposals a regulatory act will be submitted herewith, designed to curb monopoly. If part of these proposals can be enacted into law, I submit it will be an improvement over existing tax evasions and lax administration.

Frankly, I am seeking so far as I can to persuade legislators in both House and Senate to make independent investigations, because no cure-all can be recommended, particularly when law will ever be administered by men possessed of ordinary human weaknesses. The income tax law can not be made self-administrative, and the men chosen to administer to-day are generally of big business affiliations and large personal interests. This situation did not exist when John Sherman, author of the Sherman antitrust law, translated from the Senate to the Treasury, was in charge of finances and impressing his antitrust policies upon that department.

WHAT POLICY CONTROLS THE TREASURY TO-DAY?

Since the passage of the income tax law it becomes a vital thing for big business or great wealth to control the administration of the tax laws. The extent of this control and its ramifications are far-reaching in and out of the Treasury Department and Internal Revenue Bureau, if statements in my hands are one-half true.

Secretary Mellon, as Secretary of the Treasury, receives $12,000 yearly from the Government in salary. Mr. Mellon, the private individual, with $300,000,000 estimated wealth in the Mellon family, is a different person from the official who acts as Secretary. His annual private income is derived from scores of corporations and presumably reaches in the aggregate many millions of dollars annually and possibly $50,000 daily.

In other words, Mr. Mellon's personal, private income every day presumably is four times the entire annual income he receives from the Government. What naturally will be his decision where any exercise of judgment is required under the statute? Hardly a section of the statute is not protested by some of the ablest attorneys that can be found, and an organized system of securing refunds reaching hundreds of millions from the Treasury is alleged to exist by ex-employees, sustained by startling evidence. The establishment of precedents, the employment of attorneys, the claimed organized combination between outside and inside interests should be investigated by Congress to ascertain how far secrecy has undermined the public service and robbed the Treasury by alleged improper decisions.

Personally, I believe Secretary Mellon is sincere in his judgment when he is called upon to act, but what man, with his own financial interests constantly before him for decision, can act impartially? Would he act differently providing other large businesses were involved? In the final analysis would his policy in such cases be one of extreme laxity or of strict enforcement? If any doubt occurs, it may be removed by the letters I have offered. Why was he put there and by whom?

Should a judge act in any matter where he is personally or financially concerned?

HOW CAN CONGRESS REACH THIS WEAKNESS?

Those who have no political prejudices involved can see little difference in policies of administration between Mr. Mellon or Mr. McAdoo, for illustration. Any President can destroy the effectiveness of the income tax by his Treasury appointee, and, judging results from recent history, there is no possibility of its being strengthened by any gentleman who has been closely connected with big business ventures and has the viewpoint comprehended in Jules Bache's frank statement that the average man of large affairs spends 11 months trying to avoid his income tax and 1 month in preparing his returns to that end.

Not all Secretaries of the Treasury are lax administrators, nor am I assuming to act as a critic excepting to state a tax problem that is serious to-day. Secretary Houston, for illustration, had the public viewpoint. Houston saw large tax evasions through stock dividends and surpluses that section 220 now tries to reach. He took the animal by the horns and asked Congress to pass a tax on undistributed net profits which he estimated would bring $690,000,000 additional Government revenue for 1921, as I stated in my letter to Mr. Mellon of October 23.

Congress was immediately besieged with lobbyists and propaganda against any such law. The secret records of the Treasury Department then disclosed to Secretary Houston the reasons for that propaganda, due in part to the unconscionable profits of Standard Oil and other companies that were being secretly laid away as surpluses, not to be reached by individual surtaxes. Houston could not disclose the situation to Congress but he did tell us how to protect the Treasury to the extent of $690,000,000 at that time and we refused to heed the warning or to indorse the taxing principle he urged.

TAXES RECOMMENDED IN LETTER OF NOVEMBER 26.

I have suggested in my letter of November 26 to Mr. Mellon that such a tax be adopted but it ought to be graduated from a small rate on small surpluses to the maximum rate of 20 per cent, where large percentages are laid aside. In my letter to Mr. Mellon I have presented a departmental failure and refusal to penalize in any case under section 220, and the only alternative is a specific tax.

If the income tax law proves ineffective through refusal by Congress to cure notorious weaknesses or refusal by political parties to place in the Treasury men who will strictly enforce the law, then the continued efforts by men of large means to escape their just proportion of tax may make a direct issue with the people of a capital tax now seriously pressed for passage in England.

Before discussing that tax or any other proposals beyond what have been suggested in my letter of November 26 to Mr. Mellon, I believe in all fairness it is right to set forth the argument of "wealth" that opposes any income tax or an inheritance tax and urges a substitute sales tax. In these tax policies Secretary Mellon quite generally agrees, as I have shown in my letter to him of November 22.

"WEALTH'S" CHAMPION.

Men of large business interests, of wealth, and of "brains," as they sometimes style themselves, find a notable champion in "The Things that are Caesar's," or "A Defense of Wealth," sent to every Congressman by G. M. Walker, whose other books on "Railroad Rates and Rebates"; "Measure of Civilization"; "Can We Escape War with Japan?" and similar contributions give an estimate of the scope of his observations and of his judgment.

Of this "Defense of Wealth," Albert J. Beveridge, a one-time senatorial candidate from Indiana, is quoted as saying:

The ablest, clearest, and most entertaining presentation I have read of the nature and function of wealth. It is sound and convincing, as it is brilliant and engaging.

Beveridge addressed many Hoosier audiences in favor of a sales tax with equal enthusiasm, so his judgment may be measured by his viewpoint and results rather than by superlatives.

C. W. Barron, the economist, rises to heights of eulogy when he says of Walker's "Defense of Wealth," "beside it Adam Smith's Wealth of Nations is mud." A Barron-Beveridge one-half per cent dry test, so to speak, can be determined by a few samples submitted. With these encomiums for wealth's champion I quote several extracts from the "Defense," and I suggest that every farmer whose average yearly wage in 1921 was $186 and every workman whose munificent pay only helps keep the wolf from the door should read this "Defense." Heretofore I had supposed wealth needed no defense, for handsome is as handsome does, and there is wealth and wealth, but this new Galihad defends all wealth with equal vigor.

WALKER'S BOOK "THE THINGS THAT ARE CAESAR'S."

In his defense of wealth under the above title imperfectly cribbed from the scriptures which Walker also misapplies when quoting the familiar advice of the Master, I find my recollection extends to a portion he forgot to give. In like manner the facts surrounding the quotation are recalled. When the coin of the realm representing Caesar's government was offered to trick the Master into an expression against Caesar, the wisest of them all replied: "Render unto Caesar the things that are Caesar's and unto the Lord the things that are the Lord's." The two governments—temporal and spiritual—were comprehended in that reply.

It requires a perverted vision like a perverted title to see in Rockefeller, our Republic, in Carnegie, our Constitution, and in Guggenheimer, our Government. This novel defense of wealth is a reminder of another incident, however, also found in Biblical lore, where the same Master chased the money changers out of the temple. He would need several regiments to accomplish that job during the present period. Caesar's coin of to-day has the imprint of the Goddess of Liberty with the familiar words "In God we trust." This sentiment seems strangely distorted into a notice of "heads I win and tails you lose" when that coin reaches the hands of Walker's clients, from whom once gripped it rarely departs. The modern world has progressed since the day when Rome and the Caesars went out of business because of conditions that are well to recall in this day and age and any efforts of the new champion of wealth to confuse our Government with his clients will find little sympathy from those who play a part, however small.

Walker sums up his conclusions on page 33 of his book when he says:

It has not been "labor" that has produced the wealth of the past 150 years but brains. It is not labor in the physical sense that is producing the wealth to-day but brains, etc.

The capitalization of brains in print and in business is given a conspicuous place in the succeeding pages. "Brains" did the business, he professes to show.

Incidentally he does not waste any time on the hundreds of university presidents and hundreds of thousands of teachers, many of whom are popularly supposed to have brains. Neither does he pause to mention a hundred thousand or more ministers of the Gospel, scientists, and men who have given their lives to humanity, many of whom do not annually draw one-fiftieth part of Secretary Mellon's $50,000 estimated daily income. Yet popularly they are assumed to possess brains.

Remembering Walker is discussing wealth, to the exclusion of labor and of brains that have not accumulated wealth, it is proper to give brief study to some pungent paragraphs that Beveridge says are sound and convincing, and Barron says make Adam's treatise look like "mud"—a substance from which Adam originally was made, according to high authority.

"A WAXING MAMMONISM" A PRESENT MENACE.

Walker proceeds to demolish the president of Cornell University, on page 34 of the defense, and quotes this eminent educator as saying:

To get and to have is not only the motto of the market but of the altar and of the hearth. We are coming to measure man—man with his heart and mind and soul—in terms of mere acquisition and possessions. A waning Christianity and a waxing mammonism are the twin specters of our age.

Concisely but inelegantly answering the remarks quoted, Walker says, in effect, "tain't so." And Beveridge says Walker is brilliant, and Barron says all others are "mud."

Again quoting on page 33, Walker's defense says:

A prominent divine recently declared that "One-half of the wealth of the United States is controlled by about 1 per cent of the American people, and that is unjust. * * * There is a just discontent among the people with the present order of things, and the country's great wealth should be distributed more among the many that contributed to make it. * * * This is the question that must be settled by the intelligent men of the country."

Walker's defense says the "crux" of the problem is contained in the last sentence. And from that he deduces that "100,000" who have brains and wealth combined are to settle the matter for the remaining "99,000,000." Several of the latter, it is fair to assume, have "brains," have "education," have practiced "thrift" and "long hours," all of which requisites are noted by Walker to be possessed by wealth.

There are rich honest men, and there are gamblers who make a bare existence playing poker, and there are gamblers of no better education, thrift, or brains who play the stock market and take gamblers' chances who count themselves among Walker's select 100,000 that finally reach the blue-blooded inner circle financial 400. There is a Standard Oil that extorts 77½ per cent annual dividends from helpless men and women—aided by "brains," according to wealth's defense. Captain Kidd or Jesse James also had brains and were temporarily prosperous, but why offer further evidence to aid Walker's ingenuous defense?

HOW UNITED STATES STEEL STOCK WAS WATERED 200 PER CENT.

Mr. Walker defends about every monopoly proposition that has squeezed the American public in the past, but his view of business ethics and his test of brains is illustrated in a defense of the J. P. Morgan steel consolidation. I quote at some length. He says:

It is said that Mr. Carnegie was willing to sell his entire steel business for $100,000,000. This happens to be true. But it is then stated that the option falling through that Mr. Morgan offered to pay Mr. Carnegie $300,000,000 in 5 per cent bonds, and that because of this watering of the Carnegie holding in steel the people of this country must continue to pay $15,000,000 a year to Carnegie and his heirs forever.

Now, this second statement deliberately implies that the people of this country were not paying Mr. Carnegie anything at the time he was willing to sell for $100,000,000, but the truth was that Mr. Carnegie was and had been for some time getting a profit of more than $15,000,000 a year out of his steel business, but because of competition and the danger of overproduction the business was more or less hazardous, so Mr. Carnegie was entirely willing to sell his holdings in the steel business on a 15 per cent basis.

But those who knew Mr. Carnegie very naturally believed that if he had $100,000,000 in cash he would probably go back in the steel business, as it was the only business he knew, and it was then that Mr. Morgan conceived the idea of getting Mr. Carnegie to retire by giving him securities, the income on which would assure him $15,000,000 a year, the same as he had been getting out of the business before, with the distinct understanding that Mr. Carnegie would retire and would not reengage in the steel business. The facts are that Mr. Carnegie has been getting $15,000,000 a year out of the business for years, but the $15,000,000 has not been capitalized. Instead of the United States Steel Corporation imposing one dollar of additional tribute upon the users of steel in the United States, it merely assured to Mr. Carnegie upon his retiring the same income that he had been getting for years. * * *

It has been charged that Andrew Carnegie gave the world nothing in return for $250,000,000 of bonds given him for his development of the steel business, but the truth is that when Carnegie began the development of the steel business iron rails were selling in this country for $130 a ton, and most of them were imported from England at that price. When Carnegie retired from the steel business he had reduced the cost of rails from $130 per ton for iron rails to $22 a ton for steel rails.

Walker's defense of the Carnegie deal that put a $200,000,000 extra steel burden on the American public may be read in connection with a recent report of profits on this kind of a watered capitalization. A $500,000,000 stock dividend is about to be declared, according to the press, by the same steel company, all of which half billion dollars the American public has paid in addition to extortionate profits on watered stock.

The concluding sentence of Walker's defense is worthy of thought when he deduces that the country owes Carnegie its thanks for reducing steel rails from $130 to $22 a ton. Walker does not show how much steel rails were reduced before or after Carnegie had pocketed the extra $200,000,000 to stay out of the business, nor what Carnegie did voluntarily to reduce prices. Nor is it clear that Carnegie was not forced to reduce steel prices to $22 because of home competition then still existing on steel production or because of foreign steel prices that sought American markets after paying a high protective tariff duty.

SHERLOCK WALKER, THE DEFECTIVE DETECTIVE.

Walker, who reflects the views of many others, finds one great cause for poverty lies in the lack of judgment and poor skill in buying. He states this so learnedly that I can but quote from page 48:

The poor do not buy by the ton or even by the half ton, but by the bag, the bushel, the pail, and, thinking to be economical, they buy the very poorest quality of coal and pay the small dealer, who delivers it to them by the bag or pail, at a rate that is often as much as 300 per cent above the ton price.

This is a distressing picture, but it is worthy of notice that the whole penalty of poverty is due to the woeful ignorance of the individuals, who suffer so as the result of their ignorance, and that in nothing that they do in wasting their money do the rich or near-rich profit.

Out of the length and breadth of Walker's experience he thus explains the lack of brains found in the $186 annual income farmer or the 5,000,000 unemployed of last year or the vast army of workmen who find any wage increase remains below its purchasing power before the war. In the face of such a defense of wealth what need be said?

WALKER ON PRESIDENT ROOSEVELT.

Walker's brain, that challenges the admiration of Barron-Beveridge, causes him to say on page 52:

President Roosevelt delivered an address before the students at Harvard, in which he railed at the men who did not do real work. Astonishing, for there was probably no man ever lived who knew less than Roosevelt the meaning of real work. It is doubtful if he ever earned a dollar in his life by physical toil or by the construction of anything. He never earned a dollar in his life in commerce or business of any kind and, dying, there is not a spot on earth that shows a dollar's worth of improvement or betterment that he produced.

If Roosevelt could arise and confront his old Indiana lieutenant Beveridge to-day, what would he say in his frank, terse way?

An advertisement for this unique book in defense of wealth, with recommendations of the Barron-Beveridge combination, will be found in the Evening Star of November 14 in the next column and in immediate juxtaposition to a large advertisement of Gulf Oil, that was charged with leading the melon-cutting contest inaugurated by Secretary Mellon.

WALKER AND WEALTH ON WAGE REDUCTION.

Another gem evolved by this defender of wealth reflects the effervescence of a brain test that gets past. Denouncing a raise of $400 per year to railway employees, which did not meet the average increase in nation-wide living costs, according to reputable authority, Walker says, page 105:

Now, if the $400 a year increased wages to each railroad employee had been made possible by some extra efficiency on the part of these employees or by some increased service to the rest of us, there would be some excuse for the raise of wages, but when it has been clearly shown that the increase in wages was granted to the railroad employees in response to a blackmailing threat on their part that they would deprive us of railroad service and when, as has been demonstrated, the increase in wages has resulted only in additional demands and threats and in decreased efficiency and less train service, then the rest of us have a right not only to demand that the wages be reduced to where they were before, but that they be reduced still lower to the point where they are no more than equivalent for the service that these railroad employees are grudgingly rendering to the rest of us.

Walker makes his demands for a wage reduction in the name of "the rest of us." Again, on page 129, Walker mourns because wealth can not find much to develop longer in this country not already well covered, but he sees hope from the fact that "far from discouraging the creation and accumulation of wealth, we must increase it and turn our surplus, our capital, to the developing of China as our own country has developed; to the development of Australia; to the development of Africa and South America."

From my letters to Secretary Mellon, Walker might also add, send our Army and Navy to protect Standard Oil's exploitations in Mesopotamia and Mexico and Central America and the Fiji Islands, and among the wild tribes of untamed Timbuctoos.

Reading, pipe dreaming, and believing that such stuff will be accepted by the American people, organized wealth continues unconscionable extortion, evidenced by the New Jersey Standard Oil's report of 775 per cent in 10 years. Such brain storms will not be accepted at 100 per cent value by the people who make laws under which wealth finds its protection.

PRESENT-DAY PROFITEERING ON THE GOVERNMENT.

The brains of big business had a hard strain when the Government, on top of a 400 per cent stock dividend and 220 per cent cash dividend to the New Jersey company, on November 14, this year, made an oil contract quoted by the Star of that date as follows:

Contracts for 10,000,000 barrels of fuel oil to be delivered by the Standard Oil Co. of New Jersey and 1,000,000 barrels to be delivered by the Texas company were awarded to-day by the Shipping Board. The prices fixed represent about 50 cents a barrel more than that paid in the last previous purchase. It is understood that the Standard Oil Co. of New Jersey in fulfilling its contract will secure the oil from California fields instead of from Mexico, as in the past.

Does it not seem criminally wrong that after giving away practically all our oil fields to Standard Oil and other oil companies, and on top of their extortionate profits in the past we now note an increase of 30 per cent on the average price to be paid by the Government to that company, or 50 cents more per barrel, with a nest egg of $5,500,000 increased profit paid by a Government Shipping Board, that is the last word in wasted public moneys?

Let me not appear in the rôle of a critic of men whom Roosevelt many years ago termed "malefactors of wealth." I am asking that such men do what Congress decrees by law the rest of the country must do, viz, pay their income taxes. Facts have been presented showing a flagrant violation of law, and the administrative officer, Secretary Mellon, refuses to impose the law.

More serious, Mr. Mellon is charged with starting the whole unprecedented melon-cutting race of surpluses that were secretly piled up for years, which facts were shown by the Treasury files and were known to Secretary Mellon alone.

Walker's "Defense of Wealth," from which I have briefly quoted, answers itself, but others have spoken on the same subject in such a comprehensive way that I rest the case with recognized authorities, headed by Roosevelt, while Walker's specious pleading in his quoted criticism of Roosevelt is a sufficient answer to his whole "Defense." Only one thing was needed to make a well-rounded indictment of the viewpoint of wealth, and that comes with its indorsement by such conspicuous worshipers of wealth as the Barron-Beveridge combination.

INDIVIDUAL WEALTH ONE THOUSAND TIMES THAT OF CROESUS.

Herewith is Klein's published estimate of a hundred or more of the richest families in the country. Its accuracy is not vouched for, but to a large extent it finds some verification in listed investments of these people. Neither is it suggested that possession of money, however large, under existing law or proposed law is improper:

Rockefeller (John D.), $2,500,000,000.

Astor, Du Pont, Guggenheim, Vanderbilt, $500,000,000 each.

Harkness, $400,000,000.

Mellon, Pratt, Weyerhaeuser, $300,000,000 each.

Armour, Ford, Goelet, Morgan, Payne-Whitney, Rockefeller (William), $200,000,000 each.

Baker, Brady, Carnegie, Clark, Field, Frick, Gould, Harriman, Hill, Swift, Taylor-Pyne, $150,000,000 each.

Berwind, Blair, Converse, Dodge, Flagler, Green, Heckscher, Kahn, McCormick, Penfield, Phipps, Ryan, Stotesbury, Widener, $100,000,000 each.

Dodge, Doheny, Drexel-Biddle, Duke, Ehret, Grace, Hearst, Huntington, James, Kennedy-Tod, Mills-Reid, Rogers, Rhinelander, Roebling, Schiff, Stephenson, Stillman, Warburg, Warden-Bodine, Wendel, $75,000,000 each.

Agassiz, Altman, Appleby, Arbuckle, Archbold, Bedford, Belmont, Billings, Bingham, Bostwick, Bourne, Brewster, Brokaw, Brown, Busch, Chapin, Childs, Cochran, Colt, Coffin, Corey, Coxe, Crocker, Cudahy, Davis-Elkins, Deering, De Lamar, Doherty, Dolan, Dollar, Durant, Eastman, Edenborn, Elkins, Fair, Gerry, Haggin, Hanna, Havemeyer, Hayden, Higgins, Houston, Iselin, Jennings, Keith, Leeds, Lewisohn, Mackay, Macy, Maderia, McLean-Walsh, Miller, Ledyard, Moore, Morris, Oliver, Pabst, Peabody, Phelps, Pierce, Plant, Pullman, Pulitzer, Ream, Rosenwald, Sage, Schwab, Seranton, Sayles, Sears, Severance, Sewell, Shaw, Sinclair, Smith, Spreckels, Tilford, Untermyer, Walker, Watson, Watt, Whitney, Yawkey, $50,000,000 each.

If half true in fact, does it not seem a proper case for a higher estate tax?

The average small business man would be grateful for a thousandth part of the $50,000,000 average wealth of the last group, and to a majority of the people one ten-thousandth part would be wealth itself. If 100 families can hold this enormous wealth to-day, what will be the record a half century hence unless the Government exercises some control?

I do not express any personal opinion on the subject beyond what appears in my letters to Mr. Mellon, but I quote briefly from several men what they think of unlimited wealth and its menace.

EMINENT AUTHORITY ON NEED TO LIMIT WEALTH.

President Theodore Roosevelt, October, 1906, said:

As a matter of personal conviction, without pretending to discuss the details or formulate a system, I feel that we shall ultimately have to consider the adoption of some such scheme as that of a progressive tax on the fortunes beyond a certain amount, either given in life or devised or bequeathed beyond death to the individual—a tax so framed as to put it out of the power of the owner of one of those enormous fortunes to hand over more than a certain amount to an individual.

Who would the average American follow, the Roosevelt of 1906 or Mellon of 1922?

John Wanamaker, June, 1921, said:

No man ought to pile up money when there is no such need for it in the world. He can not take it with him beyond the grave. We have got to get nearer to God—with less Christianity and more of the real thing.

Take your choice between Wanamaker, the man of wealth, and Walker, the sycophant.

Dr. Frank Crane, a philosopher and man of "brains," says:

Mr. Rockefeller proves that it is possible under modern economic conditions for wealth to concentrate into the hands of a few. Are we going to allow that tendency to go unrestrained? Is Government ever justified in limiting the wealth of its citizens? If one suggests the limiting of private fortunes, is he necessarily an anarchist, an upsetter, or a dangerous radical?

Walker thinks so, Doctor; and Walker says he speaks for "wealth."

Mr. Hearst, in condemning contributions by Rockefeller and Carnegie to the so-called National Security League, said in 1919: "Congress should end this dollar despotism." I am informed Hearst has urged a 50 per cent tax on all inheritances over $20,000,000. Let me modestly recall that the exposition of the $600,000 "league" fund was brought about by my own resolution and its advocacy in the House.

Even Andrew Carnegie is reputed to have said in The Gospel of Wealth:

The almighty dollar bequeathed to children is an almighty curse. No man has a right to handicap his son with such a burden as great wealth.

When conscience gets to work possibly no man has a moral right to exact $200,000,000 from watered steel stock, as defended by Walker, but that is another story.

I could quote reputable authorities to the effect that "A private fortune of $50,000,000 is a menace to the Republic"; that is, if Joseph Pulitzer, whose fortune approached that figure, was a good judge. Why, $50,000,000—and what would Pulitzer say to Rockefeller's fifty times fifty million?

We know how to curb great wealth. Will we do it sanely, justly, intelligently, or will we blindly be afraid of being called what Crane terms "dangerous radicals," only to realize that some day will occur an inevitable smash, in which all, both rich and poor, may be involved?

ENGLAND AND A CAPITAL TAX.

A few days ago in England occurred an election, in which the Labor Party made gains before the British electorate of 85 per cent, or from 76 members to 141 members in the House of Commons. The principal issue there involved the imposition of a capital tax in addition to other heavy taxes now laid on England's wealth, reaching 40 per cent on inheritance alone. They have no sales tax in England, which was urged by our President to finance a soldiers' bonus bill, although England gave a bonus to its soldiers long ago. Labor asks for a capital tax in England, and if space permitted I could quote from F. W. Pethick Lawrency and A. C. Pigon, M. A., professor of political economy, University of Cambridge, not an anarchist, and others, all tending to show that a capital tax, in their judgment, is both just and workable. It is based on the same principle as the estate tax, and although somewhat drastic in its immediate effect and not easily avoided, it is a final resort where great needs or great emergency demands.

Shaw, the writer and dramatist, says a capital tax is inevitable.

Even the staid New Statesmen (London), volume 19, No. 473, says in a leading editorial:

We have never been very enthusiastic supporters of a capital tax, but the trend of events suggests that it will have to come. The initiative, however, must come not from labor but from capital. * * * A capital levy should promote productivity, and, after all, that is the only true measure of any nation's wealth and prosperity.

Many other reputable authorities could be quoted.

I do not and never have advocated a capital tax, but as between that kind of a tax and a consumption or sales tax there can be no doubt where the people of this country will stand. The capital tax is a taxing measure advocated in England by a considerable number of people, some of whom presumably possess what Walker terms "brains." In this country, with its reputed 20,000 millionaires, many of whom were war profiteering multimillionaires, is it a far cry from an extortionate net profit of 775 per cent by New Jersey Standard Oil in 10 years, or 77½ per cent annual net profit, and a 400 per cent tax-dodging stock dividend, to a stiff capital tax?

Adoption of tax proposals contained in my letter to Secretary Mellon of November 26 will tend to avoid any agitation by "rationals" or "radicals" for a capital tax, but notorious efforts to dodge and evade the present law after throwing every obstacle in the way of its passage will not quiet the present feeling of resentment against tax evasions.

HOW TO CONTROL MONOPOLY.

It is not a far step from the field of taxation of men and corporations to the control of wealth and monopoly urged by some of the authorities I have quoted. Due to a variety of causes, including our corporation laws, patent laws, seizure of natural resources, throttling of competition, railway rebates, and the natural cupidity of men supplemented with what Walker terms "brains," society recognizes monopoly has acquired a strangle hold on many activities of industry, and the only limitation in power and profits depends on a moderate fear of public resentment. Standard Oil of New Jersey, with 10 years' average net profits of 77½ per cent annually, is one example of how "moderate" the fear has become while accumulating $775,000,000 profits for this one company.

The Sherman antitrust law was passed to dissolve the units of that same oil monopoly and restore competition. How far that law was successful is shown by the Supreme Court's decision which supported the law but never "unscrambled the eggs" of the Standard Oil monopoly. Competition, of course, did not result and the 33 Standard Oil units are as much a part of the parent concern to-day as ever, while the monopoly found by the court to exist many years ago still flourishes like a mushroom, unchallenged and unlimited. What are you going to do about it?

The Armour Packing Co. asks the Attorney General if it can combine with other companies that maintain substantially the same production prices. A few days ago the Steel Corporation asked the same question and obtained the Attorney General's sanction, but was refused indorsement by the Federal Trade Commission because it aided monopoly. In other words, big business claims to be battered around from pillar to post in order to maintain a fictitious competition which was destroyed when price agreements became general.

It may be presumptuous to suggest any solution where monopoly notoriously exists and competition has ceased, while we cling to the husks of the Sherman antitrust law. What can be done to stop the squeezing of unconscionable profits by monopolies like the Standard Oil, with its 77½ per cent annual net profits; Atlantic Standard Oil, with 900 per cent surplus profits; United States Steel, with its half billion surplus on watered stock and Pittsburgh plus; packers' combine, and so forth. How protect the little fellow used as a foil, and yet put business on a right basis?

Where the patient's life and health depend on arresting a fatal cancerous growth that destroys all other life within its path, then the surgeon acts, leaving recuperation to sane, intelligent nursing and careful treatment. The patient here is the patient public.

CONTROL MONOPOLIES LIKE RAILWAYS.

Control of railway rates by States and by the Government was vigorously fought and opposed for many years until the doctrine of reasonable freight rates and regulation was enunciated by the courts on every question presented, and thereafter State commissions and the Interstate Commerce Commission took over the duties of rate making and service control. During that period men favoring Government railway control were termed "agitators," "radicals," "socialists," and dangerous to society. The railways then varied largely in earnings, valuation, and other factors considered in rate making, but all these difficulties were met and surmounted by legislation and administration under strict Government regulation of service and profits.

The roads were no more a monopoly then than are many industries to-day, and it is as useless to seek separation or dissolution of a monopoly of one class of business now, as of railroads then, because no competition exists with monopoly. Every situation where competition has disappeared and prices and profits lie in the hands of a central agency should be met by Government price control and regulation, and if any constitutional or statutory authority is required to place monopolies under close control as to profits, service, and needed limitations, it is reasonably certain that the American people who pay the bills that make the profits will afford all needed legislation.

I need not justify by innumerable precedents, but the Ball Rent Act was passed by Congress to control sporadic District profiteering; the fuel, packer, and other similar acts, including control of gas, water, insurance, transportation, and utilities generally, have been comparatively of recent date. We are now faced on every hand by unrestricted profiteering when big business prophesies increasing prices will follow, governed only by the limits of human cupidity. Public interests are involved when Standard Oil, on top of a 77½ per cent annual profit, increases its extortionate profits by charging the Government 30 per cent more in November, 1922, for fuel oil, in the case I have previously cited. To this may be added enormous profits and tax rebates reaching many additional millions if the pending Standard Oil ship subsidy bill becomes a law.

Control of monopoly is founded on a well-grounded principle that can not be nibbled at spasmodically. It is a right that must be firmly fixed for all time by adequate law, and a bill to that end is submitted for consideration.

A MONOPOLY CONTROL COMMISSION.

Commissions of the type of the Interstate Commerce, Federal Trade, and Tariff Commission have paved the way for a comprehensive governmental body that can gradually work out restrictions, limitations, and an assurance of reasonable profits far below 77½ per cent, or, say, nearer one-tenth of that rate, on the capital invested or whatever plan is decided upon. I believe this, briefly stated, is a solution to the monopoly problem that must be solved.

The plan does not contemplate having the Government muddle the business by attempted management nor does it prevent consolidations which might then be permitted where now a prohibitory antitrust law weakly seeks to prevent what we know exists, and will continue to exist, for competition vanishes with monopoly. The fundamental right to control and regulate by the Government exists and it is well to act intelligently—not by smashing industries but by sane, effective regulation.

Briefly and with some diffidence I have sought to point out recognized weaknesses in our economic system and to suggest tax legislation and other means of remedying conditions. Any plan or proposal is certain to provoke opposition and criticism, as ever in the past, but the sooner the problem is squarely faced and justly solved the earlier will we enjoy solid economic prosperity that will be a real and not a reflected benefit to the general public.

WHAT WILL WE DO ABOUT IT?

Wall Street reports say 54 corporations within the last 30 days have declared a distribution of surplus earnings in the form of stock dividends that will escape surtaxes to the amount of $1,200,000,000. More stock dividends are promised, including United States Steel, that is said to have $500,000,000 surplus waiting distribution by the stock-dividend route and based on a watered capitalization. This stupendous amount of profits is in addition to past cash dividends paid on stock.

The evidence of enormous profiteering disclosed within 90 days calls for specific legislation that will control prices and service where a monopoly or price agreement to prevent competition is found to exist and will make all public records public in fact. These exactions by monopoly have occurred under the Sherman antitrust law that is notoriously ineffective.

We can not longer blind ourselves to conditions, and I have offered a proposed control bill that speaks for itself. No corporation and no interest not engaged in open or secret price fixing or monopoly need fear such proposal if enacted into law, and it is offered for the protection of over a hundred million people who to-day are common prey for profiteering interests like those disclosed in the Mellon correspondence.

The proposed bill (H. R. 13091) is as follows:

A BILL TO CONTROL MONOPOLIES.

Be it enacted, etc., That a commission is hereby created, to be known as the monopoly control commission, and hereinafter referred to as the commission. The commission shall be composed of nine commissioners, to be appointed by the President, by and with the advice and consent of the Senate; said commission shall annually elect one of its members as chairman and one as vice chairman.

The first commissioners shall continue in office for terms of 2, 3, 4, 5, 6, 7, 8, 9, and 10 years, respectively, from the date of their appointment, the term of each to be designated by the President, but their successors shall be appointed for terms of 10 years, except that any person chosen to fill a vacancy shall be appointed only for the unexpired term of the commissioner whom he succeeds.

The commissioners shall be appointed with due regard to their fitness for the efficient discharge of the duties imposed on them by this act and to a fair representation of the geographical division of the country. Not more than six of the commissioners shall be appointed from the same political party. No commissioner shall engage in any other business, vocation, or employment. Any commissioner may be removed at any time by joint resolution of Congress after notice and hearing when, in the judgment of Congress, such commissioner has become permanently incapacitated or has been inefficient or guilty of neglect of duty or of malfeasance in office or of any felony or conduct involving moral turpitude, and for no other cause and in no other manner except by impeachment: *Provided, however*, That not more than two removals shall be made by joint resolution during any regular or special session of Congress. A vacancy in the commission shall not impair the right of the remaining members of the commission to exercise all its powers. The commission shall have an official seal, which shall be judicially noticed.

[NOTE.—The above section has been adapted from the Shipping Board act of September 7, 1916 (39 Stat. 729, sec. 3), and the Budget act of June 10, 1921 (42 Stat. 24, sec. 303).]

SEC. 2. That each commissioner shall receive a salary of $10,000 a year, payable in the same manner as the salaries of the judges of the courts of the United States. The commission shall appoint a secretary, who shall receive a salary of $6,000 a year, payable in like manner; and it shall have authority to employ and fix the compensation of such attorneys, special experts, examiners, clerks, and other employees as it may from time to time find necessary for the proper performance of its duties and as may be from time to time appropriated for by Congress.

With the exception of the secretary, a clerk to each commissioner, the attorneys, and such special experts and examiners as the commission may from time to time find necessary for the conduct of its work, all employees of the commission shall be a part of the classified civil service, and shall enter the service under such rules and regulations as may be prescribed by the commission and by the Civil Service Commission.

All of the expenses of the commission, including all necessary expenses for transportation incurred by the commissioners or by their employees under their orders, in making any investigation, or upon official business in any other places than in the city of Washington, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the chairman of the commission.

[NOTE.—The above section has been adapted from the Federal Trade Commission act of September 26, 1914 (38 Stat. 718, sec. 2).]

SEC. 3. (a) That the words "interstate commerce" as used in this act shall be construed to mean commerce between any State, Territory, or possession, or the District of Columbia and any place outside thereof; or between points within the same State, Territory, or possession, or the District of Columbia but through any place outside thereof; or wholly within any Territory or possession or the District of Columbia.

(b) That combinations or conspiracies to monopolize the sale or fix the price of any commodity or commodities in interstate commerce are declared to be affected with a national public interest and subject to regulation as hereinafter provided.

(c) That it shall be the duty of the commission, either on petition by any person, firm, corporation, or other association or organization, or on its own motion, to investigate and determine whether or not any person, firm, or corporation, or any combination or association of persons, firms, or corporations, is engaging or attempting to engage in any of the practices mentioned in subdivision (b) above.

(d) That the commission shall, before making any determination under subdivision (c) above, give notice to each person, firm, corporation, or association whose practices are to be investigated, and shall give a full hearing to all interested parties.

THE MEAT IN THE COCONUT.

(e) That if the commission shall, after a full hearing as provided in subdivision (d) above, determine that any practices investigated constitute a monopoly, or an attempt to create a monopoly, or a fixing of prices, or an attempt to fix prices, with respect to any commodity or commodities in interstate commerce, it shall make public declaration to that effect.

(f) That after a declaration has been made by the commission, as provided in subdivision (e) above, that there is a monopoly or price fixing agreement, or attempt to create a monopoly, or to fix prices by open or secret agreement, with respect to any commodity or commodities in interstate commerce, the commission shall thereupon and thereafter be authorized to issue an order prescribing the maximum price which may be charged for such commodity or commodities in interstate commerce, and may further order any improvement and change in service for the public benefit that may be found to be necessary. Such order may apply to the United States and its possessions as a whole, or within any specified part or parts thereof, according as the commission may determine.

(g) That the commission may at any time, after a hearing similar to that prescribed in subdivision (d) above, determine that conditions of monopoly or attempted price fixing no longer exist with respect to any commodity, and in case of such determination shall rescind its order fixing a maximum price for such commodity; or the commission may, after a like hearing, modify its order by increasing or reducing the maximum price previously fixed by it, or increasing or diminishing the area with respect to which such order shall apply.

(h) That no declaration or order shall be made by the commission, under any provision of this section, unless the same is concurred in by at least five commissioners and at least two-thirds of the commissioners voting. No such order shall take effect until it has been published once a week for three weeks in a newspaper in each of two cities within the area affected, and the commission is hereby authorized and directed to provide for such publication of all its declarations and orders. A majority less than two-thirds may determine what investigations shall be taken up by the commission at any time and may adopt rules and regulations in regard to procedure and the conduct of business not inconsistent with the provisions of this section.

APPEALS.

(i) That every order made by the commission under the provisions of this section shall be final and conclusive, unless within 60 days after the first publication of such order any person, firm, or corporation affected by such order files with the circuit court of appeals for the circuit in which he has his principal place of business a written petition praying that the order be set aside or modified in the manner stated in the petition, together with a bond conditioned that if the finding of the commission is sustained by the final court to which appeal is made that then there shall be paid to the Secretary of the Treasury an amount fixed in the bond of at least double the difference between the price of the commodity or commodities covered by the decision as charged by the corporation or corporations immediately prior to the commission's decision and the price thereafter fixed by the commission, to be based on the total sales of such commodities by such corporation or firm as named in subdivision (c) for one year immediately prior to such decision. And the judgment of the court of the amount to be named in such bond shall not be subject to appeal.

That if final decision by the court is not reached within one year from notice of appeal, then a further and additional bond shall be filed immediately by the appellant of like character and amount, to be determined in like manner by the court, and failure to file any bond at the time provided by law shall automatically place in effect the price schedule theretofore determined by the commission. That if any needless delay in bringing such cause to trial or final hearing is alleged by the commission or any member thereof and on public hearing on 10 days' notice found by the court to be true, then the bond or bonds immediately shall become due and payable and judgment of forfeiture shall be rendered thereon by the court without right of review or appeal, and the price schedule fixed by the commission shall thereupon automatically be in force without further notice. Such bond shall further provide that the petitioner will pay the costs of the proceedings if the court so directs. The clerk of the court shall, upon filing of the bond and petition, immediately cause a copy of the petition to be delivered to the commission, and the commission shall forthwith prepare, certify, and file in the court a full and accurate transcript of the record of the proceedings before the commission. The evidence so certified and filed shall be considered by the court as the evidence in the case. The proceedings in such cases in the circuit court of appeals shall be made a preferred cause and shall be expedited in every way. The court may affirm, modify, or set aside the order of the commission. The decree of the court shall be final, except that it shall be subject to review by the Supreme Court of the United States upon certiorari, as provided in section 240 of the

Judicial Code, if such writ is duly applied for within 60 days after entry of the decree. For the purposes of this subsection the term "circuit court of appeals," in case the principal place of business of the petitioner is in the District of Columbia, means the Court of Appeals of the District of Columbia.

PENALTY.

(k) Any person, firm, or corporation who sells or offers for sale in interstate commerce, within the area covered by any subsisting and valid order of the commission, any commodity at a price in excess of the maximum price fixed by such order shall be deemed guilty of a misdemeanor, and on conviction thereof shall be punished by a fine of not exceeding $5,000 or (if a natural person) by imprisonment for not exceeding one year, or by both such fine and imprisonment. In the case of such unlawful sale or offer for sale by a firm or corporation, any partner, officer, agent, or other person representing such firm or corporation, who has participated in any way in the attempt to make such unlawful sale or offer for sale, shall be subject to the penalty herein provided, except in the case of an agent or employee acting upon the written direction of a superior within the jurisdiction of the United States, in which case such superior only shall be liable to the penalty. Each sale or offer for sale, and each delivery in the case of one contract of sale requiring delivery at different times, shall constitute a separate offense.

[NOTE.—The above section has been in part adapted from various provisions of the Sherman Antitrust Act of 1890, the interstate commerce act, the packers and stockyards act of 1921, and the grain futures act of 1922.]

SEC. 4. That for the purposes of this act the commission or its duly authorized agent or agents shall at all reasonable times have access to, for the purpose of examination, and the right to copy, any documentary evidence of any person, firm, or corporation being investigated or proceeded against; and the commission shall have power to require by subpœna the attendance and testimony of witnesses and the production of all such documentary evidence relating to any matter under investigation. Any member of the commission may sign subpœnas, and members and examiners of the commission may administer oaths and affirmations, examine witnesses, and receive evidence.

Such attendance of witnesses and the production of such documentary evidence may be required from any place in the United States, at any designated place of hearing. And in case of disobedience to a subpœna the commission may invoke the aid of any court of the United States in requiring the attendance and testimony of witnesses and the production of documentary evidence.

Any of the district courts of the United States within the jurisdiction of which such inquiry is carried on may, in case of contumacy or refusal to obey a subpœna issued to any person, firm, or corporation, issue an order requiring such person, firm, or corporation to appear before the commission, or to produce documentary evidence if so ordered, or to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

Upon the application of the Attorney General of the United States, at the request of the commission, the district courts of the United States shall have jurisdiction to issue writs of mandamus commanding any person, firm, or corporation to comply with the provisions of this act or any order of the commission made in pursuance thereof.

TESTIMONY AND WITNESSES.

The commission may order testimony to be taken by deposition in any proceeding or investigation pending under this act at any stage of such proceeding or investigation. Such depositions may be taken before any person designated by the commission and having power to administer oaths. Such testimony shall be reduced to writing by the person taking the deposition, or under his direction, and shall then be subscribed by the deponent. Any person may be compelled to appear and depose and to produce documentary evidence in the same manner as witnesses may be compelled to appear and testify and produce documentary evidence before the commission as hereinbefore provided.

Witnesses summoned before the commission shall be paid the same fees and mileage that are paid witnesses in the courts of the United States, and witnesses whose depositions are taken and the persons taking the same shall severally be entitled to the same fees as are paid for like services in the courts of the United States.

No person shall be excused from attending and testifying or from producing documentary evidence before the commission or in obedience to the subpœna of the commission on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to criminate him or subject him to a penalty or forfeiture. But no natural person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he may testify or produce evidence, documentary or otherwise, before the commission in obedience to a subpœna issued by it: *Provided*, That no natural person so testifying shall be exempt from prosecution and punishment for perjury committed in so testifying.

[NOTE.—The above section has been adapted from the Federal Trade Commission act of September 20, 1914 (38 Stat. 722–723, sec. 9).]

SEC. 5. That any person who shall neglect or refuse to attend and testify, or to answer any lawful inquiry, or to produce documentary evidence, if in his power to do so, in obedience to the subpœna or lawful requirement of the commission, shall be guilty of a misdemeanor, and, upon conviction thereof by a court of competent jurisdiction, shall be punished by a fine of not less than $1,000 nor more than $5,000, or by imprisonment for not more than one year, or by both such fine and imprisonment.

Any officer or employee of the commission who shall make public any information obtained by the commission without its authority, unless directed by a court, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not exceeding $5,000 or by imprisonment not exceeding one year, or by both such fine and imprisonment.

SEC. 6. That the Federal Trade Commission or any other department or agency of the Government having in its possession any records, papers, or information relating to any person or corporation being investigated or proceeded against under the provisions of this act shall, when directed by the President, furnish the commission any such records, papers, or information as it may request. The President may also direct the detail to the commission from time to time of officials and employees from any executive department or independent establishment of the Government.

[NOTE.—The above section has been adopted from the Federal Trade Commission act, September 26, 1914 (38 Stat. 722, sec. 8).]

That $500,000 is hereby appropriated, out of any money not otherwise appropriated, to carry out the provisions of this act.

REPEAL OF DEAD-LETTER LAWS.

SEC. 7. That the following acts and parts of acts are hereby repealed:

"The act of July 2, 1890, entitled 'An act to protect trade and commerce against unlawful restraints and monopolies' (vol. 26, Stat. L. pp. 209–210, ch. 647).

"Sections 73 to 77, inclusive, of the act of August 27, 1894, entitled 'An act to reduce taxation, to provide revenue for the Government, and for other purposes' (vol. 28, Stat. L. p. 570), and all acts or parts of acts amendatory thereof.

"Sections 2, 3, 4, and 5 of the act of October 15, 1914, entitled 'An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes'" (vol. 38, Stat. L. pp. 730–731).

All other acts or parts of acts inconsistent with the provisions of this act to the extent of such inconsistency: *Provided, however*, That nothing contained in this act shall be construed to prevent or interfere with the enforcement of the provisions of the act of August 15, 1921, entitled "An act to regulate interstate and foreign commerce in live stock, live-stock products, dairy products, poultry products, and eggs, and for other purposes" (vol. 42, Stat. L. pp. 159–169), or any act conferring powers on the Federal Trade Commission or the United States Tariff Commission; nor to alter, modify, or repeal any of said acts or any part or parts thereof.

[NOTE.—The above section has been in part adopted from the Federal Trade Commission act of September 26, 1914 (38 Stat. 724, sec. 11).]

SEC. 8. If any provision of this act or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the act and of the application of such provision to other persons and circumstances shall not be affected thereby.

[NOTE.—The above section has been copied without change from packers and stockyards act of August 15, 1921 (42 Stat. 169, sec. 408).]

SEC. 9. This act shall take effect from and after July 1, 1923.

The following bill was offered last session and is resubmitted as a tentative estate tax bill:

INHERITANCE TAX.

A bill (H. R. 10054) to amend an act entitled "An act to reduce and equalize taxation, to provide revenue, and for other purposes," approved November 23, 1921.

Be it enacted, etc., That section 401 of an act entitled "An act to reduce and equalize taxation, to provide revenue, and for other purposes," approved November 23, 1921, be amended so as to read as follows:

"SEC. 401. That in lieu of the tax imposed by Title IV of the revenue act of 1918 a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 403) is hereby imposed upon the transfer of the net estate of every decedent dying after the passage of this act, whether a resident or nonresident of the United States:

"One per cent of the amount of the net estate not in excess of $50,000;

"Two per cent of the amount by which the net estate exceeds $50,000 and does not exceed $100,000;

"Three per cent of the amount by which the net estate exceeds $100,000 and does not exceed $150,000;

"Four per cent of the amount by which the net estate exceeds $150,000 and does not exceed $200,000;

"Five per cent of the amount by which the net estate exceeds $200,000 and does not exceed $250,000;

"Six per cent of the amount by which the net estate exceeds $250,000 and does not exceed $300,000;

"Seven per cent of the amount by which the net estate exceeds $300,000 and does not exceed $350,000;

"Eight per cent of the amount by which the net estate exceeds $350,000 and does not exceed $400,000;

"Nine per cent of the amount by which the net estate exceeds $400,000 and does not exceed $450,000;

"Ten per cent of the amount by which the net estate exceeds $450,000 and does not exceed $500,000;

"Eleven per cent of the amount by which the net estate exceeds $500,000 and does not exceed $550,000;

"Twelve per cent of the amount by which the net estate exceeds $550,000 and does not exceed $600,000;

"Thirteen per cent of the amount by which the net estate exceeds $600,000 and does not exceed $650,000;

"Fourteen per cent of the amount by which the net estate exceeds $650,000 and does not exceed $700,000;

"Fifteen per cent of the amount by which the net estate exceeds $700,000 and does not exceed $750,000;

"Sixteen per cent of the amount by which the net estate exceeds $750,000 and does not exceed $800,000;

"Seventeen per cent of the amount by which the net estate exceeds $800,000 and does not exceed $850,000;

"Eighteen per cent of the amount by which the net estate exceeds $850,000 and does not exceed $900,000;

"Nineteen per cent of the amount by which the net estate exceeds $900,000 and does not exceed $950,000;

"Twenty per cent of the amount by which the net estate exceeds $950,000 and does not exceed $1,000,000;

"Twenty-one per cent of the amount by which the net estate exceeds $1,000,000 and does not exceed $2,000,000;

"Twenty-two per cent of the amount by which the net estate exceeds $2,000,000 and does not exceed $3,000,000;

"Twenty-three per cent of the amount by which the net estate exceeds $3,000,000 and does not exceed $4,000,000;

"Twenty-four per cent of the amount by which the net estate exceeds $4,000,000 and does not exceed $5,000,000;

"Twenty-five per cent of the amount by which the net estate exceeds $5,000,000 and does not exceed $6,000,000;

"Twenty-six per cent of the amount by which the net estate exceeds $6,000,000 and does not exceed $7,000,000;

"Twenty-seven per cent of the amount by which the net estate exceeds $7,000,000 and does not exceed $8,000,000;

"Twenty-eight per cent of the amount by which the net estate exceeds $8,000,000 and does not exceed $9,000,000;

"Twenty-nine per cent of the amount by which the net estate exceeds $9,000,000 and does not exceed $10,000,000;

"Thirty per cent of the amount by which the net estate exceeds $10,000,000 and does not exceed $11,000,000;

"Thirty-one per cent of the amount by which the net estate exceeds $11,000,000 and does not exceed $12,000,000;

"Thirty-two per cent of the amount by which the net estate exceeds $12,000,000 and does not exceed $13,000,000;

"Thirty-three per cent of the amount by which the net estate exceeds $13,000,000 and does not exceed $14,000,000;

"Thirty-four per cent of the amount by which the net estate exceeds $14,000,000 and does not exceed $15,000,000;

"Thirty-five per cent of the amount by which the net estate exceeds $15,000,000 and does not exceed $16,000,000;

"Thirty-six per cent of the amount by which the net estate exceeds $16,000,000 and does not exceed $17,000,000;

"Thirty-seven per cent of the amount by which the net estate exceeds $17,000,000 and does not exceed $18,000,000;

"Thirty-eight per cent of the amount by which the net estate exceeds $18,000,000 and does not exceed $19,000,000;

"Thirty-nine per cent of the amount by which the net estate exceeds $19,000,000 and does not exceed $20,000,000;

"Forty per cent of the amount by which the net estate exceeds $20,000,000 and does not exceed $21,000,000;

"Forty-one per cent of the amount by which the net estate exceeds $21,000,000 and does not exceed $22,000,000;

"Forty-two per cent of the amount by which the net estate exceeds $22,000,000 and does not exceed $23,000,000;

"Forty-three per cent of the amount by which the net estate exceeds $23,000,000 and does not exceed $24,000,000;

"Forty-four per cent of the amount by which the net estate exceeds $24,000,000 and does not exceed $25,000,000;

"Forty-five per cent of the amount by which the net estate exceeds $25,000,000 and does not exceed $26,000,000;

"Forty-six per cent of the amount by which the net estate exceeds $26,000,000 and does not exceed $27,000,000;

"Forty-seven per cent of the amount by which the net estate exceeds $27,000,000 and does not exceed $28,000,000;

"Forty-eight per cent of the amount by which the net estate exceeds $28,000,000 and does not exceed $29,000,000;

"Forty-nine per cent of the amount by which the net estate exceeds $29,000,000 and does not exceed $30,000,000; and

"Fifty per cent of the amount by which the net estate exceeds $30,000,000."

A similar bill to reach gifts, introduced heretofore, is again submitted for consideration:

GIFT TAX.

A bill (H. R. 10055) to amend Title II of the revenue act of 1921.

Be it enacted, etc., That section 229 of Title II of the revenue act is hereby amended by adding a new subdivision to read as follows:

"SEC. 229 (a) That a tax equal to the following percentages of the net value of every gift to any individual is hereby imposed upon the property so conveyed, to be paid by the grantee within 90 days after the making of such gift:

"One per cent of the amount in excess of $1,000 and not in excess of $3,000.

"Two per cent of the amount in excess of $3,000 and not in excess of $5,000.

"Three per cent of the amount in excess of $5,000 and not in excess of $10,000.

"Four per cent of the amount in excess of $10,000 and not in excess of $20,000.

"Five per cent of the amount in excess of $20,000 and not in excess of $30,000.

"Six per cent of the amount in excess of $30,000 and not in excess of $40,000.

"Seven per cent of the amount in excess of $40,000 and not in excess of $50,000.

"Eight per cent of the amount in excess of $50,000 and not in excess of $100,000.

"Nine per cent of the amount in excess of $100,000 and not in excess of $200,000.

"Ten per cent of the amount in excess of $200,000 and not in excess of $300,000.

"Eleven per cent of the amount in excess of $300,000 and not in excess of $500,000.

"Twelve per cent of the amount in excess of $500,000 and not in excess of $1,000,000.

"Thirteen per cent of the amount in excess of $1,000,000 and not in excess of $2,000,000.

"Fourteen per cent of the amount in excess of $2,000,000 and not in excess of $3,000,000.

"Sixteen per cent of the amount in excess of $3,000,000 and not in excess of $4,000,000.

"Eighteen per cent of the amount in excess of $4,000,000 and not in excess of $5,000,000.

"Twenty per cent of the amount in excess of $5,000,000 and not in excess of $8,000,000.

"Twenty-two per cent of the amount in excess of $8,000,000 and not in excess of $10,000,000.

"Twenty-five per cent of the amount in excess of $10,000,000.

"(b) Any trusteeship or other agency created for the holding of or administration of any gift to any individual shall pay the same tax as if the gift was made direct.

"(c) In any case where the collector finds the payment of the tax within 90 days would impose undue hardship upon the grantee, he may grant an extension of time not to exceed three years from the due date, with interest added at the rate of 6 per cent per annum after the expiration of said 90 days.

"(d) If more than one gift is made to the same grantee by the same grantor within the period of three years, the total amount shall be considered cumulative and subject to the highest rate of tax for such cumulative amount, subject to deductions for tax payments theretofore paid on any part of such amount."

[NOTE.—Bills covering reenactment of retroactive excess-profits tax and other tax measures are familiar, but will be offered hereafter.]

ADJOURNMENT.

Mr. GREENE of Massachusetts. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 3 minutes p. m.) the House adjourned until Monday, November 27, 1922, at 12 o'clock noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. FULLER: Committee on Invalid Pensions. S. 3275. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil and Mexican Wars, and to certain widows, former widows, minor children, and helpless children of said soldiers and sailors, and to widows of the War of 1812, and to certain Indian war veterans and widows; with amendments (Rept. No. 1260). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. JAMES: A bill (H. R. 13032) to authorize the sale of the Montreal River Lighthouse Reservation, Mich., to the Gogebic County board of the American Legion, Bessemer, Mich.; to the Committee on Interstate and Foreign Commerce.

By Mr. McFADDEN: A bill (H. R. 13033) to provide credit facilities for the agricultural and live-stock industries of the United States, to amend the Federal reserve act, to amend the Federal farm loan act, to extend and stabilize the market for United States bonds and other securities, to provide fiscal agents for the United States, and for other purposes; to the Committee on Banking and Currency.

By Mr. SNYDER: A bill (H. R. 13034) authorizing the Secretary of the Treasury, in his discretion, to designate depositories without the boundaries of the State of Oklahoma for the deposit of surplus funds of the Osage Tribe of Indians in Oklahoma; to the Committee on Indian Affairs.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. DOWELL: A bill (H. R. 13035) granting a pension to Laura I. Brown; to the Committee on Invalid Pensions.

By Mr. HAWES: A bill (H. R. 13036) granting a pension to Emilia Rueppel; to the Committee on Invalid Pensions.

By Mr. HAYS: A bill (H. R. 13037) granting a pension to Zeppora B. Sowards; to the Committee on Invalid Pensions.

By Mr. KENDALL: A bill (H. R. 13038) granting a pension to Jemima Rush; to the Committee on Invalid Pensions.

By Mr. KIRKPATRICK: A bill (H. R. 13039) granting a pension to Bella O'Donnell; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13040) granting an increase of pension to Amelia S. Scott; to the Committee on Invalid Pensions.

By Mr. MILLSPAUGH: A bill (H. R. 13041) granting an increase of pension to Mary E. Blanchard; to the Committee on Invalid Pensions.

By Mr. WILLIAMS of Illinois: A bill (H. R. 13042) granting an increase of pension to Lottie Frailey; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13043) granting an increase of pension to David C. McDonald; to the Committee on Pensions.

Also, a bill (H. R. 13044) granting a pension to John T. Brannon; to the Committee on Pensions.

By Mr. CURRY: Resolution (H. Res. 452) providing for six months' salary to be paid to the widow of Granville C. Freeman; to the Committee on Accounts.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

6464. By the SPEAKER (by request): Petition of Mrs. Wilbur P. Thirkield, urging the passage of H. J. Res. 131 and S. J. Res. 31; to the Committee on the Judiciary.

6465. By Mr. BARBOUR: Petition of the Armenian-American Civic Club, of Reedley, Calif., relative to the situation in the Near East; to the Committee on Foreign Affairs.

6466. By Mr. KISSEL: Petition of the National Association of Owners of Railroad Securities (Inc.), Baltimore, Md., relative to the freight-car shortage; to the Committee on Interstate and Foreign Commerce.

6467. By Mr. LINTHICUM: Petition of the Eastern Permanent Building and Loan Society, Calverton Perpetual Building Saving and Loan Association, Purity Building Association, Boulevard Permanent Building and Loan Association, Real Estate Board of Baltimore, Frederick W. Lauterbach, Mareco Building and Loan Association, James Charles Byrne, Traders Savings and Loan Association, University Building and Loan Association, and others, all of Baltimore, opposing H. R. 9950; to the Committee on Ways and Means.

6468. By Mr. SMITH of Michigan: Resolutions adopted by the Evangelical Churches of Marshall, Mich., and petitions of other residents and Young Women's Christian Associations of Michigan, urging further action on the part of our Government in order that the freedom of Armenia and the liberation of the Greeks from the rule of the Turks may be secured at an early date; to the Committee on Foreign Affairs.

6469. By Mr. WOODS of Virginia: Petition of the Virginia Ashur Business Women's Council, of Lynchburg, Va., on conditions in Near East; to the Committee on Foreign Affairs.

SENATE.

MONDAY, *November 27, 1922.*

The Chaplain, Rev. J. J. Muir, D. D., offered the following prayer:

Our gracious Father, we thank Thee for yesterday and its sanctity. As we turn our thoughts toward this day and week we ask Thine own guidance, and that through the week we may realize how good it was to rest and worship on Thy day. So enable us to enter into all the duties which sanctify the heart and high purposes to do Thy will. We ask in Jesus Christ's name. Amen.

HENRY F. ASHURST, a Senator from the State of Arizona, BERT M. FERNALD, a Senator from the State of Maine, ANDRIEUS A. JONES, a Senator from the State of New Mexico, GEORGE P. MCLEAN, a Senator from the State of Connecticut, HARRY S. NEW, a Senator from the State of Indiana, LAWRENCE C. PHIPPS, a Senator from the State of Colorado, MILES POINDEXTER, a Senator from the State of Washington, and JAMES A. REED, a Senator from the State of Missouri, appeared in their seats to-day.

The reading clerk proceeded to read the Journal of the proceedings of Friday last when, on request of Mr. CURTIS and by unanimous consent, the further reading was dispensed with and the Journal was approved.

COMMITTEE SERVICE.

Mr. UNDERWOOD. Mr. President, I desire to have a unanimous-consent order entered making some committee assignments on this side of the Chamber. Since the close of the second session, on account of the death of former Senator Watson, of Georgia, and the election of the Senator from Delaware [Mr. BAYARD] to fill a vacancy, there are two Senators on this side without committee assignments. The only committee assignments that we had were those left by the death of Senator Watson, vacancies on the Committee on Civil Service, the Committee on Claims, the Committee on Immigration, and the Committee on Post Offices and Post Roads. To help us in the matter, and in order that we might give both new Senators assignments, the senior Senator from Ohio [Mr. POMERENE] has very kindly offered to resign from the Committee on the District of Columbia. I therefore ask that the resignation of the Senator from Ohio from the Committee on the District of Columbia may be accepted, and that a unanimous-consent order may be made assigning to the Senator from Georgia [Mr. GEORGE] the vacancies on the Committee on Post Offices and Post Roads, the Committee on Immigration, and the Committee on Civil Service, and to the Senator from Delaware [Mr. BAYARD] the vacancy on the Committee on the District of Columbia caused by the resignation of the Senator from Ohio [Mr. POMERENE] and the vacancy on the Committee on Claims caused by the death of former Senator Watson, of Georgia.

The VICE PRESIDENT. Without objection the order will be entered by unanimous consent.

Mr. POMERENE, on his own request, was excused from further service as a member of the Committee on the District of Columbia.

Mr. UNDERWOOD'S order was reduced to writing, as follows:

Ordered, That Mr. GEORGE be assigned to service on the following committees of the Senate, viz, Civil Service, Immigration, and Post Offices and Post Roads, and that Mr. BAYARD be assigned to service on the Committee on Claims and the Committee on the District of Columbia.

PETITIONS AND MEMORIALS.

Mr. TOWNSEND presented a resolution of the Army and Navy Club, of Detroit, Mich., protesting against any further reduction of the armed forces of the United States, which was referred to the Committee on Military Affairs.

He also presented a resolution of the Michigan Annual Conference of the Methodist Episcopal Church, at Albion, Mich., favoring the enactment of legislation providing for compulsory Sunday observance in the District of Columbia, which was referred to the Committee on the District of Columbia.

He also presented a resolution of the Michigan Annual Conference of the Methodist Episcopal Church, at Albion, Mich., favoring an amendment of the Constitution prohibiting polygamy, which was referred to the Committee on the Judiciary.

He also presented a resolution of the Michigan Annual Conference of the Methodist Episcopal Church, at Albion, Mich., favoring an amendment of the Constitution providing uniform marriage and divorce laws, which was referred to the Committee on the Judiciary.

Mr. LADD presented petitions of Carl Lindholm and 3 others, of Lisbon; John Heupel and 27 others, of Medina; Frank Dvorak and 4 others, of Center; John Weber and 31 others, of Temvick; A. L. Smoody and 9 others, of Courtenay; R. I. Emerson and 7 others, of Drady; Jerrie Mezet and 25 others, of Beach; Mrs. J. C. Jensen and 21 others, of Overly; John Uleberg and 8 others, of Portal; George E. Howden and 6 others, of Sutton; August Widmer, sr., and 20 others, of Crete; Sam Larson and 27 others, of Lankin; Iver Jacobsen and 5 others, of Nome; John Dox and 9 others, of Bindord; George Greatsinger and 23 others, of McHenry; Emil Richter, sr., and 9 others, of New Salem; Peter Kitzinger and 7 others, of Oakes; J. H. N. Schmit and 27 others, of Kenmare; H. A. Kariger and 19 others, of Fessenden; and Millie Volbrecht and 55 others, of Kramer, all in the State of North Dakota, favoring the enactment of legislation stabilizing the price of wheat, which were referred to the Committee on Agriculture and Forestry.

RETIREMENT OF ASSOCIATE JUSTICE PITNEY.

Mr. NELSON. Mr. President, from the Committee on the Judiciary, I report back favorably, without amendment the bill (S. 4025) to permit Mahlon Pitney, an Associate Justice of the Supreme Court of the United States, to retire, and I ask for its present consideration. I also ask leave to make a brief statement.

There being no objection, the bill was considered as in Committee of the Whole, and it was read, as follows:

Be it enacted, etc., That the provisions of the Judicial Code, section 260, as amended by the act of February 25, 1919, chapter 29, section 6, be, and they are hereby, extended and made applicable to Mahlon Pitney, an Associate Justice of the Supreme Court of the United States, in consequence of his physical disability, notwithstanding he has not attained the age of 70 years as required by the aforesaid provisions: *Provided, however*, That the said Mahlon Pitney shall resign the said office of Associate Justice of the Supreme Court of the United States within two months after the passage of this act.

Mr. UNDERWOOD. Mr. President, if the Senator from Minnesota will permit me, personally I understand the case and am favorable to the bill, but it is an important measure and, while I have no objection to it, I think there should be some explanation placed on the record of the Senate before we pass it.

Mr. NELSON. Mr. President, I will make a brief explanation.

The evidence before the committee was submitted in the form of the certificates of four prominent physicians. Those certificates indicate that Justice Pitney is suffering, first, from a hardening of the arteries; second, from Bright's disease; and, third, that he has had a stroke of apoplexy. Everything indicates that he is incapacitated and will be incapacitated for performing any such labor as is required of a Justice of the Supreme Court. I have the original certificates before me, but unless Senators care about it, I shall not take the time to read them.

Mr. UNDERWOOD. I think the explanation is entirely satisfactory and I would suggest that the Senator have the certificates printed in the RECORD.

Mr. NELSON. I submitt the certificates for printing in the RECORD.

The VICE PRESIDENT. Without objection, the certificates will be printed in the RECORD.

The certificates are as follows:

MORRISTOWN, N. J., *October 27, 1922.*

DEAR MR. CHIEF JUSTICE: I have been attending Justice Pitney since August 1. He is suffering from cerebral arterial sclerosis and chronic nephritis, and on August 10 he had a mild attack of cerebral thrombosis from which he has partially rallied

I believe that any mental effort would aggravate his condition and result seriously.

The consulting physicians agree with this conclusion.

Yours respectfully,

WILLIAM A. MCMURTRIE, M. D.

NEWARK, N. J., *October 31, 1922.*

MY DEAR MR. CHIEF JUSTICE: Yesterday I saw Mr. Pitney for the third time since August in conjunction with his physician, Doctor McMurtrie.