

Mr. ROBINSON. I see no objection to that course.

Mr. REED of Pennsylvania. Will the Senator couple with that a request that we may have a call of the calendar on the first legislative day following after the nominations of Mr. Roberts and Mr. Cohen have been disposed of?

Mr. ROBINSON. I have no objection to that.

Mr. BRUCE. I object.

The PRESIDENT pro tempore. Objection is made.

Mr. LENROOT. Is there objection to my request?

Mr. KING. Not to the first part.

Mr. LENROOT. I repeat my request for unanimous consent that the Senate, in open executive session, take a recess until next Monday at 12 o'clock.

The PRESIDENT pro tempore. The Senate is in open executive session, and the Senator from Wisconsin asks unanimous consent that it now take a recess until Monday at 12 o'clock. Is there objection?

There being no objection, the Senate (at 7 o'clock and 15 minutes) in open executive session took a recess until Monday, February 18, 1924, at 12 o'clock meridian.

CONFIRMATION.

Executive nomination confirmed by the Senate February 16, 1924.

Atlee Pomerene to be special counsel to have charge and control of the prosecution of litigation in connection with certain leases of oil lands and incidental contracts as provided in Senate Joint Resolution 54, approved February 8, 1924.

HOUSE OF REPRESENTATIVES.

SATURDAY, February 16, 1924.

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:

Blessed Lord, we come to Thee in the Name that is above every name. Let Thy morning light of promise be in our hearts, for Thy goodness is infinitely in excess of our necessities and Thy mercy exceeds our sins. Forgive our imperfections and pass by our misconceptions. Purify all motives by which our lives are determined, and may we ever hold fast the truth that he that dwelleth in God dwelleth in love, for God is love. Oh, urge this truth to every heart. May we enjoy life, but always hold it on the highest plane by keeping steadfast in faith, pure in love, and bright with spiritual hope. Come to us and to our hearthstones, and be our rest in the time of mystery, our help in the time of distress, our joy in the night of sorrow, and be our balm for every wound. When earth's little while is over, may we enjoy the life eternal. Through Jesus Christ our Lord. Amen.

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

NAVAL OIL RESERVE NO. 1.

Mr. SINNOTT. Mr. Speaker, I ask unanimous consent to take from the Speaker's table Senate Joint Resolution No. 71 and consider it.

The SPEAKER. The gentleman from Oregon asks unanimous consent to take from the Speaker's table Senate Joint Resolution No. 71 and consider it. The Clerk will report it by title.

The Clerk read as follows:

Joint resolution (S. J. Res. 71) directing the Secretary of the Interior to institute proceedings touching sections 16 and 36, township 30 south, range 23 east, Mount Diablo meridian.

The SPEAKER. Is there objection to the consideration of the resolution?

Mr. GREEN of Iowa. Reserving the right to object, Mr. Speaker, will it take much time?

Mr. SINNOTT. Very little. I shall not want over five minutes myself, if necessary.

Mr. GARNER of Texas. I do not know, Mr. Speaker; there is so much time pressed for over here. We have applications for eight hours and have only four hours to yield.

Mr. SINNOTT. This is only a companion piece of legislation to what we passed unanimously in the House the other day in regard to the naval oil reserves. It passed unanimously in the Senate. I think it should be taken up at once, so that the litigation in respect to these lands should go forward at the same time with that in regard to the naval oil reserve.

Mr. GREEN of Iowa. Let me say to the gentleman that I will try to arrange things so that it will be taken up the last thing in the session to-day.

Mr. SINNOTT. I am willing to present it without any debate. I have spoken to the ranking minority member of the Committee on Public Lands, the gentleman from California [Mr. RAKER], and it is satisfactory to him.

Mr. GREEN of Iowa. I will try to arrange, if the gentlemen on the other side will approve, to have it taken up the very last thing when we rise.

Mr. SINNOTT. We could pass it now in two minutes. I do not think there will be any discussion at all.

Mr. GREEN of Iowa. I do not know about that. I am afraid there might be.

Mr. SINNOTT. I do not intend to discuss it myself.

Mr. GREEN of Iowa. I will give the gentleman a chance this evening.

Mr. SINNOTT. We could pass it in a minute.

Mr. GARRETT of Tennessee. So far as I know, the matter is not objected to. I understand the gentleman has conferred with the ranking minority member of the committee?

Mr. SINNOTT. Yes.

Mr. GARRETT of Tennessee. I have conferred with some of the minority Members, but not all. I understand it will not be objected to.

Mr. SINNOTT. Mr. Speaker, I ask unanimous consent that Senate Joint Resolution 71 be taken from the Speaker's table and considered without debate.

The SPEAKER. The gentleman from Oregon asks unanimous consent that Senate Joint Resolution 71 be reported from the Speaker's table and considered without debate. Is there objection?

There was no objection.

The SPEAKER. The Clerk will report it.

The Clerk read as follows:

Joint resolution (S. J. Res. 71) directing the Secretary of the Interior to institute proceedings touching sections 16 and 36, township 30 south, range 23 east, Mount Diablo meridian.

Resolved, etc., That the Secretary of the Interior be, and he hereby is, directed forthwith to institute proceedings to assert and establish the title of the United States to sections 16 and 36, township 30 south, range 23 east, Mount Diablo meridian, within the exterior limits of naval reserve No. 1, in the State of California, and the President of the United States is hereby authorized and directed to employ special counsel to prosecute such proceedings and any suit or suits ancillary thereto or necessary or desirable to arrest the exhaustion of the oil within said sections 16 and 36 pending such proceedings.

The SPEAKER. The question is on the third reading of the resolution.

The resolution was ordered to be read a third time, was read the third time, and passed.

REVENUE ACT OF 1924.

Mr. GREEN of Iowa. 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. 6715) to reduce and equalize taxation, provide revenue, and for other purposes.

The motion was agreed to.

The SPEAKER. The gentleman from Illinois [Mr. GRAHAM] will resume the chair.

Accordingly 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. 6715) to reduce and equalize taxation, to provide revenue, and for other purposes, with Mr. GRAHAM of Illinois 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. 6715, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 6715) to reduce and equalize taxation, to provide revenue, and for other purposes.

The CHAIRMAN. The gentleman from Iowa [Mr. GREEN] has used 5 hours and 11 minutes, and the gentleman from Texas [Mr. GARNER] 5 hours and 45 minutes. The gentleman from Iowa is recognized.

Mr. COLLIER. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. OLIVER].

The CHAIRMAN. The gentleman from New York is recognized for 10 minutes.

Mr. OLIVER of New York. Mr. Chairman and gentlemen of the Congress, in any tax policy Congress is final. It is,

therefore, essential that the right rules of justice be enacted by the highest legislature of America. The courts can not interfere with the rates which we lay down and they can not interpret the law except to enforce those rates. We establish, as the final arbiters of America, who shall receive the tax reduction which the surplus warrants. It therefore becomes our duty to consider not so much rates as to consider principles.

I am mindful of my own campaign in New York, where a very remarkable woman and a very noble woman, Mrs. Edna Standish, called into her home a group of others who were interested in the welfare of the people there and discussed the economic condition of the country in so far as it affected each home in my district. These women organized a campaign and they went around with market baskets on their arms in which were simple pamphlets on which was printed the Republican tariff taxation on the necessities of life, on foodstuffs, on clothing, on furniture, and on everything which both the poor and the rich need, and for which the poor must struggle more greatly than the rich. They organized that campaign and fought it in my district, and I pledged them that when I came to Congress I would fight to take taxes off the necessities of life and put them back on the millionaire. I told them at that time that Congress had repealed the excess-profits tax by which \$500,000,000 was taken from the backs of those able to pay it and that the tariff law had imposed taxes on the very foodstuffs the poor must always have. I promised them I would do that, and yet when I came to this Congress the first proposition I find, in so far as taxation is concerned, is an effort made by Mr. Mellon to take taxes off the millionaire and leave them on the poor. I can not vote for the Mellon plan and face these good women who helped me fight my campaign.

I am now concerned with the doctrine of morality that is back of a tax and underneath a tax, and I intend to state that doctrine, which is: The correct moral principle is that of taxation according to ability, as modified by sacrifice. This means that a man with a large income should not only pay more than the man with a small income but also that he should yield up a larger proportion. If an income of \$5,000 is taxed 4 per cent, an income of \$25,000 ought to be assessed more than 4 per cent, for the simple reason that the man with a higher income undergoes a smaller sacrifice in paying 4 per cent to the Government than does the man with the \$5,000 income. His sacrifice is less because the money which he parts with would have been expended for less important goods than the money which is taken from the man with the smaller income. In homely language, a dollar is worth less to the rich man than to the man in poor and moderate circumstances. Therefore it should be taxed at a higher rate.

And the same principle applies to the reduction of taxes. I find that the Mellon plan provides for a reduction in the taxes of a man with an income of \$1,000,000 to the extent of 50 per cent and for a man with an income of \$4,000 to the extent of 25 per cent. In contrast with that we find that the Garner plan provides for a reduction as to the man with an income of \$4,000 to the extent of 67 per cent, and for the man with an income of \$1,000,000 to the extent of 11 per cent.

The Mellon plan strikes against the truth of the moral principle that underlies taxation, and it will sink on that rock. It can not pass that rock. The public of this country is entitled to know not only the figures of tax reduction but the principles of tax reduction.

I have bound myself in caucus not because the Garner plan is the Democratic plan but because it is based on the basis of moral justice to the masses of this community. I believe our caucus action, resulting in an agreement to stand together and fight for a just plan, was a righteous caucus action, because if we had not caucused there might have been an opportunity in this Congress for the passage of a plan which would give to the rich a greater percentage of reduction than is given to the poor.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. OLIVER of New York. Yes.

Mr. CHINDBLOM. Then it was necessary to bind some of the gentlemen's Members by caucus action?

Mr. OLIVER of New York. It was not necessary, because they were willing to bind themselves to fight for the right.

Mr. CHINDBLOM. Why did you not let them do it voluntarily?

Mr. OLIVER of New York. They would have done it voluntarily, but they stood as a party, and the doctrine of that party is that there shall be a reduction of taxation on just principles.

Mr. CASEY. Will the gentleman yield?

Mr. OLIVER of New York. Yes.

Mr. CASEY. Have not the Democrats of the House as much right to confer about a plan of taxation as the Republican members of the Ways and Means Committee have a right to put the Democrats out and bind themselves as to what they should bring in after consulting with the steering committee?

Mr. OLIVER of New York. They certainly have. And I never saw a more enthusiastic set of Members meet in caucus and vote for the right principle of tax reduction than was the case in connection with the Democratic caucus. [Applause.] The Democrats voted voluntarily; the Republicans were coerced. There was no effort made to coerce us; nobody was advertised into supporting the Garner plan, but we supported our plan as against the greatest advertising propaganda in America. And I will say this, that Teapot Dome and the Mellon plan are the two best-advertised swindles in American history.

Mr. LOZIER. And the Fordney-McCumber tariff law.

Mr. OLIVER of New York. Yes; and the Fordney-McCumber tariff law. I do not see why, if you have a surplus in the Treasury, we should not pay it to the people who have created the surplus; and when the surplus was created as much by tariff taxation on the necessities of life as by the income tax law, I do not see why the millionaires should get the bulk of the reduction and the man who paid taxes to the Government on the necessities of life should be left out of the plan. [Applause.]

President Coolidge says that the Mellon plan is designed "to give every home a better chance." Yes; it will give every home a better chance that has a butler, a nurse for each child, and a couple of footmen on the car; it will help the home of a man who has a cabin up in the Adirondacks and a bungalow at Palm Beach. Such a home will be benefited by the Mellon plan. But I would like to know about the homes on Brendon Hill, where I come from, where everyone works for a living, supports a family, enjoys but simple luxuries and performs his duties to America gladly, and down on Prospect Avenue, and down on Third Avenue, and Webster Avenue, in my district. Not one man there in 25,000 will get a benefit under the Mellon plan. It is a Wall Street not a Bronx plan. I would like to have President Coolidge show those people there how much the Mellon plan benefits their homes. Three thousand people will be benefited in the whole State of New York by the Mellon plan, while by the Garner plan 1,600,000 people are benefited in our State. I would like some one to talk with the people who live in the apartment houses there and are driven, with their backs to the wall, to pay the rent and to meet the bills for the necessities of life—I would like some one to tell them how the Mellon plan helps them in their struggle for the necessities of life.

Mr. McSWAIN. Will the gentleman yield?

Mr. OLIVER of New York. Certainly, sir.

Mr. McSWAIN. As a matter of fact, since the Mellon plan is rather ill-defined, is not the protective tariff scheme also a part of that plan?

Mr. OLIVER of New York. Of course, you can not discuss taxation in this Government unless you discuss all the schemes of taxation we have, and the Fordney-McCumber tariff has produced a great revenue to the Government, and it came from a tax on the necessities of life more than from anything else, and when you start to divide up a surplus which was saved out of the moneys of the poor people that paid through a tariff, you ought to have some consideration for them. The Mellon plan gives the surplus to the men who made gravy out of the blood of war but does not give anything to the soldier who shed the blood, or the poor man who paid his taxes.

Mr. SPROUL of Illinois. Will the gentleman yield?

Mr. OLIVER of New York. Certainly.

Mr. SPROUL of Illinois. Did not that tariff bill open our factories throughout this country and put 6,000,000 idle men back to work in the shops?

Mr. OLIVER of New York. I do not believe the tariff bill opened any factories in this country and I do not believe that any idle men were put back in the shops.

Mr. SPROUL of Illinois. What did do that?

Mr. OLIVER of New York. The cessation of the war, sir, was sufficient to open up a lot of things that had been closed down during the war, and many of them that were closed were nonessential things, too. Do not believe all your Republican propaganda.

Mr. SPROUL of Illinois. The cessation of war put these men on the streets and closed the factories.

Mr. OLIVER of New York. If the gentleman is sorry the war was fought, all right.

Mr. SPROUL of Illinois. No; I am glad it was fought.

Mr. OLIVER of New York. The American people are not dependent upon the Fordney-McCumber tariff, and when we had the Underwood tariff the factories were open and men were not idle and the country was prosperous, and the gentleman must not forget that.

Mr. CHINDBLOM. Will the gentleman yield? The figures do show that. The figures show that when the war broke out we were fast coming to an industrial depression in this country.

Mr. OLIVER of New York. Of course, when the war broke out so far as this country was concerned; but the gentleman must remember that a war had been going on in Europe for several years before we entered it and, of course, there was a lack of imports into this country, because all the labor of Europe was diverted into the European war.

Mr. CHINDBLOM. And the European war revived industry which had been languishing under the Underwood tariff before the European war started.

Mr. OLIVER of New York. The Underwood tariff was ratified by the people in the second election of Woodrow Wilson and the Fordney-McCumber tariff was the thing that broke the back of the Harding administration right in the middle of that administration. The people have decided the question. [Applause.]

Mr. CASEY. Will the gentleman yield?

Mr. OLIVER of New York. Yes.

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

Mr. COLLIER. I yield the gentleman from New York five additional minutes.

Mr. CASEY. Is it not a fact that that same act took from the pockets of the taxpayer about \$4,500,000,000 and put \$500,000,000 into the Treasury and \$4,000,000,000 into the pockets of the profiteers?

Mr. OLIVER of New York. It did, and it created the millionaires that the Mellon plan is designed to save. [Applause.]

Mr. CHINDBLOM. Will the gentleman yield again?

Mr. OLIVER of New York. Certainly.

Mr. CHINDBLOM. Does the gentleman remember that in the summer of 1914, before the European war broke out, there were 4,00,000 men unemployed in this country under the Underwood tariff?

Mr. OLIVER of New York. That was not under the Underwood tariff at all.

Mr. CHINDBLOM. It was the result of the Underwood tariff.

Mr. OLIVER of New York. It was the relic of the old Republican administration that brought about unemployment in this country. The gentleman, of course, smiles and smiles because he thinks that some day, now that he is pampering the rich, perhaps the rich will smile on him; but I will say to the country and to the people of my district that I do not want them to live in reflected prosperity. I do not want to see the Government of the United States turn its surplus into the bulging pockets of the rich and ask the poor to wait until the benevolence of the rich gives them a secondhand prosperity. A gift tax might discourage the benevolence of the rich. We can not depend upon living in the smiles of the rich man. A man who looks through the fence at the garden of the rich need not think that he possesses the flowers. We want to see a law enacted here on the moral principle that every man gets his just due under the law, and I would advise the people of the country to take their prosperity from the tax rate and not take it second hand as a gift from the rich.

Mr. CHINDBLOM. Now, will the gentleman yield? I will tell the gentleman why I smiled. I smiled—

Mr. OLIVER of New York. I will yield for a question. That is only fair. I object to a speech. Let the gentleman reply in his own time. This is the second time I have appeared on the floor, and I do not want to be interrupted by a speech.

Mr. CHINDBLOM. I was smiling because I know that was the result of a Democratic administration.

Mr. McSWAIN. The gentleman ought to know the rules of the House.

The CHAIRMAN. The gentleman declines to yield.

Mr. OLIVER of New York. They say, "Cut your piece of cake." Who is cutting the cake? It is not the people of the country who are cutting the cake. You will find a group of 21 rich men sitting around cutting the cake of this great surplus, and what does the man of moderate means get? He hardly gets a crumb from the cake. When they are dividing up a "melon" I do not see why they give the man of moderate means only the pits and permit the men with millions of dol-

lars to eat into the red right up to their ears. I do not see that that is a fair arrangement of the festive board.

I want to see a just taxation law based on the principle of morality, that a man pays according to his means to pay, and that when a man is fighting for the necessities of life that the Government should not take from him anything that helps him wage that battle. I am willing to vote for tax reduction, but I want to see a fair and an honorable tax reduction. When you have \$323,000,000 to divide up as a surplus and you give it to the people, I want to see it divided so it will do the greatest good to the greatest number, and I believe when America does that it will redeem itself.

The public has lost all confidence in government to-day. The veterans' fraud, the Teapot Dome, your effort to sell the ships of the Government for about 10 per cent of their value, and then by subsidy give the purchasers the means to pay for them—this has cracked all public confidence in government—and now when you intend to give 21 millionaires \$6,000,000 and 1,000,000 people only \$4,000,000 I tell you that public confidence, which is 90 per cent of the power of public government, will be withdrawn completely from our American system of affairs.

Mr. SPROUL of Illinois. Will the gentleman yield?

Mr. OLIVER of New York. I will.

Mr. SPROUL of Illinois. It would have been a good idea if the Democratic Party when in power—

Mr. OLIVER of New York. Oh, I did not yield to the gentleman for a speech.

Mr. SPROUL of Illinois. The gentleman referred to the sale of the ships, and I am not making a speech. Mr. Vanderlip, of New York, corroborated the statement of the gentleman that the people and the bankers were losing confidence in the Government.

Mr. OLIVER of New York. Yes; and the people lost confidence in him. I do not know of a more ghoulish thing than the statement of Mr. Vanderlip. I did not know a man could be so depraved that when a man goes to his grave with affection, love, and honor, and the heart homage of an entire people, that he should desecrate the grave and attempt to rob him of all the honor he had in life. Ghouls only rob the grave of the bones of the dead, but this man tried to rob the dead of the character and love and honor that America had bestowed so justly upon him. [Applause.]

Mr. FREAR. Mr. Chairman, I ask unanimous consent to have printed in the RECORD the several amendments, including particularly the amendment which is to be proposed as a substitute for the Garner amendment or for the provision in the bill.

The CHAIRMAN. The gentleman from Wisconsin asks unanimous consent to have printed in the RECORD the amendments that are to be offered. Is there objection?

Mr. GARNER of Texas. Reserving the right to object—and I do not intend to object, but I hope I may have permission to print the amendments that will be offered by me to the normal, surtax, and exemptions portions of the bill. I understand they will be printed in bill form, and probably the amendments of the gentleman from Wisconsin will be printed in bill form, but it might not be out of place to have them go in the RECORD.

Mr. GREEN of Iowa. The gentleman wants his amendments to go in with those of the gentleman from Wisconsin [Mr. FREAR].

Mr. GARNER of Texas. Yes; at the same time and in the same place.

Mr. GREEN of Iowa. I have no objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin and the gentleman from Texas?

There was no objection.

PROPOSED AMENDMENTS OF MR. FREAR.

Mr. FREAR. I will offer an amendment first to seek to tax direct tax-free securities.

The proposed amendments referred to are as follows:

Insert, after line 12, page 4, a new subdivision:

"(G) The term 'Taxable incomes from whatever source derived' shall include net incomes received from every source including Federal, State, and municipal securities, except where specifically exempted by act of Congress, and shall be laid and collected the same as all other taxes."

FREAR AMENDMENT OR SUBSTITUTE FOR THE GARNER SUBSTITUTE FOR COMMITTEE BILL.

Amend section 210, line 24, page 29, by striking out the figure 6 and inserting the figure 4, and on page 30, line 3, of the same section, by striking out the figure 3 and inserting the figure 2; and

Amend section 211 by striking out all the section relating to surtax from line 20, on page 30, to line 26, on page 32, inclusive, and inserting in lieu thereof the following:

"SEC. 211. In addition to the normal tax imposed by section 210 of this act there shall be levied, collected, and paid for each taxable year upon the net income of every individual a surtax equal to the sum of the following:

"One per cent of the amount by which the net income exceeds \$6,000 and does not exceed \$10,000;

"Two per cent of the amount by which the net income exceeds \$10,000 and does not exceed \$12,000;

"Three per cent of the amount by which the net income exceeds \$12,000 and does not exceed \$14,000;

"Four per cent of the amount by which the net income exceeds \$14,000 and does not exceed \$16,000;

"Five per cent of the amount by which the net income exceeds \$16,000 and does not exceed \$18,000;

"Six per cent of the amount by which the net income exceeds \$18,000 and does not exceed \$20,000;

"Eight per cent of the amount by which the net income exceeds \$20,000 and does not exceed \$22,000;

"Nine per cent of the amount by which the net income exceeds \$22,000 and does not exceed \$24,000;

"Ten per cent of the amount by which the net income exceeds \$24,000 and does not exceed \$26,000;

"Eleven per cent of the amount by which the net income exceeds \$26,000 and does not exceed \$28,000;

"Twelve per cent of the amount by which the net income exceeds \$28,000 and does not exceed \$30,000;

"Thirteen per cent of the amount by which the net income exceeds \$30,000 and does not exceed \$32,000;

"Fifteen per cent of the amount by which the net income exceeds \$32,000 and does not exceed \$36,000;

"Sixteen per cent of the amount by which the net income exceeds \$36,000 and does not exceed \$38,000;

"Seventeen per cent of the amount by which the net income exceeds \$38,000 and does not exceed \$40,000;

"Eighteen per cent of the amount by which the net income exceeds \$40,000 and does not exceed \$42,000;

"Nineteen per cent of the amount by which the net income exceeds \$42,000 and does not exceed \$44,000;

"Forty-six per cent of the amount by which the net income exceeds \$96,000 and does not exceed \$98,000;

"Forty-seven per cent of the amount by which the net income exceeds \$98,000 and does not exceed \$100,000;

"Forty-eight per cent of the amount by which the net income exceeds \$100,000 and does not exceed \$150,000;

"Forty-nine per cent of the amount by which the net income exceeds \$150,000 and does not exceed \$200,000;

"Fifty per cent of the amount by which the net income exceeds \$200,000.

"(b) In the case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the principal value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the tax imposed by this section attributable to such sale shall not exceed, for the calendar year 1921, 20 per cent, and for each calendar year thereafter 16 per cent, of the selling price of such property or interest."

UNDISTRIBUTED PROFITS.

Section 230 of the revenue act of 1921 is hereby amended by adding a new subdivision at the end thereof as follows:

"(c) In addition to the taxes herein above provided, there shall be levied, collected, and paid, for each of the taxable years 1919, 1920, 1921, 1922, 1923, and for each year thereafter on that portion of the net income for any such year of every corporation, not distributed in the form of cash dividends, a tax upon the amount of such net income for such year in excess of the credits provided in section 236, and a further deduction of \$3,000 for such year at the following rates:

"Five per cent of the amount of such excess not exceeding \$20,000;

"Ten per cent of the amount of such excess above \$20,000;

"Provided, That if any of such undistributed profits are taxed as above provided and the corporation shall have within two years after the payment of such tax distributed in money any of the profits upon which this tax has been paid, then the corporation shall be entitled, in its next income-tax return, to a credit upon its tax so returned to the extent and amount of the tax which it has paid under provisions of this subdivision."

"Upon certificate signed by the Secretary of the Treasury, based upon affidavits of two or more reputable officers of any corporation to be attached to the record, stating that undistributed profits held or stock dividends distributed by such corporation were acted upon by the board of directors without purpose, directly or indirectly, to avoid taxation, the Secretary may remit from the tax assessment one-half of the retroactive tax herein provided for any such year included."

PUBLICITY OF TAX RECORDS.

Amend section 257, pages 109 and 110, by striking out all of said section and inserting:

"SEC. 257. That when returns of any person shall be made as provided in this title the returns, together with any correction thereof which may have been made by the commissioner, they shall be filed in the Treasury Department and shall constitute public records and be open to inspection as such under the same rules and regulations that govern the inspection of other public records.

"All proceedings and determinations subject to reasonable regulation shall be public, and an advance calendar of all hearings of contested tax rulings shall be open to the public."

PROPOSED AMENDMENTS BY MR. GARNER OF TEXAS.

Amendments intended to be proposed by Mr. GARNER of Texas to the bill (H. R. 6715) entitled "A bill to reduce and equalize taxation, to provide revenue, and for other purposes."

Page 29, strike out lines 19 to 25, inclusive, and lines 1 to 18, inclusive, on page 30, and insert in lieu thereof the following:

"NORMAL TAX."

"SEC. 210. (a) In lieu of the tax imposed by section 210 of the revenue act of 1921 there shall be levied, collected, and paid for each taxable year upon the net income of every citizen or resident of the United States a normal tax equal to the sum of the following:

"(1) Two per cent of the amount by which the net income exceeds the credits provided in section 216 and does not exceed \$5,000;

"(2) Four per cent of the amount by which the net income exceeds \$5,000 and does not exceed \$8,000; and

"(3) Six per cent of the amount by which the net income exceeds \$8,000.

"(b) In lieu of the tax imposed by section 210 of the revenue act of 1921 there shall be levied, collected, and paid for each taxable year upon the net income of every nonresident alien (other than a resident of a contiguous country) a normal tax of 6 per cent of the amount of the net income in excess of the credits provided in section 216;

"(c) In lieu of the tax imposed by section 210 of the revenue act of 1921 there shall be levied, collected, and paid for each taxable year upon the net income of every nonresident alien individual, a resident of a contiguous country, a normal tax equal to the sum of the following:

"(1) Two per cent of the amount of the net income attributable to wages, salaries, professional fees, or other amounts received as compensation for personal services actually performed in the United States, in excess of the credits provided in subdivisions (d) and (e) of section 216; but the amount taxable at such 2 per cent rate shall not exceed \$4,000; and

"(2) Six per cent of the amount of the net income in excess of the sum of (A) the amount taxed under paragraph (1), plus (B) the credits provided in section 216."

Strike out lines 19 to 25, inclusive, page 30; lines 1 to 24, inclusive, page 31; lines 1 to 26, inclusive, page 32; lines 1 to 7, inclusive, page 33, and insert in lieu thereof the following:

"SURTAX."

"SEC. 211. (a) In lieu of the tax imposed by section 211 of the revenue act of 1921, but in addition to the normal tax imposed by section 210 of this act, there shall be levied, collected, and paid for each taxable year upon the net income of every individual a surtax equal to the sum of the following:

"One per cent of the amount by which the net income exceeds \$12,000 and does not exceed \$14,000;

"Two per cent of the amount by which the net income exceeds \$14,000 and does not exceed \$16,000;

"Three per cent of the amount by which the net income exceeds \$16,000 and does not exceed \$18,000;

"Four per cent of the amount by which the net income exceeds \$18,000 and does not exceed \$20,000;

"Five per cent of the amount by which the net income exceeds \$20,000 and does not exceed \$22,000;

"Six per cent of the amount by which the net income exceeds \$22,000 and does not exceed \$24,000;

"Seven per cent of the amount by which the net income exceeds \$24,000 and does not exceed \$26,000;

"Eight per cent of the amount by which the net income exceeds \$26,000 and does not exceed \$28,000;

"Nine per cent of the amount by which the net income exceeds \$28,000 and does not exceed \$30,000;

"Ten per cent of the amount by which the net income exceeds \$30,000 and does not exceed \$32,000;

"Eleven per cent of the amount by which the net income exceeds \$32,000 and does not exceed \$34,000;

"Twelve per cent of the amount by which the net income exceeds \$34,000 and does not exceed \$36,000;

"Thirteen per cent of the amount by which the net income exceeds \$36,000 and does not exceed \$38,000;

"Fourteen per cent of the amount by which the net income exceeds \$38,000 and does not exceed \$40,000;

"Fifteen per cent of the amount by which the net income exceeds \$40,000 and does not exceed \$42,000;

"Sixteen per cent of the amount by which the net income exceeds \$42,000 and does not exceed \$44,000;

"Seventeen per cent of the amount by which the net income exceeds \$44,000 and does not exceed \$46,000;

"Eighteen per cent of the amount by which the net income exceeds \$46,000 and does not exceed \$48,000;

"Nineteen per cent of the amount by which the net income exceeds \$48,000 and does not exceed \$50,000;

"Twenty per cent of the amount by which the net income exceeds \$50,000 and does not exceed \$52,000;

"Twenty-one per cent of the amount by which the net income exceeds \$52,000 and does not exceed \$54,000;

"Twenty-two per cent of the amount by which the net income exceeds \$54,000 and does not exceed \$56,000;

"Twenty-three per cent of the amount by which the net income exceeds \$56,000 and does not exceed \$58,000;

"Twenty-four per cent of the amount by which the net income exceeds \$58,000 and does not exceed \$60,000;

"Twenty-five per cent of the amount by which the net income exceeds \$60,000 and does not exceed \$61,000;

"Twenty-six per cent of the amount by which the net income exceeds \$61,000 and does not exceed \$62,000;

"Twenty-seven per cent of the amount by which the net income exceeds \$62,000 and does not exceed \$63,000;

"Twenty-eight per cent of the amount by which the net income exceeds \$63,000 and does not exceed \$64,000;

"Twenty-nine per cent of the amount by which the net income exceeds \$64,000 and does not exceed \$65,000;

"Thirty per cent of the amount by which the net income exceeds \$65,000 and does not exceed \$66,000;

"Thirty-one per cent of the amount by which the net income exceeds \$66,000 and does not exceed \$68,000;

"Thirty-two per cent of the amount by which the net income exceeds \$68,000 and does not exceed \$70,000;

"Thirty-three per cent of the amount by which the net income exceeds \$70,000 and does not exceed \$72,000;

"Thirty-four per cent of the amount by which the net income exceeds \$72,000 and does not exceed \$74,000;

"Thirty-five per cent of the amount by which the net income exceeds \$74,000 and does not exceed \$76,000;

"Thirty-six per cent of the amount by which the net income exceeds \$76,000 and does not exceed \$78,000;

"Thirty-seven per cent of the amount by which the net income exceeds \$78,000 and does not exceed \$80,000;

"Thirty-eight per cent of the amount by which the net income exceeds \$80,000 and does not exceed \$82,000;

"Thirty-nine per cent of the amount by which the net income exceeds \$82,000 and does not exceed \$84,000;

"Forty per cent of the amount by which the net income exceeds \$84,000 and does not exceed \$86,000;

"Forty-one per cent of the amount by which the net income exceeds \$86,000 and does not exceed \$88,000;

"Forty-two per cent of the amount by which the net income exceeds \$88,000 and does not exceed \$90,000;

"Forty-three per cent of the amount by which the net income exceeds \$90,000 and does not exceed \$92,000;

"Forty-four per cent of the amount by which the net income exceeds \$92,000.

"(b) In the case of a bona fide sale of mines, oil, or gas wells, or any interest therein, where the principal value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the tax imposed by this section attributable to such sale shall not exceed 16 per cent of the selling price of such property or interest."

Page 46, strike out lines 9 to 24, inclusive, and insert in lieu thereof the following:

"(c) In the case of a single person, a personal exemption of \$2,000; or in the case of the head of a family or a married person living with husband or wife, a personal exemption of \$3,000. A husband and wife living together shall receive but one personal exemption. If such husband and wife make separate returns, the personal exemption may be taken by either or divided between them."

Mr. COLLIER. Mr. Chairman, I yield 15 minutes to the gentleman from Georgia [Mr. LANKFORD].

Mr. LANKFORD. Mr. Chairman and gentlemen of the House, during the last two days of debate we have listened to some remarkable arguments. During the short time allotted me I desire to answer some of them. Here we see issues so differently. Some see from the standpoint of the very wealthy and some from the viewpoint of the common folks.

Thus it is that many tax measures as well as measures dealing with other matters of very different natures and with very different purposes are offered. First I want to discuss the two ideas which I find here, which are probably most conflicting with each other.

A gentleman recently asked his son whether or not he expected to be able to pass an approaching examination, and the boy replied, "Father, I hope to ooze through."

Thus it is with many of the measures that are now being offered to solve the present troubles of the farmer and people generally. The theory of those in power seems to be that if the Congress will only help the railroads, the Wall Street bankers, the big manufacturing monopolies, and the immensely rich, enough will ooze through for the laboring man, the farmer, and the common folks. The contention of the powers that be is that the way to feed a starving dumb brute is to give some thoughtless, selfish man all he desires to eat and perhaps he will leave enough bones for the poor dog to gnaw. They say that the way to feed a starving Lazarus is to put all the good things on the rich man's table in order that Lazarus may perhaps get some of the crumbs that fall therefrom. They say the way to help the American laborer, the American farmer, and the common folks is to fill the hands of the manufacturing interests and the immensely rich full of the wealth of the greatest Nation on earth and enough will drip through their greedy fingers for the sustenance and support of the great common folks, and that the American laborer and the American farmer may enjoy the privilege of falling down at the feet of corporate interests and sucking from the ground the drippings from their greedy hands. It is urged that the way to maintain an American standard of wages and the way to help the American laborer and the way to cure all the ills that the American farmer is now heir to is to protect by tariff solely and only the big manufacturing interests and that there will be enough drippings that will ooze through the pockets of the protected interests to keep alive the laborer and the common folks.

They say that although hundreds of millions of dollars will be taken from the common folks by the reprofiteering party's profiteering tariff that all will be well, for that the profiteering manufacturing interests of New England and the North will become more wealthy, and that so long as the big rich are protected and made whole the country is safe, and that all that the common folks need will eventually ooze through for them and their children. In order to save the country it was proposed to loan the railroads \$500,000,000, and from time to time millions are being loaned to the railroads. It takes a very large amount in the hands of the big rich for the drippings to do the common folks much good. The greedy corporate interests do not let much ooze through for those below. The same Washington paper a few months ago carried three remarkable items when considered together. One said the Secretary of the Treasury says the Government is now unable to pay a bonus to returned soldiers, and the President agrees with the Secretary. Second item said that the Secretary of the Treasury and the President advocate Government loaning \$500,000,000 to the railroads and that the Government has plenty of money to make the loan. The third item said tariff bill reported, the bill later passed, putting heavy burdens on consuming public, which is made up of returned soldiers, their brothers and sisters, fathers and mothers, and relatives, in order to make the rich richer, the mighty mightier, and the powerful more powerful, and so that the big manufacturing interests might save the country, and so that there might be more drippings from the hands of the rich for suffering, striving, struggling common people.

It takes the O. K. of the millionaires of Congress to get a bill of any consequence up for consideration here in Congress. After a bill gets the O. K. of the multimillionaires of Congress and those here that willingly do the bidding of the big rich, it is then that the bill is as a general rule brought up under a rule, so that Members here who are anxious to help the common folks are as helpless as babies to offer a helpful amendment and the bill passes practically as approved by the men of big wealth.

With regard to the legislation enacted "for the people," President Wilson had this to say:

Legislation as we nowadays conduct it is not conducted in the open. It is not threshed out in open debate upon the floors of our assemblies. It is, on the contrary, framed, digested, and concluded in committee rooms. It is in committee rooms that legislation not desired by the interests dies. It is in committee rooms that legislation desired by the interests is framed and brought forth.

The real problem which interests the powers that be is how much can they do for the big interests and not let the common folks know it, and how little can they do for the poor fellow below and yet make him believe they are doing wonders for him. Every move is to deprive the several States of their rights and centralize everything in Washington, and then when all is centralized here, deprive all committees of their rights except one or two, and centralize everything in one or two committees and then centralize in less than half a dozen men the power of these committees, so that the States will be deprived of not only the constitutional right of government of their local affairs but the congressional districts will be deprived of representation. For a Representative in Congress, who has not the power to help make the laws of his Nation but who must bear part of the blame for their viciousness, to attempt to act is to give a pretended service worse than no representation. This is becoming rapidly a government of the people, by the millionaires, for the corporate interests. Our forefathers never fought for such a mockery of freedom and such a form of government will perish from the face of the earth.

The late Woodrow Wilson in his book, *The New Freedom*, published soon after his campaign of 1912, discussed the domination of the Government by big interests. He said:

Our Government has been for the past few years under the control of heads of great allied corporations with special interests. It has not controlled these interests and assigned them a proper place in the whole scheme of business; it has submitted itself to their control.

And further along he said:

Suppose you go to Washington and try to get at your Government. You will always find that while you are politely listened to, the men really consulted are the men who have the biggest stake, the big bankers, the big manufacturers, the big masters of commerce, the heads of railroad corporations and of steamship corporations. I have no objection to these men being consulted, because they also, though they do not themselves seem to admit it, are part of the people of the United States. But I do very seriously object to these gentlemen being chiefly consulted, and particularly to their being exclusively consulted.

The representatives of the people here in Congress must assert their rights and do away with the present shameful mockery or bear the blame of helping in the downfall of a great Nation. Let us demand something more for the common folks than that which oozes through from the legislation for the folks higher up. The theory that the big rich must be helped in order to help the common folks is all wrong. I protest. Such an idea is wickedly vicious. Wall Street and its financial satellites are not the life-giving power of the Nation. Great wealth improperly used is the great cancerous sore on our body politic. The corporate interests never gained our independence. Wall Street never added to American history a single page shining with the glory of a great Nation. The immensely rich never made nor saved the Nation. The big rich never won the last war and the prosperity of the great interests does not mean the prosperity of the common folks. It oftentimes means the opposite.

Mr. Chairman, I saw a picture a few days ago which impressed me very much, for it represented the truth. A great many men were standing on each other's shoulders. Only one was standing on the ground, two were on his shoulders, and two on the shoulders of each above until the column was very wide at the top and very high. And this is what the men were saying. Some at the top said, "We are bankers; we handle the money for all." Some said, "We are lawyers; we practice law for all." Some said, "We are doctors; we cure all." Some said, "We are merchants; we sell to all." Some said, "We are railroad owners; we haul all." Some said, "We are lawmakers; we make laws for all." And so on. Down at the bottom, holding up the entire crowd, was one man whose body was bent with the heavy load above and whose face was bowed down almost to the ground, who said, "I am a farmer; I support them all." How true to life is this picture. To me the farming interest of this Nation is the very foundation of our country; all else is but the house built above. If we would make our Nation strong we must take care of our food and clothes producing agencies. We must help the farmer. Much of our legislation for other interests only has a tendency to hurt the farmer and not to help him, and thus we weaken him and hurt our Nation.

Can not we legislate some for the farmer directly and not by a circuit and indirectly? When a great piece of legislation is enacted the big banking interests seek to obtain possession of it and run it for the immensely rich and not for the common good. The regional banking system is a great organi-

zation but it proves too often to be a powerful engine for the interests of great wealth and against the farming interest. It was used recently to crush the farmer just at the time when he was seeking to market his hard-earned crop. The regional banking system, a good institution in the beginning, can be easily manipulated for the big interest.

A few men hold in the hollow of their hands too much power. This is also true of our Interstate Commerce Commission and of many other branches of our Government. We are centralizing in the hands of a few men all the rights of our people and the destiny of our Nation. The big rich no longer have to convince the whole people or their Congressmen of a proposition for the interest of the millionaires. They pay no attention to States or State authorities. If they can reach, in most instances, one or two men by reason, money, or corrupt influence, then they get what they desire regardless of the ultimate effects on the common people or the Nation. The people are losing all their liberties. They no longer have the right to elect men to control their affairs. They yet go through the farce of electing certain officials, but these are rapidly being deprived of all authority, and the real authority to do the things which are really worth while and mean everything to the people is in men whom the people did not elect and who generally do not know the people whose rights they are juggling and in many instances do not like the people whose affairs of life and death they are handling as seemeth best to them and to their masters. The big rich have the situation very much in hand when all power is in the hands of so few men. With power greatly centralized the big interests have but to get some one in control of the situation who is owned by them or whom they can buy or who believes that if the big rich are taken care of enough will ooze through their hands for the common folks. It fills me with dismay to contemplate how many there are who believe in letting the men of money have all the good things of life and who argue that everything is safe if the big bankers, big manufacturers, or other big interests are prosperous. They believe plenty will ooze through for the common folks. The great pity is that many men who are friends of the common folks can be stamped by propaganda of the big rich into doing the will of the big interests.

The devil is most successful when some splendid human being is misled into doing his will. The big interest of the Nation is most likely to triumph when an acknowledged friend of the common people is swept off his feet by the wiles of the big rich and makes a fight against those he loves and for those who are his enemies and his friend's enemies. Last week on this floor when the so-called tax-exempt securities resolution was up for consideration I saw friends of the common people pleading for the resolution so that money would be made harder to get and more costly for community, city, county, and State improvements, as well as for good roads, for education of little boys and girls, and for the farmers of the Nation; and so that, as it was admitted, the big corporate and wealthy interests could get money more readily and on less interest. Friends of the common people were here urging that on all money borrowed by the common people for municipal or county improvements the common people should pay from 1 per cent to 2 per cent more interest to the bond purchaser in order that the Government could have the right to try to get only part of the identical money back as taxes. They were misled into urging that their constituents be forced to pay many thousands of dollars annually to the big bond purchasers in order that the Government might have the chance with much cost to possibly get back as taxes about three-fifths of the amount paid. It was suggested that the bill should pass so as to make the very wealthy bond purchaser pay more taxes. You do not hurt the big bond buyer much if you make him pay \$3 tax out of every \$5 he holds back for tax purposes in the purchase of his bonds.

Ah, Mr. Chairman, the tragedy of it! I saw friends of little children trying to force the parents of little boys and girls to pay extra, 1 to 2 per cent, on all money they get for school purposes, so that the bond purchaser could hold it and let part of it possibly ooze through as national taxes. Friends of good roads were seeking to put the same burden on the building of good roads for the same purpose. I saw friends of the farmer in a mad rush urging a scheme to put millions of dollars extra interest burden on all farmers borrowing long-term money in the future, so that practically all the extra interest could be kept by the big loan concerns and so the Government might possibly get back as taxes a small part of the amount so paid out under our rural-credits system. In other words, they would mulct the farmers in untold millions of dollars of extra interest so as to give the United States Government the chance to get back as taxes less than one dollar out of every twenty so paid.

If we could only keep the Wall Street interests from stampeding the friends of the common people here, there is no sufficient reason why some helpful legislation for the common folks should not be enacted. Those who represent here only and solely the big rich are always awake to every opportunity to serve the one and only constituent to whom they are loyal. They conceal as far as possible their real motive. They call the worst bills by the prettiest names and gain help by the mere naming of a bill. Again, they gain support for vicious legislation by mixing a little of the good in with the bad. There were rights of the people infringed and destroyed in the Esch-Cummins railroad bill, because there was a little good in the bill, which could never in the world have been abridged as a separate or independent proposition. The so-called tax-exempt securities resolution came near passing last week simply because it had a pretty name. In fact, it has many names, all pretty.

Listen to a few of them. One a bill to prevent issuance of tax-exempt securities. Why not call it what it really is, to wit, a bill to put a very heavy tax on all farmers borrowing money; on all bonds for educational purposes; on good-roads bonds; and on all other municipal, county, and State bonds. It was also called a bill to tax the idle rich and also a bill to make the wealthy bear their share of the expenses of the Nation. The idle rich and the wealthy people of the Nation are quite in favor of us trying to collect taxes out of them if they are given the power to collect out of the common people in advance all money necessary to pay the tax required as well as more money for keeps. Why was not the bill called by a name showing its real purpose, to wit, a bill to force the sellers of rural-credits bonds, good-roads bonds, and other improvement bonds to furnish money to the idle rich to pay their taxes and extra money to be kept by them. Why did not they call the bill a bill to encourage the charging of higher interest to farmers and the common people generally, to destroy the Federal rural-credits system of the Nation, to block the good-roads move, and for other purposes? How long will Members come here and urge that large sums of money be donated to the big rich by the common folks or by the Government on the theory that enough will ooze through the iron safes of the people of wealth to take care of the common folks? The proponents of the so-called Mellon tax plan hoped to get it passed by propaganda, and at first swept many off their feet, but in this matter, as in many others, the second thought is the best. The move has the best name possible, and there is some good in the bill. We are all for tax reduction of the right kind. One thing we may be sure of, and that is that the multimillionaire Secretary of the Treasury, Mr. Mellon, the author of the Mellon plan, and those that think like him do not lose any time worrying about people who are poor or have only a small income. When they offer any thing good to the common folks it is for the purpose of leading them into the slaughter pen of the Wall Street interests, even as a butcher with a few grains of corn leads a drove of hogs to the butcher's ax and to certain death.

Mr. Mellon, if he thought he could pass it, would propose a bill taking all taxes off of the wealthy and saddling a vicious sales tax on the poorest of the poor, and even on little innocent children everywhere. He is for the millionaire classes as against the millions of the masses. His objective now is to reduce the taxes of the big rich at any cost, even if a deficiency to meet governmental needs should develop. Many of those now pleading for relief for the rich will soon be saying we need a vicious sales tax on everybody in order to raise the revenue we need. I favor the Garner tax-reduction plan as being fairer to the man of small income. I know that the President in his Lincoln day speech in New York last Tuesday night urged reduction of taxes of the big rich. I shall vote for a reduction of taxes of all classes, but I will not vote for all the reduction on big incomes desired by Mr. Mellon. We see things from different angles; he has in mind helping men whose wealth is so great that they do not know the extent thereof. I want to help the common folks whose burdens are so great that they fall under the weight of them as they carry them and then struggle again to their feet and push onward with scarcely enough strength left to plod ahead. I repeat, many say "Help the rich and all will be well." They say "Deliver more wealth to the rich and enough will ooze through their pockets for the common folks."

Mr. Chairman, I am glad I am not one of those who believe that the greatest tax reduction should be given the wealthier class and that all laws should be for their interest. I do not share the belief that if the Government loans them billions of dollars or by law helps them to make millions unjustly that enough will ooze through their hands for the millions of people who occupy less fortunate positions financially. I am not willing by my vote to help pass unfair laws here to help the million-

aires of the country add unconscionable profits to what they stole from the common folks during the World War, and then help them put it in iron safes and securely lock them against all taxes, and then put those iron safes on the backs of the poor and lash them with whips of necessity and beat and burn them with red-hot irons of unjust laws, forcing them to sacrifice their lives oftentimes trying to carry the unfair load, and then say to them it is all for your good; enough of the silver and gold in the locked safes you are carrying will ooze through to keep life going in you and yours. [Applause.]

Oh, what remarkable arguments are sometimes made here on this floor!

Mr. Chairman and gentlemen of the House, it has been said that surtaxes should be greatly reduced so that the tax will not be passed on to be paid by the common people. If all surtaxes are passed on to be paid by the people lower down, then the surtax payer is unconcerned about his surtax, except the book-keeping feature. If we make them low, he passes on a small amount; if large, he passes on a large amount. If we take off all surtaxes, then he passes none on and no revenue is raised. If we make the surtax high, it does not hurt the big rich, as he passes it all on, if this argument is good, and yet large revenue is raised. The truth is this argument is not good. All the surtax is not and can not be passed on to be paid by the people lower down.

I favor a high surtax on big incomes for several reasons, as follows: First, because a considerable amount of much-needed revenue can be raised this way. Second, in this way the people can get back part of the money stolen by profiteers during the great World War and can by this method make the big rich bear part of the burdens of the war through which we have just passed; thus killing to a large extent the willingness of the big rich to see another war waged. [Applause.] Third, I believe in high surtaxes, because in this way we can prevent to a considerable extent the rapid accumulation of enormous fortunes. Large fortunes are not good for society and always mean an extra burden on common folks. Fourth, large incomes are not as a rule earned by the physical effort or mental effort of the man who receives them, and in most instances are taken from the public by unfair methods or as a result of downright profiteering, and in equity and good conscience belong not to the man of big fortune but belong to the public, to which they should be returned. Fourth, a large surtax has a wholesome effect in that it makes less inviting big speculation, profiteering, and stealing from the public, for stealing is not very inviting when it is known that the stolen articles must be returned to the true and lawful owner. Another very faulty argument is that the big rich will perjure themselves and otherwise commit felonies in order to steal from the Nation the tax money legally and morally due the Nation, and that, therefore, in order to save the big rich from committing perjury and from stealing, the thing the big rich wants should be yielded gladly.

Mr. McSWAIN. Does not the gentleman think that if they will make the returns public, so that you and I can go and find out who has told the truth and who has not, and put them in the penitentiary, that it would be a good thing?

Mr. LANKFORD. There is no doubt about that. They ought to make them public, and they ought to be investigated, and when a millionaire perjures himself to hold back thousands of taxes due by him, he ought to be put in a Federal penitentiary. We can not stop them from stealing by simply saying that we are going to relieve them of the tax. You might just as well say to the negro who steals chickens, "Come and get a chicken whenever you want one," and by this method stop him from stealing. I know a man who tried that on a darkey. The negro was stealing his hogs, and he would always get off with the hog that the man particularly did not want to lose. He would steal the farmer's brood sow or other favorite hog, and finally the farmer decided that he would stop him from stealing. So he called him to his home one day and he said: "Bill, I know that you are stealing my hogs, and I do not intend to put you in the chain gang, but I want you to quit stealing, because you always get the wrong one. I will make this trade with you: If you will come to me whenever you need a hog, I will just make you a present of one to save you stealing, because I do not want you to come up here and steal the wrong one." Bill said, "Boss, that is a pretty fair proposition, I think, but let me tell you I do not want to give up any of my privileges." [Laughter.] If we make that kind of a proposition to these people who perjure themselves to prevent the payment of just taxes, I think they will keep on plundering the public. They do not want to give up any of their privileges.

Mr. Chairman, the gentleman from New York [Mr. MILLS] made a wonderful argument here in behalf of the big rich. Mr. MILLS understands finance. When many of you were teaching

school, he was studying finance. When you were running locomotive engines, he was studying the manipulation of money. When you were plowing in the fields, he was studying money, and when you were practicing law he was studying finance and money and how to manipulate that money in order to get more money himself and for others who think as he does. And when you are here in Congress studying bills for your constituents down home, it matters not what those bills may be, he is studying money and the manipulation of money and taxation and finance, and he knows them. He understands as much about them, or more about them, than any other one man. He can draw as fine a distinction as any fellow you ever saw to prove his point. He can carry his point by argument, by juggling figures, as easily as any man who has ever been on this floor. When I heard him make the argument here the other day I was reminded of a story which I heard some time ago. A man served out his time at a Federal penitentiary and came here to Washington. He went to a café and he said to the owner of the café, "I am hungry; I want something to eat." The owner of the café said, "Well, we can not feed you unless you have enough money to pay for your meal." The man said, "I am not as bad a man as you think I am; I did not burn a railroad bridge, I did not wreck a train, and I did not run away with another man's wife. I have served my sentence, I have no money, but I want something to eat, because I am hungry." The owner of the café then asked him, "What did you do?" and he said, "I took a \$20 bill and I split it open, and I took a \$1 bill and I split that open, then I took half of the 1 and half of the 20 and put them together, and I passed them off for \$40 and thus made \$19 by the process, and I got caught and served my time." The man who operated the café, or restaurant, called the head waiter and said, "Here, take this man and carry him back to a table and give him whatever he wants to eat, and just as much as he wants to eat, and when he gets through bring him back to me, because I am going to hire this fellow to slice ham sandwiches." [Laughter.]

If my good friend MILLS was to apply for that job the man who was employed to slice the ham sandwiches by the café owner would not have a chance. Mr. MILLS knows how to manipulate money to make it look like forty when it is twenty-one and to make it look like one when it is twenty. He knows how to show a deficiency when he wants a deficiency, and he knows how to show a surplus in the Treasury when he wants a surplus. He knows how to argue finance and statistics, because he has studied them. That is his side of the proposition which he studied most carefully.

Much has been said here about the question of whether or not the Garner plan or the Mellon plan would produce a deficiency in the Treasury or a surplus. Mr. Mellon is not concerned very much about whether there will be a surplus in the Treasury or a deficiency. Mr. GARNER hit the keynote of the situation the other day when he said, "Let Mr. Mellon write the surtax part of it, and he will let us write all of the rest of the bill." Mr. Mellon is studying about the reduction of taxes of the big rich. He does not much care, I take it, if the bill shows a deficiency, because then he can argue that we ought to have a sales tax; he can argue that we ought to have a 3-cent postage; he can argue for a tax on checks; he can argue for whatever form of taxation he might want to make the common fellow and the common people pay all of the taxes. As I remarked a few minutes ago, a year or two ago I saw three remarkable statements in the same newspaper. One of those statements said that it is proposed to loan the railroads \$500,000,000, and that the Secretary of the Treasury said that there was sufficient money in the Treasury to make the loans. In that same Washington Post was carried an item that the President would veto any bill paying the soldiers' bonus, because the Secretary of the Treasury said there was not enough money in the Treasury to pay a soldiers' bonus. And in the same newspaper was the report that the McCumber-Fordney tariff bill had been reported out. Why? For the purpose of raising revenue for the Government. That was the alleged purpose. That bill was passed, taxing the returned soldiers, taxing their fathers and their mothers, and taxing their little children before they were born, and then again taxing their parents even after they were dead and in their coffins. Whenever the gentleman from New York [Mr. MILLS] wants to show a surplus in the Treasury for the purpose of making an argument along the line of reducing the taxes of the big rich, he can do it. When he and Mr. Mellon want to show a deficiency for the purpose of refusing to pay the soldiers' bonus, they can show it.

They are very much like the old darkey who had a pig in a sack. Some one caught him looking the other way and slipped the pig out and put in a puppy. The old darkey looked in the sack and said, "Awhile ago you were a pig and now you are a

puppy." A little later, when he was not looking, they slipped the puppy out and put the pig back. The old darkey again looked into the sack and said, "Well, you have turned back to a pig again." Then they caught him unawares again and took out the pig and put back the puppy. The old darkey looked into the sack again and said, "Well, I declare, you are the funniest pig I ever saw. When you want to be a pig you are a pig, and when you want to be a puppy you are a puppy." [Laughter.]

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

Mr. LANKFORD. May I have two minutes more time?

Mr. COLLIER. I give the gentleman two minutes.

The CHAIRMAN. The gentleman from Georgia is recognized for two additional minutes.

Mr. LANKFORD. So it is, my friends, with the gentleman from New York [Mr. MILLS], and with Mr. Mellon. Whenever Mr. MILLS and Mr. Mellon want to show a deficiency, they proceed to show it; but when they want to show a surplus, they show that. Whenever they want to be a big pig, and try to hog large sums of money they can do that; and when they want to be a puppy, and bark for the Wall Street interest they can do that. [Applause.]

Gentlemen of the House, Mr. Mellon has his heart set on serving the big rich of the Nation. I am not for his bill. I am for the Democratic or Garner bill, as I am convinced it will lessen the tax burdens of the common folks much more than the other plan. The advocates of the Mellon plan put the profiteer ahead of the patriot. They are for the millionaire classes as against the millions of masses. They believe in gold or we bust instead of "In God we trust." [Applause.]

Let us pass a tax bill here which will give relief to the poor and leave those most able to pay a considerable portion of the yet too heavy burden of taxes. [Applause.]

Mr. COLLIER. Mr. Chairman, I yield 15 minutes to the gentleman from Mississippi [Mr. QUIN].

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

Mr. QUIN. Mr. Chairman and gentlemen, this debate on the so-called Mellon bill has proceeded to the point where I observe in this morning's Post, the stand-pat organ of the special interests, that the Mellon bill, that was backed by the Old Guard, with President Coolidge and Mr. Mellon as the exponents of big business, will be thrown into the discard, so the stand-pat Republicans in Congress are not going to stand by it. They are going to suggest a compromise between the schedules on the surtaxes proposed by the Democrats and the progressive Republican proposition, hoping to get the rates fixed on big incomes lower than that proposed by the Garner or Democratic plan. They saw victory in the air for the Democratic plan.

Let us analyze this proposed tax reduction bill proposed by Mr. Mellon. First, from what source does it come? I have always been told to "Beware of Greeks bearing gifts." My friends on the Republican side, you know, to start with, that at the Chicago convention big business picked your candidates for President and Vice President. You know that the candidates were elected, and since the day they went into office they have surrounded themselves with the exponents of big business in all of the Cabinet positions. I desire to say that what legislation has been put across since the 4th of March, 1921, has been for the special-privileged class, to exploit and plunder the American people. Your Fordney tariff bill has proved to be such an outrageous measure that the honest men among big business have found that it has enraged the farmers and laboring people all over the United States. Your other tax measure proceeded to give in the form of stock dividends profits of 200, 300, and 400 per cent which escaped taxation, and under it the profiteers played with the American public. Now, when a new tax measure is proposed from that same source, the chief exponent of big business, Mr. Mellon, proposes a scheme by which he will relieve the holders of big incomes, so that the tax burden can be passed along to the American people. He proposes, and cold-bloodedly proposes, a scheme to take it off the big rich in order to prevent the soldiers of the United States from receiving their adjusted compensation. Not only did he work that scheme out cold-bloodedly and advisedly, but he had the President of the United States submit to the American Congress the proposition that it should not be changed so far as one dollar is concerned in the rate.

Not only that, but since this bill has been ready to be reported to the House the President of the United States, in a speech in the city of New York, made the same statement, that the Congress, the Representatives of the people of this Republic,

should really have no voice in the taxation scheme proposed by the Secretary of the Treasury.

Never has there been a time in all the history of this Republic when wealth has assumed such arrogance as it has assumed now. It is riding with whip and spur; it has gone at such a rapid pace until it has adjuncts through which it operates. Take what has heretofore been presumed to be a newspaper or magazine purporting to give a digest of the news, the Literary Digest. It went out with a scheme to help bolster up this propaganda, a one-sided propaganda for the big rich of this country to be relieved under this Mellon plan. Not only that but there is another adjunct of big business, the United States Chamber of Commerce in this city, which sent propaganda broadcast to all the civic organizations, chambers of commerce, Kiwanis Clubs, and exchange clubs in all the towns, villages, and cities of this Republic propaganda to assist big wealth, organized wealth, in putting through this Mellon tax bill. Not only that but they have the metropolitan press all the way from the Atlantic Ocean to the Pacific Ocean, even going down to sunny Florida with their propaganda, and they go to the Canadian line endeavoring to fool the American people and browbeat their Representatives in the lower House of Congress into passing a bill which will mulct the people of this Republic and relieve the powerful, with their big incomes, from paying their just proportion of taxes to support the Government.

All kinds of activities are advocated, new activities for the Government, and yet with one stroke big business, through this propaganda and through the men it has in the Treasury Department and in the office of the President of the United States, insists that the Congress of the United States shall pass this measure unamended, a measure which we all know will be for the relief of big business. They are endeavoring to fool the people through every kind of specious and fallacious argument. The truth has no place in their vocabulary. It would bankrupt the English language for me to tell what I think of the men in high places who are endeavoring through legislation to rob the people of this Republic. The settling day is coming for this group that is endeavoring to put over all of this humbuggery, especially at a time when the taxpayers of this country are groaning, when in the Northwest the poor farmers are almost ready to take their shotguns—when many banks in small cities throughout the Northwest have gone into the hands of receivers—against these people who have subsidized the railroads by giving them \$2,000,000,000; railroads that are robbing the farmers through their method of classification of rates on livestock and all kinds of farm products. But these interests have the gall and effrontery to come along in the face of all that and put on a tariff bill and an embargo on all the stuff the farmers buy—and in a market without any competition—while what they have to sell must be sold below cost. Notwithstanding all that, the exponents of big business say that these few people who are plundering through special privilege shall be given under the Mellon bill the benefit of 50 per cent in the amount they are paying the Government and keep it in their pockets.

They have gone further and said this must be done so that it will assist business and give poor men jobs in order to buy that which the farmers produce. Do you believe they will be successful in fooling the public when voting time comes? It is my judgment the voters will take a cat-o'-nine-tails and whip them out of power when they go to the polls in November of this year. [Applause.] The people of this country can not be lulled to sleep when their burdens are heavy; they can not be lulled to sleep when men get up at 4 o'clock in the morning, go out and feed their stock, and go to the plow handles, and wait for the sunlight to come. You can not fool that class of people. They will wake up and realize that the Republican Party, which has been in power, has been organized in the last two or three years for the special purpose of allowing a privileged few to prey upon the masses of the people of this country. The time is at hand, gentlemen, when the judgment day is coming for your party. You are to be judged by your fruits, as every tree is judged that way, according to biblical history.

Be it said to the credit of the progressives in the Republican Party that you are not willing to put this iniquitous measure into force. Those gentlemen have the patriotism and courage to stand up against your organization and say, "We will fight the battles of the people." It took courage for a man to make the speech that the distinguished gentleman from Wisconsin [Mr. FREAR] made yesterday. He spoke from his heart. He told the truth, and there is not a man on your side of the House who doubts a single syllable in his speech. He knows, as a member of the Ways and Means Committee, how this humbuggery has been proposed, how it has been planned, and

what you have attempted to put through this House. Now, when you fail to have the votes and your courage flickers right on the threshold of voting time next Tuesday, you come along and put 35 per cent on the big rich and you give a group of 21 big taxpayers \$10,000,000 a year and a group of 3,000 at least \$100,000,000 per year of the money which they ought to pay into the Treasury of the United States. You will not take it away from the Treasury and put it where the people of this country need it, where the soldiers of this country demand it shall go in order that they shall receive the just compensation to which they are entitled, and the old guard on the Republican side of the House says, "We can not accept the Garner plan; we can not accept a measure that will give at least a fair share of the taxes on the big wealth of this country to the Treasury of this Republic."

Not only that, but your whole scheme and system of running the Government through extravagance and through waste makes it necessary to take from the powerful incomes of this country their just proportion in order to carry on the activities of the Government and in order to meet the pay rolls and the expenditures that you are proposing to put through this very Congress.

Mr. BEGG. Will the gentleman yield?

Mr. QUIN. I have only 15 minutes, and the gentleman must excuse me.

This money can not come as if by magic. All of this talk of the magazines and of this administration that has been going out to the country that they want to put on the tax roll tax-exempt securities, while at the same time they propose to let them hold all they have in their safe now, but those in the future must be taxed—that is humbuggery. It is nothing but an attempt to draw a veil over the eyes of the people and let them continue to be robbed by special-privilege legislation, plunderers, and looters through organized processes of the law. I thank you. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I yield 30 minutes to the gentleman from Iowa [Mr. RAMSEYER].

The CHAIRMAN. The gentleman from Iowa is recognized for 30 minutes. [Applause.]

Mr. RAMSEYER. Mr. Chairman and gentlemen of the committee, discussion on this revenue bill has been both interesting and instructive. I shall address myself to but one phase of the bill, and that is the estate tax, which you will find comes under title 3 of the bill, beginning on page 124. I regret that this revenue bill could not be considered from an entirely non-partisan standpoint. Of course, neither side is blameless for the partisanship that has been injected into this bill. That portion of the bill which has to do with the estate tax has not been discussed very much. It has only been referred to a few times. Up to this time no partisanship has been injected into this portion of the bill. I shall discuss it from a nonpartisan standpoint. No one can discuss it from any other standpoint.

For a number of years I have been interested in the question of estate taxes or inheritance taxes. Three times I have appeared before the Ways and Means Committee presenting arguments why the estate taxes of the Federal Government should be increased. Each time I have had a very respectful hearing, and twice I discussed the subject quite extensively. I have made a few short addresses on this subject before this body.

This morning I am not before you with any set speech. Since I started some years ago in the advocacy of increased estate taxes, naturally some objections have been raised to my position. I intend to answer some of those objections to-day. If you will permit me to proceed without interruption for about 10 minutes in order to make a preliminary statement I shall be perfectly willing to yield for any questions that may occur to the minds of any of the Members with reference to the estate taxes.

Estate taxes are urged principally for two reasons. One is that we need this source of revenue to meet the running expenses of the Government. The second reason has been very ably urged by leading financiers, statesmen, and economists, and that is that this tax should be used to prevent the concentration and perpetuation of large fortunes in the hands of those who contribute nothing, or very little, to the creation of those fortunes. A third reason urged during the last few years for estate taxes is that as we have a large national debt that ought to be paid by the generation making that debt, we ought to have a specific source from which payments on this large national debt created during the World War could be made. I am not going to take up your time to call attention to the growth of large fortunes in this country and the tendency of wealth toward concentration. The membership of this House is composed of intelligent men who know about this tendency. They also know that it is an evil tendency. If there are any here who have not been impressed with the fact

that this tendency is evil, I doubt whether anything I could say here to-day or any facts that I might present would have any avail to change their minds.

Some gentlemen here talk about getting back on a peace-time basis of taxation. We will never get back to a peace-time basis of taxation until the immense war debt is paid. In other words, the war will not be over until the debt incurred by the war has been paid. We of this generation, who created that debt, ought to pay it, as future generations will have their own responsibilities and obligations to deal with.

Mr. KINDRED. Will the gentleman yield?

Mr. RAMSEYER. I have asked Members not to interrupt me for about 10 minutes, after which time I shall be glad to yield.

There is another thing I wish to say in a preliminary way and that is to assure those of you who have not had occasion to give special study to this subject that the proposal to levy estate taxes and to increase estate taxes is not a dream of modern reformers. The estate tax has been advocated by leading financiers, statesmen, and economists for many years. For the benefit of those who have not gone into this subject thoroughly I wish to present a few short excerpts from men of prominence and distinction in the fields of finance, statesmanship, and economics.

Andrew Carnegie, the leading financier of the last generation, was one of the most enthusiastic advocates of large estate taxes we ever had in this or any other country. Mr. Carnegie advocated this form of taxation chiefly for the reason that it would be a means to prevent the concentration of large fortunes in the hands of those who contribute little or nothing to their creation. Mr. Carnegie was firmly convinced and repeatedly so stated that "of all forms of taxation this seems the wisest." Then from his Gospel of Wealth, which was written and published a number of years before his death, I read this excerpt:

The growing disposition to tax more and more heavily large estates left at death is a cheering indication of the growth of a salutary change in public opinion. Of all forms of taxation this seems the wisest. * * * By taxing estates heavily at death the State marks its condemnation of the selfish millionaire's unworthy life. It is desirable that nations should go much further in this direction. Indeed, it is difficult to set bounds to the share of a rich man's estate which should go at his death to the public through the agency of the State, and by all means such taxes should be graduated, beginning at nothing upon moderate sums to dependents, and increasing rapidly as the amounts swell.

At another place in his book he advocates that at least half of the large fortunes should go to the State at the death of the owners.

Mr. FREAR. Will the gentleman yield there?

Mr. RAMSEYER. I will yield.

Mr. FREAR. In view of the fact that we learn that Mr. William Rockefeller's estate left \$43,000,000 and over, out of the sixty million and odd dollars, in tax-free securities which can not be reached to-day, what amount would the gentleman's proposal reach of those tax-free securities if he introduced and had his bill enacted into law?

Mr. RAMSEYER. The amendment that I have prepared and which I intend to offer at the proper time provides for increase of the present rates of about 50 or 60 per cent. These rates will return into the Treasury more than 50 per cent more than what is now collected if the law is properly administered. This will be especially true if we also have a gift tax to prevent men from distributing their estates before they die. If my amendment is enacted into law and supported by a proper gift-tax amendment, and both are properly administered, there is no doubt in my mind that they will net from two to three times the amount that is now collected.

Mr. FREAR. The gentleman said 50 or 60 per cent. The gentleman means 25 per cent.

Mr. RAMSEYER. I propose in my amendment to increase the rates in each of the brackets about 50 per cent.

Further, in regard to the attitude of Mr. Carnegie along this line, in a speech he delivered in 1892, before we had large governmental expenditures, when the National Government was spending between \$300,000,000 and \$400,000,000 a year and the States and municipalities were also on a much smaller expenditure basis than now, he said in this speech before the young men in New York City:

Every dollar of taxes required might be obtained in this manner without interfering in the least with the forces which tend to the development of the country through the production of wealth.

As I said before, the Federal expenses at that time were between \$300,000,000 and \$400,000,000. As you know, they are much larger to-day. However, to-day the combined Federal

estate taxes and the State inheritance taxes yield only about \$211,000,000.

Now, if, as Mr. Carnegie suggests in his address back in 1892, all taxes could be raised in this way and at the same time not interfere with enterprise, certainly at this time we can go very much higher in our rates than to yield \$211,000,000.

In addition to Mr. Carnegie, the financier whom I have quoted to you, one of the greatest statesmen of the last generation was also an enthusiast for high inheritance taxes. I refer to Theodore Roosevelt. I will not quote from him except from his message to Congress in December, 1907. He said:

The Government has the absolute right to decide as to the terms upon which a man shall receive a bequest or devise from another. A heavy progressive tax upon a very large fortune is in no way such a tax upon thrift and industry as a like tax would be on a small fortune. No advantage comes either to the country as a whole or to the individuals inheriting the money by permitting the transmission in their entirety of the enormous fortunes that would be affected by such a tax. Our aim is to recognize what Lincoln pointed out—to insist that there should be an equality of right before the law, and at least an approximate equality in the conditions under which each man obtains the chance to show the stuff that is in him when compared to his fellows.

Another reason urged for inheritance taxes is that owners of valuable lands and other property acquired by inheritance are enabled to live on the income without effort and to remain idle instead of doing productive work. The community loses the productive power of these men. If such men are deprived of their incomes and thereby forced to do productive work, the community would gain by this addition to its list of productive workers. This would make for national prosperity.

An inheritance tax is not a tax upon industry and does not injuriously affect business. Neither does such a tax discourage enterprise nor lessen the desire of men to accumulate. On this point no man can speak with greater authority than Carnegie. In his Gospel of Wealth he says:

Nor need it be feared that this policy would sap the root of enterprise and render men less anxious to accumulate, for to the class whose ambition it is to leave great fortunes and be talked about after their deaths it will attract even more attention and indeed be a somewhat nobler ambition to have enormous sums paid over to the State from their fortunes.

As bearing on this point I quote the words of Charles M. Schwab, multimillionaire head of the Bethlehem Steel Corporation:

I'm not working for money. I've made more money now than I'll ever spend. I'm not working for my children. I haven't any. I'm working for the sake of my work. It's my child, my all. Not long ago I had a fabulous offer for my business. I refused it. What would I do without my work?

Now, that you may get my general attitude toward taxation, I want to tell you what I have repeatedly told the Ways and Means Committee, and that is that I am opposed to excessive income taxes. Income taxes—I care not whether they be 10 per cent, 25 per cent, or 50 per cent—are a tax on enterprise. As we need this source of revenue to meet the running expenses of the Government, and this source is absolutely necessary now for that purpose, I am for those taxes. However, income taxes should not be any higher than is necessary to raise the revenues to meet the operating expenses of the Government. An inheritance tax is not a tax on enterprise. On this proposition economists generally are agreed. An inheritance tax is a tax on the accident of birth.

Furthermore, an inheritance tax is not inimical to the institution of private property. Neither Mr. Carnegie nor Mr. Roosevelt were tinctured in the least with socialism or communism. They were individualists, but both recognized the growing concentration of wealth in the hands of a few as inimical not only to the welfare of society, but to the very existence of the Government itself. You know history as well as I do. You know what happened in France a little over a hundred years ago. You know what has recently happened in Russia, and what is now going on all over central Europe. People will endure a certain amount of economic oppression. If that oppression is not relieved in an orderly way by making wealth bear its just proportion of the burdens, the time comes when the people will no longer endure, and the more intelligent the people are the less they will endure. There comes a place when that oppression must stop and it is the business of statesmanship to take heed before the breaking point is reached.

Other countries have had their revolutions. The reasons for them were chiefly economic. I am not looking for a revolution in this country, but I am looking for the people more and more to insist in an orderly way that wealth be required to bear its just obligation both to society and to the Nation.

John Stuart Mill was an old-school economist and believed in the institution of private property with all his heart. In the first volume of his three-volume work, in discussing the distribution of wealth, of inheritance, and so forth, he has this to say about private property in connection with inheritances and inheritance taxes.

He says:

Private property, in every defense made of it, is supposed to mean the guaranty to the individuals of the fruits of their own labor and abstinence. The guaranty to them of the fruits of the labor and abstinence of others, transmitted to them without any merit or exertion of their own, is not of the essence of the institution, but a mere incidental consequence, which, when it reaches a certain height, does not promote, but conflicts with the ends which render private property legitimate.

At this point I want to make my position perfectly clear in regard to the general question of wealth. I have not the least prejudice against wealth as such. I want our tax laws so framed as to encourage men to invest and to accumulate wealth. Every honest enterprise and every honest accumulation of wealth ought to be encouraged by our laws. So far as it is consistent with the welfare of the greatest number I want the fewest restraints on enterprise. I want enterprise and accumulations of wealth encouraged. There are many large fortunes in this country that were honestly accumulated. The fortune of Henry Ford is usually referred to as one of them. There are, however, many fortunes that were not thus honestly accumulated. Those fortunes owe their existence to special privilege, dishonesty, and illegal methods. Men who accumulate large fortunes through honest enterprise are public benefactors. When such fortunes are to be handed on to some one else, to an heir or legatee, who has contributed nothing to the creation of such fortune, an entirely different proposition confronts us. Henry Ford renders a public service and many other wealthy men I could name render similar services. While a man is by honest enterprise accumulating wealth, he should be interfered with as little as possible. However, when such a man dies leaving a large fortune what his heirs or legatees get is an economic power to command the labor and services of others who did not have the good fortune to have wealthy ancestors.

In this country we do not recognize inherited political power. Men are given political power because of the confidence the public reposes in them. At the termination of their terms of office or death not one iota of the political power which they exercised during their years in office or lifetime can be transmitted to their heirs. We do recognize, and I think rightly so, the right of inheritance in economic power. I would be the last one to favor the abolition of all inheritance laws, but I do believe that the amount of economic power thus to be transmitted to an heir or legatee without exertion on his part, without his contributing to the welfare of society and the creation of the fortune he is to enjoy, should by law be limited for the reasons so ably set forth by Mr. Carnegie, the financier; Mr. Roosevelt, the statesman; and John Stuart Mill, the old-school economist.

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

Mr. RAMSEYER. Yes.

Mr. FREAR. While the gentleman is expressing himself so clearly and forcibly—and most of us agree with him, I think, in regard to Henry Ford's fortune and what he has accomplished—will the gentleman also discuss just briefly the oil that goes into Henry Ford's machines, and show how that was accumulated, and what ought to be done in cases of that kind where the companies controlling it have exclusive rights to control and make prices and can raise and lower prices under the trust that controls oil?

Mr. RAMSEYER. Of course, when I say that I am opposed to hampering enterprise and that men should be encouraged in the accumulation of wealth, I am speaking of honest enterprise and honest accumulations. Where men through legislative favors or through dishonesty acquire or attempt to acquire economic power other laws ought to reach them.

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

Mr. RAMSEYER. Yes.

Mr. HERSEY. I understand that the gentleman wishes to raise the inheritance taxes that are offered in the present bill before us.

Mr. RAMSEYER. Yes.

Mr. HERSEY. Does the gentleman intend to offer an amendment?

Mr. RAMSEYER. I have one in preparation.

Mr. HERSEY. How much does the gentleman intend to raise the inheritance taxes?

Mr. RAMSEYER. As I stated before, it averages in the different brackets from 50 to 60 per cent increase.

Mr. HERSEY. How does the gentleman want to fix the surtax?

Mr. RAMSEYER. I am only discussing the estate taxes.

Mr. HERSEY. Is the gentleman changing the surtaxes in the present bill?

Mr. RAMSEYER. I am not discussing the surtaxes. I am simply discussing one feature of the bill, the estate tax.

Mr. MOORE of Virginia. Mr. Chairman, will the gentleman yield?

Mr. RAMSEYER. Yes.

Mr. MOORE of Virginia. As I understand the amendments which the gentleman expects to offer, they will name rates very appreciably lower than the rates that obtain in England and France at this time.

Mr. RAMSEYER. I was just coming to that. The estate or inheritance tax is a democratic tax, and I do not mean that in a partisan sense. In the past the most democratic countries have resorted most to the estate taxes. England of the European countries has used it more than any other European country. Usually France is referred to as the next most democratic country of Europe, and in France they utilize this kind of a tax almost as much as they do in Great Britain. Great Britain has now an estate tax that runs up to 40 per cent maximum on fortunes in excess of \$10,000,000. Great Britain started with the estate tax back in 1894. Her maximum then was 8 per cent. She amended her law in 1907, and her maximum was 12 per cent. She amended the law in 1909, and her maximum was 15 per cent. She again amended the law in August, 1914, right at the outbreak of the war, and her maximum was placed at 20 per cent.

When I was before the Ways and Means Committee one member of it asked me whether the English rates to-day were not war rates. The rates that are in effect to-day in England, with a maximum of 40 per cent, were put into effect in 1919, almost a year after the armistice, and by one of the most conservative Parliaments that Great Britain has ever had. Great Britain under this law three years ago collected \$231,000,000. A question that was put to me before the Ways and Means Committee and once on the floor of the House in objection to our raising our estate-tax rates was that our national tax plus the State tax is greater than the estate tax of Great Britain. The total income from this source of Great Britain is \$231,000,000. Three years ago our total collected into the Federal Treasury from this source was \$154,000,000. In order to get what was collected by the States I personally wrote a letter to every State treasurer in the United States. I got answers from every one of them. At that time there were three States that did not have inheritance tax laws. The 43 States that reported gave me a total collected by the States three years ago of \$57,000,000. Since that time the income from this into the Federal Treasury has diminished.

I think last year we collected only \$126,000,000. Taking the two sums, \$154,000,000 and \$57,000,000, we have \$211,000,000, or \$20,000,000 less than Great Britain collects annually. The significance of this can only be gotten when we recall that the national wealth of the United States is from three to five times greater than the national wealth of Great Britain, so that if we would impress the same burdens on the estates in this country that they do in Great Britain we would collect from three to five times as much as Great Britain collects, and three times \$231,000,000 is almost \$700,000,000.

Mr. MOORE of Virginia. Mr. Chairman, will the gentleman yield?

Mr. RAMSEYER. Yes.

Mr. MOORE of Virginia. The gentleman's figures are not the figures of the British Empire. He is merely giving the figures for England, Scotland, and Wales?

Mr. RAMSEYER. Yes; that is correct.

Mr. MOORE of Virginia. In comparison with the figures for the entire United States, Federal and State?

Mr. RAMSEYER. Yes.

Mr. THATCHER. That is a federal tax in the British Empire?

Mr. RAMSEYER. Their taxes are national in scope. I am talking only about Great Britain.

Mr. THATCHER. Is there such a thing as a local inheritance tax in the British Empire?

Mr. RAMSEYER. There is but one tax in Great Britain. There are no local inheritance taxes in Great Britain. The

Provinces of the British Empire have their own revenue laws and some of them have inheritance taxes.

Mr. BOYCE. Great Britain, unlike our country, is not a confederation.

Mr. RAMSEYER. That is correct.

Mr. BOYCE. We have the two distinct governments, National and State. Now, does the gentleman think—I ask, appreciating as I do his very clear and splendid argument that he has been making on this subject—does he think that the rates that he proposes should be so great for the National Government? Does he or does he not?

Mr. RAMSEYER. I get your question. I will discuss that right now, unless the gavel falls too soon. The statement is frequently made here—I think the gentleman from New York [Mr. MILLS] stated the other day—that the State rates run up as high as 40 per cent. I have the rates of every State in the Union. No State rates, even on collateral heirs, run as high as 40 per cent.

The highest State rate of any State in the Union, and that on collateral heirs, is in the State of Arkansas, where it runs up to 32 per cent on estates over \$1,000,000. Mind you, that is on collateral heirs. The highest percentage for near relatives in Arkansas in the highest bracket is 8 per cent. So far as I know, nobody from Arkansas has filed any complaint against or opposition to increasing the national estate taxes. In the State of New York, which is typical, the highest percentage on group 1 beneficiaries, who are near relatives, is 4 per cent. In this same State the maximum percentage on the highest bracket for distant relatives is 8 per cent. The inheritance tax rates of the different States are nearly all graduated; that is, a very small percentage, usually 1 per cent, on small estates and a little more on large estates. California has among the highest rates of any State in the Union. The maximum of their graduated inheritance tax rates for near relatives is 12 per cent. The highest for distant relatives is 20 per cent.

I realize that there is an overlapping and conflict between Federal and State estate tax laws. The Federal Government is in the estate tax business and is going to stay there. There is no serious proposal either to repeal or to reduce the Federal estate taxes. There is a growing insistence that the Federal Government should increase the present rates. In order to get the benefit from estate taxes for the reasons urged by Mr. Carnegie, Mr. Roosevelt, and also John Stuart Mill—that is, for the leveling of large fortunes and to prevent the concentration of wealth—these taxes should be quite uniform throughout the United States. I believe, and I have urged before the Ways and Means Committee, that if the Federal estate taxes are increased a certain portion should be returned to the State from which it was collected, or that each estate charged by any State with the payment of an inheritance tax should be given a certain percentage of credit on the tax imposed by the Federal Government. I think something along this line should be done, especially if we increase the estate taxes and also impose a gift tax. In that event we ought to enact into law the recommendations contained in the platform of the Progressive Party of 1912. There are some Members in this House who enthusiastically followed Theodore Roosevelt in 1912 on that platform. With the plank of that platform right here before me I can answer the distinguished gentleman from Delaware [Mr. BOYCE]. Let me read a few lines from that platform:

We believe in a graduated inheritance tax as a national means of equalizing—

Note that—

the obligations of holders of property to Government.

Not to raise revenue, but for the purpose of—

equalizing the obligations of holders of property to Government; and we hereby pledge our party to enact such a Federal law as will tax large inheritances, returning to the States an equitable percentage of all amounts collected.

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

Mr. GREEN of Iowa. Mr. Chairman, I yield the gentleman five minutes more.

The CHAIRMAN. The gentleman is recognized for five minutes more.

Mr. FREAR. May I ask the gentleman a question right in that connection?

Mr. RAMSEYER. I believe if these taxes are increased, as they ought to be, there should be some equitable arrangement

such as is suggested in the Progressive platform of 1912. Now I yield.

Mr. FREAR. That was the very question I was going to ask the gentleman. In my bill I propose to require a credit of 25 per cent to be returned, thereby securing uniformity and encouragement in getting the Federal taxes.

Mr. RAMSEYER. I am rather of the opinion that the gentleman's proposal is really better than my own.

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

Mr. RAMSEYER. I yield.

Mr. CROWTHER. Has the gentleman anticipated the danger that might arise in the settlement of an estate where there had been great development going on and there was no surplus in actual money and there would be difficulty in procuring that money without detriment to the industry?

Mr. RAMSEYER. I realize that it may be necessary to liberalize the laws with respect to administering estates if greater burdens are imposed on the estates. I wish to call the gentleman's attention to the fact that in Great Britain the tax burdens on estates are six or seven times greater than they are in this country. I have not heard of any hardships on estates on account of that. For a number of years I have read the report of the British Chancellor of the Exchequer and no reference has been made in any of those reports that the administration of their estate tax laws are a burden or cause a loss to estates. I have never read in any of those reports or anywhere else even a suggestion that the British estate taxes should be reduced. However, if our laws need liberalizing along that line I shall be very glad to assist in bringing that about.

Mr. FREAR. Three years are allowed to-day, if necessary, in order to enable them to adjust matters.

Mr. RAMSEYER. Another reason why estate taxes should be made more uniform and Federal and State governments should cooperate is that some States are having low inheritance taxes purposely to encourage men of wealth to become domiciled there. Recently I noticed that the Legislature of Florida proposed a constitutional amendment to prohibit in that State the imposition of any inheritance or income taxes. This constitutional amendment will be voted on by the people of Florida at this coming fall election. Such an amendment, in my opinion, could have but one object and that is to make that State a haven of retreat for men of great wealth. Of course, by moving to a State like that men of wealth could not escape the Federal estate and income taxes. They would only be assured that no State inheritance or income taxes would be levied until a change was made in the State constitution.

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

Mr. RAMSEYER. I would like to have five minutes more.

Mr. TUCKER. Mr. Chairman, I ask unanimous consent that the gentleman may have five minutes more.

Mr. OLDFIELD. Mr. Chairman, I yield to the gentleman five minutes.

Mr. RAMSEYER. I am much obliged to my friend from Arkansas.

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

Mr. RAMSEYER. Yes.

Mr. BERGER. I did not want to interrupt the gentleman before, but the gentleman stated that he was opposed to direct taxes because they are a tax on enterprise. Does the gentleman prefer an indirect tax?

Mr. RAMSEYER. The gentleman from Wisconsin did not correctly understand me. I told the House that income taxes were a tax on enterprise, and I was opposed to excessive income taxes, and that the income taxes should be no higher than necessary to meet the running expenses of the Government. In other words, you can use the estate tax to equalize the distribution of wealth, but I do not believe you can effectively use the income tax or surtax for that purpose. [Applause.]

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

Mr. RAMSEYER. Yes.

Mr. KINDRED. The gentleman stated in another connection in his able speech that in his opinion—an opinion that I highly respect—the present generation should pay the whole enormous cost connected with the World War. Is it not a fact, however, that the great weight of opinion, a very respectable weight of opinion on the part of financiers and economists, tends to show that that great debt should be spread over 50 or 75 years?

Mr. RAMSEYER. I promised to yield only to questions on estate taxes. Since the gentleman has asked the question he did, I will tell him for his information that I have a speech ready on national debts and sometime in the near future, if I

can get 30 or 40 minutes, I shall devote the whole time to that subject.

Mr. KINDRED. I hope the gentleman will get the time.

Mr. RAMSEYER. I thank the gentleman for his generous hope. There is one other thing that I am very anxious to call to your attention before concluding, and that is the very small tax burden we place on estates as compared to the taxes we put on the incomes of the people of the Nation. The gross income of the Nation is approximately \$56,000,000,000. Last year, to meet the operating expenses of all government in the United States—National, State, county, and so forth—we collected from the people close to \$8,000,000,000. In other words, about one-seventh of the gross earnings of the people of the United States last year were used in paying expenses of government. One-seventh is over 14 per cent. Most of that represents a tax on enterprise.

I have before me here a volume on Inheritance Tax, by West. From this volume it appears from careful estimates on the devolution of property in the States of New York and Massachusetts made some years ago, exempting \$10,000 for each estate, that one-fiftieth of the property changes hands annually on account of the death of the owners of such property. Do you get that? In other words, about 2 per cent of all the property of the country, exempting \$10,000 of each estate, descends to heirs or devisees annually. What does that amount to?

According to Congressman ACKERMAN, of New Jersey, whom I consider as good an authority as we have on finance and financial statistics, in a speech he made a couple of years ago, he estimated our national wealth at \$400,000,000,000. Making the \$10,000 exemption for each estate, according to Mr. West, 2 per cent of this amount changes hands each year; that is, descends to heirs and legatees and becomes subject to estate and inheritance tax laws. Two per cent of \$400,000,000,000 is \$8,000,000,000. Property to the value of \$8,000,000,000 in this country becomes annually subject to estate and inheritance tax laws of the Federal and State Governments. Under the laws, both National and State, the highest we have ever collected is \$211,000,000. By quick calculation you will ascertain that \$211,000,000 is a little over 2 per cent of \$8,000,000,000, the amount of property that changes hands annually in this country on account of the death of its owners.

So you see that under our system of taxation, to get the necessary money to run the various activities of government—National, State, and local—we take 14 per cent of the gross earnings of the people of the Nation. Most of this represents a tax on the enterprise of the people, while on the other hand, from estate taxes, which all economists agree are not a tax on enterprise and are most easily collected, we collect only a little over 2 per cent on the value of estates annually.

Now, what objection can there be to us getting our heads together to figure out a way to do something better along that line? Up to date I have not yet been able to get a majority of the members of the Ways and Means Committee to do anything, although I have been before that committee three times. If that committee will not act, why can not the Members of the House with these facts before them get their heads together and work out some way to lift the tax load from enterprise and from the backs of the workers and producers and place it where, according to all thoughtful financiers, statesmen, and economists, it will not affect, or affect but little, the enterprise of the people? [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. OLDFIELD. Mr. Chairman, I yield the gentleman one more minute, so that I may make this statement, and he may reply to it if he desires: That the gentleman may depend upon it that he will have the cooperation of every Democratic member of the Ways and Means Committee in working out this problem. [Applause.]

Mr. RAMSEYER. Of course, I thank the gentleman very much for his statement and I am sure the statement was made in all sincerity.

Mr. OLDFIELD. Would the gentleman like a little more time?

Mr. RAMSEYER. No; I am through unless there are some questions. Unless somebody desires to ask me some questions, I shall conclude.

Mr. MURPHY. I would like to ask the gentleman a question.

Mr. RAMSEYER. My time is up, and unless I can get additional time, I can not yield to the gentleman.

Mr. OLDFIELD. Mr. Chairman, I yield the gentleman two minutes more in order to answer questions.

The CHAIRMAN. The gentleman from Iowa is recognized for two additional minutes.

Mr. MURPHY. The gentleman has studied this measure very carefully, and I would like to know whether he thinks

it will produce revenue enough to take care of the soldiers' adjusted compensation. [Applause.]

Mr. RAMSEYER. I will state to the gentleman that the bills I introduced both in this Congress and in the last Congress had for their purpose to increase estate taxes to provide for the payment of the national debt and adjusted compensation to the soldiers.

Mr. MURPHY. What is the gentleman's judgment as to whether any of the bills now before the House will do the very thing which both parties are pledged to do if they keep faith with the soldier?

Mr. RAMSEYER. Of course, my bill will help, and if we go as strongly as the British rates we can not only pay the adjusted compensation, but we will pay off the national debt in 20 years.

Mr. KINDRED. When does the gentleman hope to get his bill providing for soldiers' bonus up for passage?

Mr. RAMSEYER. Very soon; I intend to offer some amendments to this bill when it comes up for amendments.

Mr. KINDRED. I am for the gentleman's bill.

Mr. OLIVER of Alabama. Will the gentleman yield?

Mr. RAMSEYER. Yes.

Mr. OLIVER of Alabama. Does the gentleman in his bill make any difference between securities that are tax-exempt and owned by the decedent and those on which he has paid taxes during his lifetime?

Mr. RAMSEYER. I do not, but I know there are several bills pending having that object in view.

Mr. OLIVER of Alabama. If it is true, as has been pointed out, that great wealth is escaping taxation during the lifetime of the decedent by investing in tax-exempt securities does not the gentleman's study of the situation lead him to conclude that by placing a heavy graduated tax on that class of securities it might serve the purpose of unloading in the lifetime of the parties who make those investments?

Mr. RAMSEYER. I am not one of those who believes that there is anything immoral about tax-exempt securities. I know there is a tremendous prejudice against such securities now and that is partly induced by the propaganda from the Secretary of the Treasury.

However, I think it would be unwise to start the policy of taxing one class of property by an inheritance tax more than another just because at the time there happens to be a prejudice against that class of property. If we start that policy, it might be that next year or 10 years from now there will be a prejudice against railroad stocks and bonds, like there was 20 or 25 years ago. Then somebody might rise up and say, "We will get those fellows when they die and we will put an additional inheritance tax on that class of property." I think to start along that line now would greatly injure the objects for which estate taxes are imposed.

Gentlemen, I must conclude. In closing I call your attention to a few paragraphs from Mr. Carnegie's article, "My partners, the people," which reads as follows:

The people see how equivocally in many cases, how unfairly in others, fortunes have been made. Especially have the numerous failures of prominent men in official position to perform their duties properly deeply impressed them and produced a strong feeling of antagonism to wealth and millionaires as a class. * * * As wealth comes mainly from the community, it should be administered as a sacred trust by the temporary recipient for the public good. Property in one sense is a mere creature of the law. Whether the holder be permitted to bequeath it to his successors, and to what extent and how, are simply questions of policy for the people through the Government to determine. * * *

Funds collected by the Government from the estates of the millionaires at death would never be likely otherwise to be put to so good a use as the payment of Government expenditures, relieving the people in part from the burden of taxation. * * *

Meanwhile, as the masses become more intelligent, they may be expected to criticize and denounce the growth of fortunes which fail to contribute largely to the public good, and finally to insist that they shall be made to do so. The first step to this end should be heavy graduated death taxes upon wealth. * * *

Indications of alarm are sometimes seen regarding present conditions. Fears are expressed that a war of classes may arise. On the contrary, there are not but healthful signs in the awakening intelligence and deep interest of the masses in this problem.

In this you will note that Carnegie says, "As the masses become more intelligent" they will insist more and more on certain things being done, and the way to remedy the evil of which he speaks is to begin with "heavy graduated death taxes upon wealth." The intelligence of the masses has reached the point predicted by Mr. Carnegie. It is now up to the mem-

bership of this House to enact legislation demanded by the intelligent masses along the line that I have undertaken to outline this afternoon. [Applause.]

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

Mr. RAMSEYER. Mr. Chairman, I submit for printing in the RECORD a table showing the Federal estate tax brackets, the rates imposed by existing law, the rates proposed in the course of my remarks, and the approximate rates under existing inheritance tax laws of Great Britain.

Net value of estate.

	Existing law.	Proposed amendment.	Great Britain (approximate).
	Per cent.	Per cent.	Per cent.
\$50,000.....	1	1	4 to 7
\$50,000 to \$100,000.....	2	2	5 to 8
\$100,000 to \$150,000.....	2	3	9 to 10
\$150,000 to \$250,000.....	3	4	10 to 11
\$250,000 to \$450,000.....	4	6	12 to 14
\$450,000 to \$750,000.....	6	9	14 to 16
\$750,000 to \$1,000,000.....	8	12	18
\$1,000,000 to \$1,500,000.....	10	15	19 to 21
\$1,500,000 to \$2,000,000.....	12	18	22 to 23
\$2,000,000 to \$3,000,000.....	14	21	24 to 26
\$3,000,000 to \$4,000,000.....	16	24	27
\$4,000,000 to \$5,000,000.....	18	27	28
\$5,000,000 to \$8,000,000.....	20	30	30 to 33
\$8,000,000 to \$10,000,000.....	22	35	35
\$10,000,000 and over.....	25	40	40

Mr. Chairman, I also submit for printing in the RECORD a table showing the inheritance-tax rates of Great Britain under its acts of Parliament beginning August 1, 1894, and including the present rates, which went into effect July 1, 1919:

Estate duty is levied and paid upon the principal value ascertained of all property, real or personal, settled or unsettled, which passes on the death of every person dying after August 1, 1894.

Another duty called settlement-estate duty was imposed concurrently with estate duty from 1894 to 1914, first at the rate of £1 per cent and later at the rate of £2 per cent. Settlement-estate duty was abolished by section 14 of the finance act, 1894, in the case of persons dying after May 11, 1914.

Where the net principal value of the estate—		Rate of duty, per cent, where the death occurred—				
Exceeds—	And does not exceed—	After Aug. 1, 1894, and before Apr. 19, 1907. ¹	After Apr. 13, 1907, and before Apr. 20, 1909. ²	After Apr. 29, 1909, and before Aug. 16, 1914. ³	After Aug. 15, 1914, and before Aug. 1, 1919. ³	After July 31, 1919. ³
£100.....	£500	1	1	1	1	1
£500.....	1,000	2	2	2	2	2
£1,000.....	5,000	3	3	3	3	3
£5,000.....	10,000	3	3	4	4	4
£10,000.....	15,000	4	4	5	5	5
£15,000.....	20,000	4	4	5	5	6
£20,000.....	25,000	4	4	6	6	7
£25,000.....	30,000	4½	4½	6	6	8
£30,000.....	40,000	4½	4½	6	6	9
£40,000.....	50,000	4½	4½	7	7	10
£50,000.....	60,000	5	5	7	7	11
£60,000.....	70,000	5	5	7	8	12
£70,000.....	75,000	5	5	8	8	13
£75,000.....	80,000	5½	5½	8	8	13
£80,000.....	90,000	5½	5½	8	9	13
£90,000.....	100,000	5½	5½	8	9	14
£100,000.....	110,000	6	6	9	10	14
£110,000.....	130,000	6	6	9	10	15
£130,000.....	150,000	6	6	9	10	16
£150,000.....	175,000	6½	7	10	11	17
£175,000.....	200,000	6½	7	10	11	18

¹ Where the death occurred after the 8th of April, 1900, the following subsection of the finance act of 1900, dated Apr. 9, 1900, gives rise to rates of estate duty other than those referred to above, viz, to ½, 1½, 2½, and 3½ per cent: "Where settled property passes, or is deemed to pass, on the death of a person dying after the passing of this act, under a disposition made by a person dying before the commencement of Part I of the finance act, 1894, and such property would, if the donor had died after the commencement of the said part, have been liable to estate duty upon his death, the aggregation of such property, with other property passing upon the first-mentioned death, shall not operate to enhance the rate of duty payable either upon the settled property, or upon any other property so passing, by more than ½ per cent in excess of the rate at which duty would have been payable if such settled property had been treated as an estate by itself." (63 and 64 Vict., c. 7, sec. 12 (2).)

² The finance act, 1907 (sec. 16), provides that in cases of persons dying on or after the 19th of April, 1907, any settled property which would, under subsection 2 of section 12 of the finance act, 1900 (see note 1 above) be aggregated with other property so as to enhance the rate of duty to the limited extent provided in that section, shall for the purposes of the principal act (finance act, 1894), instead of being so aggregated, be treated as an estate by itself.

³ The amount of duty is, where necessary, to be reduced so as not to exceed the highest amount which would be payable at the next lower rate plus the amount by which the value of the estate exceeds the value on which the highest amount of duty would be so payable at the lower rate.

Where the net principal value of the estate—		Rate of duty, per cent, where the death occurred—				
Exceeds—	And does not exceed—	After Aug. 1, 1894, and before Apr. 19, 1907.	After Apr. 13, 1907, and before Apr. 20, 1909.	After Apr. 29, 1909, and before Aug. 16, 1914.	After Aug. 15, 1914, and before Aug. 1, 1919.	After July 31, 1919.
£200,000.....	£225,000	6½	7	11	12	19
£225,000.....	250,000	6½	7	11	12	20
£250,000.....	300,000	7	8	11	13	21
£300,000.....	350,000	7	8	11	14	22
£350,000.....	400,000	7	8	11	15	23
£400,000.....	450,000	7	8	12	16	24
£450,000.....	500,000	7	8	12	16	25
£500,000.....	600,000	7½	9	12	17	26
£600,000.....	750,000	7½	9	13	18	27
£750,000.....	800,000	7½	10	13	18	27
£800,000.....	1,000,000	7½	10	14	19	28
£1,000,000.....	1,250,000	8	10½	15	20	30
£1,250,000.....	1,500,000	8	10½	15	20	33
£1,500,000.....	2,000,000	8	10½	15	20	35
£2,000,000.....	2,500,000	8	10½	15	20	40
£2,500,000.....	3,000,000	8	10½	15	20	40
£3,000,000.....	.....	8	10½	15	20	40

¹ On £1,000,000.

² On the remainder.

Mr. COLE of Iowa. Mr. Chairman and gentlemen of the House, I had hoped to be given an opportunity to vote for what has been called the Mellon plan of tax revision and reduction. I have been ready, and I am still ready, to vote for it straight. I do not believe that we shall find for it a substitute that will either satisfy the people or serve their welfare so adequately.

I had hoped also that this Congress would distinguish itself by enacting a revenue law based on economic truth and not on political considerations. My understanding is that overtures were made across the aisle to frame such a bill, a bill based on the business needs of the country and not on the need of votes for ourselves in the pending political campaign. For one, I have been willing, and I am still willing, to vote for such a bipartisan or nonpartisan bill, waiving all party credit or advantage. Out of the combined intelligence and patriotism of this House I believe we had an opportunity to serve the country as it had never before been served in the making of a revenue law.

But the reply to these overtures has been a double negative. The Democrats met and under their two-thirds rule bound all their partisans to a bill that was shaped for party advantage, as they see it. Later, those who have on many vital matters separated themselves from the Republican Party framed a third bill, shaped according to the political exigencies as they view them.

In these dissenting measures we have been given an exhibition of competitive bidding for popular favor and for votes. The so-called Mellon plan was worked out by experts, by men who have been administering revenue laws and who have studied finance scientifically. They have had regard for revenue requirements and also for business development.

The rates they proposed, when published, met with such instantaneous and universal approval that they aroused envy. The political wise men thereupon decided that something must be done to discount this popularity, lest it should inure to the benefit of the party in power.

The Democratic leader on the Ways and Means Committee therefore undertook to frame a bill in the form of a bid for even greater popular favor. To this end he proposed further reductions in the normal income rates, but did so without due regard for the Government's need of revenues. Not to be outdone in such competitive bidding, a group of insurgents, so called, framed a bill with still lower normal income-tax rates.

But to cap it all, a United States Senator, one who is talked of as a candidate for the nomination for President of the United States, came forward with the most extraordinary competitive bid of all. He proposed to exempt from all Federal taxation all those "poor taxpayers" whose incomes fall under \$5,000 a year net, regardless of the fact that a man who has such an income may hardly be regarded as "poor," and ought properly to contribute something to the support of the Government under whose flag he is privileged to live in peace and prosperity. [Applause.] I submit that this astute Senator has outbid all his rivals in this mad political competition for popular favor and for votes.

These processes may more properly be described as vote making than as tax-law making.

Coupled with these competitive bids for the favor and the votes of the so-styled "poor," we have had an exhibition of competitive bidding in the popular political pastime known

among us as "soaking the rich." The Mellon plan "soaked" these predatory "pirates and parasites" only 25 per cent, plus a normal income tax of 6 per cent, making 31 per cent in all. But to the political bidders, taking almost one-third of some men's incomes was not enough. So in a spirit of reckless competition the Democrats bid it up to 44 per cent, plus 6 per cent normal income tax, making 50 per cent in all. And the "insurgents" promptly made a higher bid, that of 50 per cent surtax, plus 6 per cent normal income tax, making a total of 56 per cent. What the Senator with presidential aspirations, playing a lone hand, may bid in this direction has not yet been revealed. The country waits breathlessly to hear the movements of his mind.

We have thus an exhibition of competitive sops for the poor and competitive penalties for the rich, and here in this august House of Representatives we call this tax-law making. Is it not more a political farce comedy of such serious import that it borders on tragedy?

In passing, I wonder why the competitive bidders stopped at 50 or even 56 per cent. Their competitors in Russia have dared to take 100 per cent of income, and they have included the capital of the victims in their magnificent political adventure. I wonder why their emulators in this country lack the courage expressed in 100 per cent? Why be a fraction when one can be the whole unit?

The Treasury experts have tried to demonstrate by facts and by figures that these higher surtaxes are uneconomic; that they handicap business, while they yield less in revenue than would lower taxes. They have satisfied all reasonable men that these high taxes are unsound and unproductive as to revenues for the Government. But I did not need such arguments to determine my vote on them. To me such taxes are politically immoral. I do not believe that we have the right to use the power of taxation for the confiscation of either property or the income of property. [Applause.] The power to tax is the most arbitrary and drastic power reposed in governments. It is a power so great that it should never be used unjustly, certainly not against the poor, and not even against the rich. It should always be used to create and not to destroy. Nor should it ever be used to discourage thrift or enterprise.

All taxes should be levied on all property or incomes as nearly alike as possible, with only such reasonable gradations as may be based on ability to pay, so that wealth first of all and most of all shall be made to bear its proportionately just share of the public burdens.

We are told that these semiconfiscatory taxes are proposed in the name of the people and that their purpose is to promote the welfare of the people. I do not believe this. I venture so far as to deny it. The people of my district are not going to be benefited by reckless taxes recklessly levied and to be as recklessly distributed, if not wasted, by extravagant political spenders. On the contrary, in the end the people of my district will suffer injury from these excessive taxes on capital and industry in the form of higher interest rates and higher prices for all they have to buy.

Let us not try to deceive the people longer or further, nor to deceive ourselves in their name. The people have grown more tired of political promises and political "bunk" than they are of even political taxes.

What the people on the farms are suffering from most of all at this time is the fact that they have to pay more proportionately for what they have to buy than they receive for what they have to sell. And they are becoming wise enough to see and to know that these high prices they are paying have some relation to the excessive taxes that are being laid on capital and industry.

A quarter of a million people live in the district which I have the honor to represent in this House. The fifth district of Iowa is a typical mid-western district. That means that it is a typical American district. It is composed of seven counties, all of them intensively agricultural, with diversified farming intelligently developed and that to the highest degree. In two of the counties we have developed wholesale business and manufacturing to a like degree.

Since the Mellon plan was published I have received hundreds of letters from my district. These letters have been written by men and also by women in all the walks of life—by farmers, by laboring men, by business men, by railroad men, and by manufacturers. In not one of these letters have I found a single protest or even objection expressed to the Mellon plan. But, on the contrary, in hundreds of these letters the plan has been commended and I have been congratulated on my oft-expressed adherence to it.

Mr. WATKINS. Will the gentleman yield for a question.

Mr. COLE of Iowa. Yes.

Mr. WATKINS. What percentage would you say of all the voters or of all the people living in your district would the hundreds of letters you have received represent?

Mr. COLE of Iowa. Not a large percentage.

Mr. WATKINS. Probably less than 1 per cent?

Mr. COLE of Iowa. I would think so.

Mr. WATKINS. In other words, you have not heard from 99 per cent of the people in your district?

Mr. COLE of Iowa. No; but I assume that those who had any objections to this plan would have taken means of letting me know about them.

Mr. WATKINS. They will in November.

Mr. BLANTON. Would the gentleman mind another interruption?

Mr. COLE of Iowa. I yield.

Mr. BLANTON. As the gentleman knows, I am against Bolshevism.

The CHAIRMAN. The gentleman yielded for a question and not for a speech.

Mr. BLANTON. Did I understand the gentleman to say that anyone who would vote for a 50 per cent surtax would be a Bolshevik?

Mr. COLE of Iowa. No; I did not.

Mr. BLANTON. Or a half Bolshevik—I was following the gentleman's language pretty closely and that was the meaning I got.

Mr. COLE of Iowa. I would not make the statement as broad as that, but I do say that as you approach 100 per cent confiscation of either property or the income of property, that you do approach Bolshevism or the principles of Bolshevism.

Mr. BLANTON. I wanted to remind my friend from Iowa that if he took that position he would immediately convict 94 Republicans who voted for this 50 per cent surtax in the last Congress of being half Bolsheviks.

The CHAIRMAN. The gentleman from Texas will be in order.

Mr. COLE of Iowa. The men who voted for a 50 per cent surtax do approach the Russian standard of government. [Applause.] I will go that far.

Mr. KINDRED. Will the gentleman yield?

Mr. COLE of Iowa. Yes.

Mr. KINDRED. The gentleman is making an excellent address, and I have listened to him with great pleasure, and I was especially interested in the active canvass he has been able to make of his district. Has the gentleman heard from a very large percentage of those who have written to him that they not only favor the Mellon plan, but that they also favor adjusted compensation or a soldiers' bonus?

Mr. COLE of Iowa. I think a majority of the people in my district favor the adjusted compensation bill, and I am going to vote for it as I have before.

Mr. KINDRED. Good; so am I.

Mr. COLE of Iowa. This attitude of approval on the part of the people of my district I believe is due to the fact that they believe that the rates proposed in what is now known as the administration bill are fair and just to all alike; that they will relieve in a reasonable measure the small taxpayers of their burdens, and that they will set free the now handicapped forces of capital to undertake new enterprises and to give new impetus to industrial development. In other words, my constituents believe in promoting prosperity, and they believe that the proposed tax revision and reduction will promote the prosperity in which they believe and which they desire.

I have never found that the people of my State prospered unless the people of the whole country prospered. Prosperity is not something that can be permanently local, or that can be confined to a class. It must be general, and it must be universal. We share alike in prosperity, and suffer alike in adversity.

When the factories are running full blast and business is booming the country over, we never are called upon to pass calamity resolutions in the agricultural States.

If you want to help the men who toil on the land under the sun and who in the sweat of their faces feed the Nation and help feed the world, then pass laws that will develop the industries of the country and not laws that will depress them. Pass laws that will give employment to labor at good and even high wages, so that men who labor may consume and pay like high prices for the products of the farms.

No law that drives capital out of productive industry and into tax-exempt securities and that drives business into cyclone cellars has ever helped a man on an Iowa farm.

If you want to relieve the Middle West, where agricultural production is most centered, then relieve also the industrial centers where consumption of food products is the greatest, and the way to relieve them is to set free the capital that is now

handicapped by excessive taxation and invite it back into productive industries.

I know of no higher service that I can render my constituents by my utterances or by my votes in this Chamber than to speak and vote for such laws as will increase and multiply the business and industrial activities in all the great centers of our Nation. When labor is well employed at the highest wages possible, and when capital finds encouragement and remuneration, I know that my constituents will share in the general welfare and prosperity.

Men in politics and in Congress may conjure with the words "poor" and "rich," but they shall do so in vain in the face of the popular approval that has been given to the plan of tax revision and reduction which, unfortunately for the country, is now confronted with what looks like an inevitable combined opposition in this House.

In conclusion let me say for myself that I have no other desire or thought than to serve not only my constituents but my State and Nation to the best of my abilities. I have no other motive or purpose. And in such service I include my advocacy of the bill which probably will not be passed in this session of Congress. But it is within my view and prediction that if the people are denied the relief and the encouragement that I believe are embodied in this bill, that they will elect a Congress that will give them what they want and what they need.

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

Mr. COLE of Iowa. Yes.

Mr. MURPHY. The gentleman has given this tax measure very close study, and I would like for him to tell the House whether in his judgment it will produce revenue enough to take care of the adjusted compensation for the soldiers.

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

Mr. BLANTON. Mr. Chairman, I ask unanimous consent that the gentleman's time be extended in order that he may answer the stereotyped question.

Mr. MURPHY. That is very kind of the gentleman from Texas, but I can take care of myself. Will the gentleman answer my question?

Mr. TILSON. I yield the gentleman from Iowa one more minute to conclude.

Mr. COLE of Iowa. I will answer the gentleman's question by saying I am in favor of the adjusted compensation bill.

Mr. MURPHY. Thank you.

Mr. COLE of Iowa. And I am not going to change my mind on that.

The words Republican and Democratic should not have been heard in this Chamber during the consideration of this revenue measure. The phrases "my constituents" and "your constituents" should have been merged into the larger phrase "our country." We should not meet in this Chamber to make a political game of the welfare and the prosperity of 110,000,000 people. We should sit here as business men and not as politicians. We should not gamble with other people's stakes. We should not risk in our petty game of politics what has been intrusted to us. We should sit here as trustees and as administrators of the property of all the people. [Applause.]

Mr. TILSON. Will the gentleman use some time on that side?

Mr. COLLIER. Mr. Chairman, I yield 20 minutes to the gentleman from Missouri [Mr. MAJOR].

Mr. MAJOR of Missouri. Mr. Chairman and gentlemen of the committee, there is only one issue before the House at this time, and that is the proper plan of reduction; that is, just how the reduction is to be made. There seems to be two views before us—one which has been called the Mellon plan and the other the Garner plan. The Mellon plan proposes to make reduction by reducing the rate on large incomes and the Garner plan by practically leaving the rate on large incomes where it was placed by you gentlemen on the Republican side of this House in the Sixty-seventh Congress, and to give the benefit of the reduction that is to be made to the smaller taxpayers and the payers of taxes on earned incomes. The one proposes in substance to reduce the tax on the wealth of the country 50 per cent and the other to reduce the tax of the small taxpayer 50 per cent. On this proposition the alignment is where it has ever been—where the interests of the wealth of this country are arrayed on one side of a question and the interests of the masses on the other. We find the GRAND OLD PARTY, as we have always found it, championing the cause of the wealth and the interests, and the Democrats and Progressives of this House battling for the great masses. Arrayed on the one side we find the metropolitan press, largely controlled by these

same interests and ably assisted by a well-planned propaganda, the extent of which I have never known in this country. Papers, magazines, letters, telegrams, and all other forms of propaganda are being sent here by the ton. I do not believe that I misstate the facts when I say that many of these letters are from people who have never seen and know nothing of the plan about which they write, yet request us to support. Whole pages of metropolitan papers are devoted to the advocacy of the Mellon plan. Letters already prepared, and stamped and directed envelopes, are furnished to our constituents for this purpose.

There is now being conducted by the Literary Digest what they are pleased to call a poll "on the Mellon plan for tax reduction." I understand that ballots have been sent to 15,000,000 citizens to get their views as to whether they "favor the Mellon plan" or "oppose the Mellon plan," and from the issue of February 16, in which is set forth the table of votes received up to and including February 1, 1924, there is not a State in the Union but what a majority has not voted for "the Mellon plan for tax reduction." In view of this remarkable showing would it be amiss to ask the question: "Were these people voting for any particular plan for tax reduction or just for tax reduction?"

We all agree that the taxes of which the great masses of people are complaining are ad valorem taxes and not income taxes; the taxes that are levied by cities, counties, and States on lands, buildings, and personal property, and not Federal taxes. Congress has no control whatever over ad valorem taxes, and they must be paid without regard as to whether the taxpayer is prosperous or insolvent. The taxes with which we are now dealing—Federal taxes, the only taxes contemplated by this bill—are the income taxes and surtaxes, and these taxes are only paid when the citizen is prosperous. If he is unsuccessful and makes no gain he pays no direct taxes to the United States. On the other hand, if he is successful he is taxed in proportion to his net profit. If a poll was to be taken would it not have been better to have sent the ballots to the payers of income taxes together with the two plans now before us and asked for a choice? In answer to this it might be said they could not get a list of income-tax payers. They could at least have accompanied the ballot with a query as to whether or not the recipient was an income-tax payer; and if so, which plan he preferred? If this question had been propounded to the payers of these taxes together with the two plans the result of the poll would have been far different, and properly so, from what is now shown. The people are for tax reduction and it was for tax reduction they were voting and not for the Mellon plan or any other plan. It is safe to say that not 1 in 10 who voted for the proposition ever read the Mellon plan—a bill of 242 pages—and not one in a thousand of those who expressed a preference in this poll ever compared the Mellon plan with the Garner plan. Return postage accompanied these ballots and postage took them to their destination. At least 1 cent was required each way, and 2 cents postage for 15,000,000 letters cost somebody \$300,000. Who paid it? And it would not be amiss to ask who has been paying for the pages in the metropolitan papers and magazines, advocating the passage of the Mellon plan, and for the stationery and stamps on the specially prepared letters we have been receiving, urging us to adopt the Mellon plan.

The President in his New York speech a few days ago, in advocating the passage of the Mellon plan, said:

Surtaxes increase progressively until on an income of \$100,000 or more they reach a maximum of 25 per cent, which, with the normal tax of 6 per cent, make large incomes pay in all 31 per cent.

This statement to the layman or to anyone who has not examined carefully the rates and provisions of the income-tax law as it is now written, of either the Mellon plan or the Garner plan, is very misleading because it gives the impression that the 31 per cent is to be taken on the lump amount of \$100,000, whereas, under the Mellon plan, a married man with two dependent children, with an income of \$100,000, after deducting his exemptions of \$2,800 would have \$97,200 income subject to normal tax. Four thousand dollars of this would be figured at 3 per cent, making \$120; \$93,200 at 6 per cent, making \$5,592, or a total normal tax of \$5,712. Then the \$100,000 at the various surtax rates would amount to \$14,080 surtax; total normal and surtaxes, \$19,792, or 19.7 per cent of total income of \$100,000, and not 31 per cent as the President would have us believe. This estimate does not include the probability that a part of this \$100,000 income was derived from dividends, which if true, would not be subject to the normal tax, or the probability that a part of this \$100,000 was

earned income, which, if true, would be subject to the reduction given to earned incomes.

The President in this same speech, in illustrating the iniquities of high surtax rates and the result upon national development, said:

If we had a tax whereby on the first working day the Government took 5 per cent of your wages, on the second day 10 per cent, on the third day 20 per cent, on the fourth day 30 per cent, on the fifth day 50 per cent, and on the sixth day 60 per cent, how many of you would continue to work on the last two days of the week? It is the same with capital. Surplus income will go into tax-exempt securities. It will refuse to take the risk incidental to embarking in business.

The illustration given is misleading and entirely loses sight of the fact that the progressive surtax increases with the net income. His illustration proceeds on the theory that your wages would remain the same for the first, second, third, fourth, fifth, and sixth days of the week, whereas, either under the law as it now exists, the Mellon plan, or the Garner plan, the rate increases only as the net income increases. Then, again, in this same speech he said, in attempting to bring the people around to the Mellon plan, that—

the high prices paid and the low prices received on the farm are directly due to our unsound method of taxation.

Why the "our"? To this I will revert a little later—

I shall illustrate by a simple example. A farmer ships a steer to Chicago. His tax, the tax on the railroad transporting the animal, and of the yards where the animal is sold go into the price of the animal to the packer. The packer's tax goes into the price of the hide to the New England shoe manufacturer. The manufacturer's tax goes into the price to the wholesaler, and the wholesaler's tax goes into the price of the tax to the retailer, who in turn adds his tax in his price to the purchaser; so it may be said that if the farmer ultimately wears the shoes, he pays everybody's taxes from the farm to his feet.

What a wonderful discovery! I wonder why the Republicans in the Sixty-sixth Congress did not make this most astounding discovery. I wonder why the Sixty-seventh Congress, also Republican, did not see what the cause of the trouble was to the farmer; the low prices he has been receiving for his produce and the high prices he has been compelled to pay for what he bought all caused by making the wealth of this country pay its proportionate share of these taxes. And this speech was made on Lincoln's birthday—that great American who, if I am not mistaken, said:

You can fool all of the people part of the time and part of the people all of the time, but you can't fool all of the people all of the time.

It reminds me of a campaign back in Missouri when I was a boy. There were several candidates running for Congress. Colonel Bush, of Saline County, was making a speech, and in this speech he was telling something on Col. John T. Heard, who was then a Member and a candidate for reelection. Heard stood it as long as he could, and, becoming excited by Bush's statement, he got up and, shaking his finger in Bush's face, said, "Colonel Bush, I brand that statement as an infamous lie." Thereupon Colonel Bush replied, "John, that is what I have been telling them all the time, but, gol darn it, they won't believe me." I will not dwell on the statement further, for I really do not believe the President expected the American people to take this statement seriously. Although not a member of his party, if he wants to do something to help the farmers and the great masses of this country, I would advise him to send a special message to Congress directing them to take up and at once repeal the provisions of the Fordney-McCumber Tariff Act, which compels them to pay tribute to the great manufacturing interests of this country for everything they have to buy.

Notwithstanding all misleading statements and the propaganda to which I have heretofore referred, the people of this country are not fooled, but know exactly the issues herein involved. To illustrate this I will read a letter recently received from one of my constituents in Polk County, Mo.:

BOLIVAR, MO., January 30, 1924.

Hon. SAMUEL C. MAJOR, M. C.,

Washington, D. C.

DEAR SIR: I am writing you to let you know what an old farmer way out in the sticks thinks of the tax-reduction propositions before Congress. I understand we (farmers) pay all taxes and profits. We are told the income tax is collected off the people, which we all admit. That being true—first, Why are they so anxious to have the tax reduced? Second, Why won't they collect the same amount off the dear people, after the reduction is made, as they did before it was made and stick all the reduction in their pockets? When you reduce the income tax you add that amount to the farmer's burden. That the farmers are in a strait all admit. How can you expect a

farmer to prosper when he has to sell in a world market and buy in a protected market? Increase the income and surtax, so you can pay a good big bonus. I don't care what you do with this letter.

JAMES W. JOHNSON,
A Constituent.

This letter is from, as he himself says, an old farmer way out in the sticks. I further desire to quote from the preface of the latest edition on "Income Tax Procedure, 1924," by Robert H. Montgomery, C. P. A., of Lybrand, Ross Bros. & Montgomery, attorney at law; former president American Association of Public Accountants; professor of accounting, Columbia University, the following extract:

But Congress pays no attention to resolutions calling for reduction in taxes when the resolutions emanate from a few who pay most of the taxes. The chief reason for this inattention is that most resolutions are highly inconsistent. The big taxpayer always claims that he represents the best interests of the little taxpayer. He says, "I really do not pay these high taxes; I pass them on to the ultimate consumer. Therefore it is to their interest that I be relieved." If he does not pay, net, the high taxes, why his constant solicitude to have them reduced? It may be treason, but I suspect the big fellow wants his taxes reduced and also hopes to continue his profits, which he believes will be taxed at the lower rates. I am sure that the little fellow is afraid of that very contingency and sees much merit in high rates, some of which are not passed on.

The letter from the farmer way back in Missouri and the extract from the preface of one of the most noted authorities on income tax law and procedure in the United States, a resident of New York, have the situation sized up exactly alike, and that is that the payers of large income taxes, even if they were successful in securing the reduction in the rates for which they are contending, would in their judgment simply put the reduction in their pockets and continue their profits.

I do not understand all this talk about the payers of high surtaxes not paying their taxes. It seems that there ought to be some way to compel these taxpayers to pay as well as there is a way to compel the small taxpayer to pay.

The gentlemen on the other side of this aisle during the last three years have had control of both the Senate and House of Representatives as well as the President of the United States. You had the power to enact any legislation that you may have deemed of benefit to the American people, and the power to repeal any acts which you thought detrimental to the people of this country. You either did not know what was for their benefit and interest, or, knowing, did not see fit to enact such legislation. You must take one horn or the other of the dilemma. At the opening of the Sixty-sixth Congress you had a majority in both the House and Senate, and the President of the United States, Woodrow Wilson, urged upon you to pass a tax reduction bill, using the following language:

And credit and enterprise alike will be quickened by timely and helpful legislation with regard to taxation. I hope that the Congress will find it possible to undertake an early reconsideration of Federal taxes in order to make our system of taxation more simple and easy of administration, and the taxes themselves as little burdensome as they can be made and yet suffice to support the Government and meet all its obligations. * * * The main thing we shall have to care for is that our taxation shall rest as lightly as possible on the productive resources of the country, that its rates shall be stable, and that it shall be constant in its revenue yielding power. We have found the main sources from which it must be drawn. I take it for granted that its mainstays will henceforth be the income tax, the excess-profits tax, and the estate tax. All these can so be adjusted to yield constant and adequate returns and yet not constitute a too grievous burden on the taxpayer.

You made no move in this direction, but, instead, busied yourselves with the creation of investigating committees, and at an enormous cost to the taxpayers of this country you searched high and low for evidence of fraud in the conduct of the war. You found no fraud, but the discovery you made was what everyone else knew—that the greatest war in the history of the world had been successfully conducted and won under a Democratic administration. In the Sixty-seventh Congress you not only had the Senate and House but the President as well, and what did you give to the people? You gave to the masses the Fordney-McCumber tariff act, which I am informed brings in an annual revenue to the Government of \$500,000,000 but at a cost of \$4,000,000,000 a year to the American people. You revised the tax laws; you passed a tax reduction bill, and had the absolute power to pass any kind of a bill that your imagination may have conceived. What did you do? You passed an act to repeal the excess-profits tax and cut down the surtax of the large taxpayer of this country from 65 per cent to 50 per cent, reducing the income of the Government approximately

\$511,000,000 annually and to the small income-tax payer you gave little relief.

I am glad to say there are some good provisions in the Mellon plan. I am very much in favor of tax reduction, but am not willing to go as far as Mr. Mellon has gone in reducing the taxes of the wealth of this country. I prefer the Garner plan:

Because under the Mellon plan the exemptions are only \$1,000 for single persons and \$2,500 for married persons, while under the Garner plan the exemptions are \$2,000 for single persons and \$3,000 for married persons;

Because the fixed normal rate under the Mellon plan is 3 per cent on amounts of \$4,000 and under, 6 per cent on amounts from \$4,000 to \$10,000, and 8 per cent on all amounts over \$10,000; while under the Garner plan the rate is 2 per cent on amounts of \$5,000 and under, 4 per cent on amounts from \$5,000 to \$10,000, and 6 per cent on amounts in excess of \$10,000;

Because under the Democratic substitute, or Garner plan, the Mellon earned-income proposal is extended to farmers, merchants, and tradesmen who invest in their business and personally conduct the same and thus derive their income, as well as incomes from professions, and entitles them to a reduction of 33½ per cent below the normal and surtax rates, while under the Mellon plan these same incomes only get a reduction of 25 per cent;

Because of the 172,519 income taxpayers in Missouri in 1921, 172,350 will receive a greater reduction in their taxes under the Democratic substitute, or Garner plan, than under the Mellon plan, while only 169 will receive a greater reduction under the Mellon plan than under the Democratic plan—172,350 benefited by the adoption of the Democratic plan, 169 by the adoption of the Mellon plan. I think these reasons sufficient to convince anyone as to which plan would be best for the country and should be adopted.

In conclusion, it appears to me, as I believe that it does to a majority of the people, that this proposal to make this radical reduction in the surtaxes as set forth in the Mellon plan was not so much with an idea of having it enacted into law as it was to show an appreciation of favors rendered in the past to the payers of these high surtaxes, and that the majority party of this House were really their friends and made an earnest effort to do all they could for them, so when the time arrives, as it will soon, for them to reciprocate, they will be ready and willing to come across this time with their campaign contributions as they did two years ago after the repeal of the excess-profits tax, the reduction of the surtaxes from 65 per cent to 50 per cent, and the passage of the Fordney-McCumber tariff act. They believe in reciprocity. [Applause.]

Mr. COLLIER. Mr. Chairman, I would like to know how the time stands.

The CHAIRMAN (Mr. SANDERS of Indiana). The gentleman from Texas has consumed seven hours and one minute and the gentleman from Iowa six hours and four minutes.

Mr. TILSON. Mr. Chairman, I yield to the gentleman from Massachusetts [Mr. TREADWAY] 30 minutes.

[By unanimous consent, Mr. TREADWAY was given leave to revise and extend his remarks in the Record.]

Mr. TREADWAY. Mr. Chairman and gentlemen of the committee, it is not my purpose to discuss at any length the intricacies of the bill before the House (H. R. 6715). The tax problem, under any circumstances, is the most intricate of governmental functions. The senior members of the Ways and Means Committee, as well as Members of the House who served during the World War, do not need to be reminded of the frantic efforts we made to reach all possible lines of taxation, both in the highest brackets of surtaxes, all direct taxes, and the miscellaneous or indirect taxes. The members of a strictly nonpartisan committee vied with each other to make these rates as high as possible and secure the greatest revenue for the emergency we faced. The resulting legislation, combined with the Liberty loans, furnished both ourselves and our allies with ample means.

There could have been but one result—namely, inflated prices and high cost of living.

In 1913 the per capita tax in this country was \$22.73. In 1922 it was \$64.63—an increase of nearly \$42 in taxation—resulting in \$4,000,000,000 of less available money in general circulation. We need no better illustration of the reason for high prices and the low value of the dollar.

In 1921 a partial revision of the revenue act of 1918 was made and such reductions adopted as seemed to meet the requirements at that time. Owing to the careful management of the Government's business affairs and the success of the Budget system, large savings have been made, and to-day it is no longer necessary to levy the taxes of 1921, which in the last

two years have produced an average surplus of nearly \$310,000,000.

The same nonpartisan spirit shown during the war period by the then minority in placing all necessary taxes on the people should now be followed by the present minority in a nonpartisan effort to reduce the taxation from the shoulders of the American people. The answer of the Democrats is the partisan debate that they have been conducting here for the past three days.

The President in his very able Lincoln Day address in New York on Monday night said:

Immediately upon my taking office it was determined, after conference with Secretary Mellon, that the Treasury should study the possibility of tax reduction for the purpose of securing relief to all taxpayers of the country and emancipating business from unreasonable and hampering exactions.

In referring to the recommendations now before us, the President further says:

They follow in their main principle of a decrease in high surtaxes, which is only another name for war taxes, the views of two preceding Secretaries of the Treasury, both of them Democrats of pronounced ability.

The President, in the course of his able and complete argument on taxation, used two illustrations which I think can not be too strongly emphasized, and I again quote:

An expanding prosperity requires that the largest possible amount of surplus income should be invested in productive enterprise under the direction of the best personal ability. This will not be done if the rewards of such action are very largely taken away by taxation. If we had a tax whereby on the first working day the Government took 5 per cent of your wages, on the second day 10 per cent, on the third day 20 per cent, on the fourth day 30 per cent, on the fifth day 50 per cent, and on the sixth day 60 per cent, how many of you would continue to work on the last two days of the week? It is the same with capital. Surplus income will go into tax-exempt securities. It will refuse to take the risk incidental to embarking in business. . . .

The high prices paid and low prices received on the farm are directly due to our unsound method of taxation. I shall illustrate by a simple example: A farmer ships a steer to Chicago. His tax, the tax on the railroad transporting the animal, and of the yards where the animal is sold go into the price of the animal to the packer. The packer's tax goes into the price of the hide to the New England shoe manufacturer. The manufacturer's tax goes into the price to the wholesaler, and the wholesaler's tax goes into the price to the retailer, who in turn adds his tax in his price to the purchaser. So it may be said that if the farmer ultimately wears the shoes he pays everybody's taxes from the farm to his feet. It is for this reason that high taxes mean a high price level, and a high price level in its turn means difficulty in meeting world competition. Most of all, the farmer suffers from the effect of this high price level. In what he buys he meets domestic costs of high taxes and the high price level. In what he sells he meets world competition with a low price level.

The desperation of the Democracy in their effort to defeat the bill under consideration is shown by the criticism that has already been hurled at the President of the United States for his thorough and complete explanation of the tax system in the presence of a very large audience and within the hearing of thousands of others throughout the country.

I can not conceive of a partisanship so blind as not to admit the validity of his argument.

The gentleman from Mississippi [Mr. COLLIER] yesterday made references to methods of procedure in the Ways and Means Committee. I had always supposed that committee matters were executive, but he having encroached on that requirement will justify me in doing the same to-day. My recollection of the happenings are somewhat different from his statement on the floor, and in order not to be unduly criticized for referring to committee happenings I am using the press accounts which I assume the gentleman will admit were fairly accurate.

The first knowledge the majority had that partisanship was to enter into the preparation of this bill was the publication of the Democratic substitute in the CONGRESSIONAL RECORD under date of January 7, which came from Mr. GARNER of Texas, and was presented by him, as he says, in behalf of himself and his associates on the committee, and which he labeled at that time as the Democratic tax proposals. He was asked in the committee by the chairman in effect whether changes in that program would be considered by his party associates, and he replied that he had seen nothing to cause him to change his views. In other words, we were told by the Democrats before the least consideration had been given to the normal or surtax questions that they, the Democrats, would

make a partisan issue of it, and now they have the effrontery to tell this House that the partisanship was inaugurated by the Republicans.

The manner in which they could have shown that they arose above partisanship would have been to cooperate in the preparation of the entire bill and in considering the normal and surtaxes. They were not politely asked to retire. They notified the Republicans that they had their measure and would not consider any changes therein.

Let me refresh the memory of the gentleman from Mississippi as to the exact circumstances by reading an extract from the statement given out by the chairman of the committee and which appeared in the public prints of January 31:

In accordance with the evident wishes of the people of this country the Ways and Means Committee has for several weeks been diligently at work upon a tax-reduction measure. The basis of consideration was the recommendations of the Secretary of the Treasury, and in his letter to the chairman presenting these recommendations the Secretary stated that the subject of tax revision was a nonpartisan one. That it ought to be so is obvious. The bill to date has been considered on a nonpartisan basis, and the Republican members are strongly of the opinion that this course should have been pursued to the end with the entire bill, including surtax rates. With this in mind the Republican members have refrained up to the present time from meeting as Republicans for the preparation of a schedule of income-tax rates on a party basis. On the other hand, the Democratic members of the committee have met as Democrats and as partisans, have prepared an income-tax schedule which they have presented to the country and Congress as the Democratic program, and have so labeled it in this statement which appeared in the CONGRESSIONAL RECORD of January 7.

If anything more was needed to make the attitude of the Democratic Members definite, it was settled by their failure to accept the Republican offer made at a committee meeting last week to take up the income-tax schedule in the full committee and consider it from a nonpartisan basis, with a view to reporting a bill to the House which should receive the support of both Democratic and Republican Members.

Our Democratic colleagues, having refused to consider our offer of compromise and having made it evident that they propose to support, unchanged, the so-called Garner plan, the Republican Members are, on their part, compelled to meet in separate conference in order to frame a schedule of rates for the bill to present to the full committee.

This statement is an accurate one of the circumstances, and is expressly used at this time for the purpose of keeping the record correct.

Mr. BLANTON. Would it interrupt the gentleman too much to ask him to answer a question?

Mr. TREADWAY. Not at all.

Mr. BLANTON. The gentleman intimates that the Democrats should be censured for proposing a plan. Does not the gentleman think when the Secretary of the Treasury proposes a plan and says that it must be passed without any changes, "without crossing a 't' or dotting an 'i,'" and the Democrats think that is not a proper plan—does not the gentleman think it is the duty of the Democratic members of the Ways and Means Committee to propose a better plan for the people? There is nothing wrong about that, is there?

Mr. TREADWAY. I most heartily agree with the gentleman that it was their duty, if they could, to propose a better plan, but they could not do it and they have not tried. They were working from a partisan viewpoint rather than for the benefit of the country. [Applause.]

Mr. BLANTON. We were up against what we deemed a partisan proposition when we were confined to the Mellon plan, and the Democrats patriotically proposed a better plan.

Mr. TREADWAY. The gentleman is mistaken; the Republicans were not up against it, nor were the Democrats. All we asked our Democratic associates was to sit in and revise if they saw fit, but they did not want to do that. On the 7th day of January the gentleman from Texas [Mr. GARNER] printed in the CONGRESSIONAL RECORD the statement which I have here headed "The Democratic substitute." They wanted partisanship, they threw down the partisanship gauntlet, and we took it up, and I am glad we did, because we got a better bill reported out of the committee than if they had stayed with it.

Mr. TAGUE. Will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. TAGUE. Is it not a fact that just as soon as the committee got through with the administrative part of the bill the chairman of the committee declared the meeting adjourned subject to the call of the Chair, and is it not also a fact that the gentleman from Illinois [Mr. RAINEY] asked the chairman of the committee if it was not the intention of the chairman

and the Republican members to take up the surtax proposition in the bill?

Mr. TREADWAY. I think the gentleman is correct in all but the last sentence: "The chairman declared the committee adjourned and left the room." The gentleman from Illinois [Mr. RAINEY] was on his feet very quickly urging consideration of an amendment he had previously suggested which had something to do with the administrative features of the bill. So far as I recall, he did not ask the general question that my colleague says he did, to take up the surtax. I want to remind the gentleman of a further incident that happened one week previous. We are now talking about committee matters; he has referred to an executive matter that was not public, and what I have referred to was in the public print. But we are encroaching on executive proceedings of committee work. What did occur was this: The week previous, as the chairman of the committee [Mr. GREEN] said in his statement to the press, Mr. GREEN directly asked the question of the gentleman from Texas [Mr. GARNER] if he would consider the surtax and the normal tax in the committee, or whether the Democrats intended to stand on the Garner Democratic substitute. There is the first partisanship. We did not inject the partisanship issue into the consideration of the bill.

Mr. TAGUE. Will the gentleman tell us what was Mr. GARNER's answer?

Mr. TREADWAY. I have quoted it once. He was asked in the committee by the chairman, in effect, whether changes in that program would be considered by his party associates, and Mr. GARNER replied that he had seen nothing to cause him to change his view.

In other words, he stood on the Garner substitute plan which had been printed in the RECORD January 7, and later 164 members of your party bound themselves by caucus to vote for it, whether they approved its provisions or not. If that is not partisanship, I do not know what is.

Mr. TAGUE. The gentleman wants to be fair?

Mr. TREADWAY. I do.

Mr. TAGUE. Is it not a fact that the only document we had before us and the only figures we had before us were the figures presented by the Secretary of the Treasury, and is it not a fact also that the bill the gentleman signed his name to is the identical bill without any change whatever?

Mr. TREADWAY. Oh, it is as different as darkness from daylight.

Mr. TAGUE. Except the excise taxes.

Mr. TREADWAY. The bill is no more like the original than daylight like darkness.

Mr. TAGUE. I refer to the surtax and the normal tax.

Mr. TREADWAY. The rates are as suggested, and I am glad they are, because the experience, advice, and information that has come to the committee and the debate on the floor that we have had for the past three days show by this means that a fair amount of the capital of the country will be encouraged and put into the channels of trade rather than tied up in tax-exempt securities.

Mr. TAGUE. If that is true, is it not also a fact that the gentleman and his associates entered that committee with one bill in view, with one only, and they have reported out that bill?

Mr. TREADWAY. No. We had the one bill, that is true. It was the one suggestion to which no one was bound, and there was no reason in the world why by argument and votes and the assistance of the Democrats, if they had acted in a nonpartisan way, those rates could not have been changed. We have not such a tremendous majority in the Committee on Ways and Means that we could control it in any way, no matter what happened. The Democrats wanted to play politics, and we called their bluff.

Mr. TAGUE. Oh, that is not so, and the gentleman knows it, unless he wants to claim that the chairman of the committee and the other members who have reported bills are playing politics too.

Mr. TREADWAY. Well, our kind of politics is going to be successful in this instance.

Mr. TAGUE. Oh, do not be so sure about that.

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

Mr. TREADWAY. With pleasure.

Mr. BLANTON. The gentleman admits that there is partisanship here. He says that it was brought in by somebody and he called the hand. He admits, therefore, that there is partisanship?

Mr. TREADWAY. Why, we had to call the hand. We would have been a bunch of chumps if we sat around here and let

the Democrats have all the partisanship. We only let them begin it. That is the difference between us.

Mr. BLANTON. According to the gentleman's own statement there is partisanship. Then this must be the situation: There is the partisan Republican Mellon bill and there is the partisan Democratic Garner bill. The gentleman seems to be pretty much exercised about the possibility of his bill not passing. It has not appealed to either the Republican Members or to the Progressive Republican Members on his side of the House. The gentleman's Republican Party is in charge of the committees and of the House, and yet he can not pass his bill.

Mr. TREADWAY. I shall make a little reference to that last statement later in my remarks, if I have the time. I merely wish to call the gentleman's attention to the letter sent to the gentleman from Iowa [Mr. GREEN] in November in reference to this very matter of partisanship.

Mr. GREEN of Iowa. The date of the letter is the 10th of November.

Mr. TREADWAY. Yes; this is the right one that I have here. I shall insert it in the RECORD, because I do not want to take all of my time in looking through it to find the particular portion that I want. The purport of Mr. Mellon's statement was that it was for the benefit of all of the people of the country; that the same thought had been recommended by the two previous Secretaries of the Treasury, and there was no partisanship in the measure of any kind. And there was not until it was injected by the Democratic minority.

The extract from Mr. Mellon's letter to which I refer is as follows:

The readjustment of the surtaxes, moreover, is not in any sense a partisan measure. It has been recommended, on substantially this basis, by every Secretary of the Treasury since the end of the war, irrespective of party. The present system is a failure. It was an emergency measure, adopted under the pressure of war necessity, and not to be counted upon as a permanent part of our revenue structure. For a short period the surtaxes yielded much revenue, but their productivity has been constantly shrinking, and the Treasury's experience shows that the high rates now in effect are progressively becoming less productive of revenue.

Mr. GARNER of Texas. Mr. Chairman, will the gentleman yield for a question?

Mr. TREADWAY. I shall be very glad to yield if I can have some more time.

Mr. GARNER of Texas. I just came in in time to hear the gentleman say that the arguments developed so far and the views before the committee justified only the rates inserted in the bill by the gentleman and his 10 colleagues—the so-called Mellon rates. I wonder if the gentleman is going to adhere to those rates.

Mr. TREADWAY. I will agree to adhere to them if the gentleman will help us pass them for the benefit of the whole people of the country.

Mr. GARNER of Texas. I just wanted to know if the gentleman was going to stick to what he thinks is the proper rate. Is the gentleman going to insist on the 25 per cent surtax?

Mr. TREADWAY. Yes. If by my vote I can pass the 25 per cent surtax rates, I shall stick to them until my term in Congress expires.

Mr. GARNER of Texas. I hope the gentleman will do that.

Mr. TREADWAY. Of course, the gentleman from Texas thinks that one way of killing the bill and not getting anything worth while for the American people is to try and have the 44 per cent of the Garner plan. That is what the gentleman wants to accomplish by looking for a cleavage among the Republican membership. The gentleman is an astute politician, and we are proud of him. While we do not like his style, yet his methods are perfectly justifiable.

Mr. GARNER of Texas. Does the gentleman speak for the President when he says that he will veto the bill?

Mr. TREADWAY. I speak only for the Representative of the first district of Massachusetts, and if the gentleman from Texas could see the sentiment that has been aroused in behalf of this legislation by the voters of the first district he would hesitate to think that there is the least chance for success of any candidate favoring his rates either in the State or district.

Mr. GARNER of Texas. That might be true.

Mr. TREADWAY. I am speaking only for myself. Do not confuse me with either my colleagues or anyone else.

Mr. GARNER of Texas. But the gentleman has said that if these rates were inserted that he speaks of the President would veto the bill.

Mr. TREADWAY. Oh, I never made any statement referring in any way to the attitude of the President on this bill.

Mr. GARNER of Texas. I am very glad to hear that the gentleman thinks he will sign it.

Mr. TREADWAY. The gentleman should not put words in my mouth. I do not see where I would ever get any authority to speak for the President. Let me further say, as I said a few days ago in making another speech, and I repeat what I then said, if there is one man in this country to-day who is able to speak for himself it is the present occupant of the White House. He does not need any gentleman here on the floor to look after him.

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

Mr. TREADWAY. Yes.

Mr. BANKHEAD. In the event that the Committee of the Whole should adopt the Garner plan, which now appears to be quite likely—

Mr. TREADWAY. Oh, we do not admit any such thing. I can not answer the gentleman's question, because I do not agree with his premise.

Mr. BANKHEAD. And the bill comes back to the House with the Garner plan, will the gentleman vote for it or against it?

Mr. TREADWAY. Let me see; how far off is that bridge?

Mr. BANKHEAD. Oh, about a week.

Mr. TREADWAY. All right. Next week will be ample time to find out whether we are going to cross that bridge or not. In the first place, I do not know whether that bridge is there, and in any event next week will be ample time to find out whether we are going to cross it or not.

Naturally there are disappointments in the bill. This is always the case in any extensive legislative procedure. There are a number of changes that I personally would have been glad to see made. The gentleman from Texas [Mr. GARNER] called attention to some of the miscellaneous taxes which he would have written differently. I agree with him in only one instance.

Mr. GARNER of Texas. I congratulate the gentleman.

Mr. TREADWAY. He knows as well as the rest of the committee that the reason for removing the tax on bowie knives, dirks, and other similar articles was not that they happened to be made in any particular section, but that the inconvenience and trouble of collecting the tax was greater than the revenue yielded. I would join him in removing the tax on parts and accessories of automobiles when they are replacements. I would also be glad to see the farmer's truck, with which he delivers the produce of his own farm to market, relieved of taxation. I confess, however, inability to draft proper provision for accomplishing these purposes. The idea of removing the entire automobile tax, in order to accomplish the purpose I have just referred to, is illogical. A number of miscellaneous taxes were removed that directly affected business production, but this, of course, can not be argued in favor of removing the automobile tax.

The greatest disappointment of the bill to me is the failure to bring about simplification. Section 1327 of the act of 1921 established a board, known as the Tax Simplification Board. Its duties were defined in paragraph D as follows:

It shall be the duty of the board to investigate the procedure of and the forms used by the bureau in the administration of the internal revenue laws and make recommendations in respect to the simplification thereof. The board shall make a report to the Congress on or before the first Monday of December in each year.

When this section was drafted it was the expectation of the committee that, as a result of this investigation, very marked changes would be possible in both the phraseology of the law and particularly in the forms used by the public in making their returns. Forms will be considerably simplified, not as a result of any recommendation of this board but automatically through the changes we have suggested in the bill before the House. The report this commission made in a letter to the Speaker of the House of Representatives on December 3, 1923, shows the board took its job altogether too seriously, and instead of simplifying the forms of the taxpayer, enters into a long discussion and recommends legislation entirely outside of its province. But aside from the failure of this board to properly interpret the section under which it was established other reasons can be readily given why in its general nature a tax return must be complicated. The present bill is the outgrowth of the language of the acts of 1913, 1918, and 1921, together with departmental regulations and interpretations on these acts. If the experts of to-day were writing a new law I am confident the language would be simpler and easier to understand.

But I am sorry to say it will not be materially simplified in phraseology above the \$5,000 mark. The board, I claim, far

overreached itself in what it conceived to be its duty under the proposed legislation. What we wanted was to satisfy the mind of the taxpayer, when he made out his return, that he was making an honest return and that the report was as simple as it could be made. One reason why this can not be accomplished is that the present law is the result of the original act of 1913, as amended in 1918 and again amended in 1921, and both the phraseology of the law and the regulations of the department have naturally brought about complications which we could not overcome. I feel certain that had the experts who assisted in the drafting of this bill had the original problem before them, it would have been solved in satisfactory form. As I say, I asked the expert, Mr. Gregg, one of the most intelligent gentlemen I have ever had the pleasure of meeting, if he would not translate into simple Yankee English the provisions we were then reading. He said, "I regret it is impossible to put that into plain English." That explains the difficulty of making a simplified report.

In view of this situation, the many lawyers and expert accountants need not feel the phraseology of the 1924 act will deprive them of a profitable livelihood.

Certain parts of the speech of the gentleman from Texas [Mr. GARNER] would indicate that he considered it a crime to reduce to any appreciable extent the surtaxes. He said it was his deliberate judgment that it was the purpose of the Secretary of the Treasury to break down the progressive surtax system. How is it he overlooked the fact that two former Democratic Secretaries of the Treasury, as well as President Wilson himself, have advocated this change? His efforts to hurry the legislation would be amusing if not so far-fetched. He kindly told us that he and his colleagues were anxious to cooperate with us. If there was this tremendous anxiety on his part his cooperation can still be exhibited by withdrawing the so-called Garner plan gotten up for purely partisan purposes.

The demagogic howl to put the burden on the rich is fine. I am almost disposed to think I possibly would subscribe to it if anyone can show a practical, legal, and constitutional means of its accomplishment. I have always favored reaching the great quantity of tax-exempt securities and had hoped this Congress would submit a constitutional amendment to the States on the question. The decrease in the number of large income-tax payments is conclusive proof that the slogan of tax the rich has no merit. The figures have been quoted very frequently, but they will bear repetition.

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

Mr. TREADWAY. May I have 15 minutes more?

Mr. SANDERS of Indiana. On behalf of the chairman I will yield to the gentleman 15 minutes.

The CHAIRMAN. The gentleman from Massachusetts is recognized for 15 minutes more.

Mr. TREADWAY. I will insert the references to the number of income-tax payers and the increase in number as the result of the high surtaxes. It has been in the RECORD before, but the repetition of good things is not a detriment.

The number of income-tax payers at \$100,000 and over in 1916 was 6,633, and the amount they paid totaled \$1,856,187,000.

The number of income-tax payers at \$300,000 in 1916 was 1,296, and the amount they paid was \$1,500,000,000.

In 1921 the number of income-tax payers in the \$100,000 and over class was 2,352, and the amount they paid was \$463,003,000.

In the \$300,000 income class the number paying in 1921 was 246, and the amount they paid was \$153,000,000.

The total number of returns for 1916 was 437,000. The total number of returns for 1921 was 6,662,000; of these 3,589,000 paid taxes.

The amount of decrease was from \$500,000,000 to \$153,000,000. The decrease in amount of incomes reported of over \$100,000 fell from \$934,000,000 to \$332,000,000. A similar decrease for reports on \$300,000 was manifest in returns dropping from \$1,500,000,000 to \$153,000,000. These examples show the absolute futility of endeavoring to reach persons of large incomes through the high surtax brackets.

Let me give you an illustration of the same general character in State taxes. I have a communication here from the commissioner of State taxes in Massachusetts. Some years ago we used to have the same tax on intangibles as on property, and as the result very small return in revenue. To-day we have an income tax of a small per cent upon incomes derived from intangibles, and it has resulted in as much tangible property tax being collected and a very large amount of intangible, showing that unless you do have a fair degree of liberality toward high incomes they will surely escape it, whether it is

by this tax-exempt provision or some other. I insert my correspondence with the income commissioner of the State of Massachusetts:

JANUARY 8, 1924.

Hon. HENRY F. LONG,

Tax Commissioner, State House, Boston, Mass.

MY DEAR MR. COMMISSIONER: I wish to get some statistics bearing on the results obtained in Massachusetts by the change in the method of taxing intangibles. You will recall that formerly intangibles were taxed the same as tangibles at so much per thousand. Later they were taxed upon their income. I understand that the change was profitable to the Commonwealth of Massachusetts. I would like to obtain the exact statistics, so far as you have them, showing the amount received from intangibles before the change in the law and the amount now received.

Thanking you in advance for your attention to this letter and for any information you may send, I am,

Sincerely yours,

ALLEN T. TREADWAY.

THE COMMONWEALTH OF MASSACHUSETTS,

DEPARTMENT OF CORPORATIONS AND TAXATION,

State House, Boston, January 10, 1924.

Hon. ALLEN T. TREADWAY,

House of Representatives, Washington, D. C.

DEAR MR. TREADWAY: Your letter of January 8 is just before me.

January 1, 1917, our present income tax law went into effect, so that April 1, 1916, was the last year that the assessors levied a tax on intangibles at the local rate.

As of April 1, 1916, the total tax received from a tax on tangibles and intangibles was \$23,328,159. The first year of the income tax showed that as of April 1, 1917, when only tangible property was taxed, the amount received was only \$14,598,938. Each year the assessors have been able to find more tangible property, and as of April 1, 1923, a tax was received from tangible property alone of \$27,533,352, notwithstanding that as of January 1, 1920, merchandise owned by foreign corporations no longer was taxed locally. These figures clearly show that Massachusetts is now getting as much out of tangible property alone as they previously got out of the tax on tangibles and intangibles.

The entire proceeds of the income tax, exclusive of the cost of administration, is distributed to the cities and towns on three different measures of distribution. The average yield of the income tax since its inception is approximately \$15,000,000, which is all "velvet" for the cities and towns, the amount collected each year being as follows:

	Amount collected.
1917.....	\$12,540,822.03
1918.....	14,958,319.24
1919.....	15,791,395.13
1920.....	17,550,223.93
1921.....	14,912,352.22
1922.....	12,586,566.43
1923 (approximate).....	14,300,000.00

The real success of the income tax is not only to be measured as a revenue producer but is to be measured by the encouragement it gives to a person to invest. Under the old law, irrespective of whether a stock or a bond paid any interest or dividends, a tax was laid on the principal amount. Under the income tax law no tax is laid unless there is an income. The tax on the income is 6 per cent, which with, say, 5 per cent as a fair yield, means approximately a 3-mill tax, but only on property which yields income.

The experience of other States has been that intangibles have gradually crept out of sight or have been made liquid, so that they have flowed away from the taxing authorities, and there has been a constantly diminishing revenue from the tax on intangibles. Some States have undertaken to stop this decrease by putting a mill tax at a flat rate, but that includes income producers as well as nonincome producers. The income tax as we have it classified does not touch the principal at all.

Very truly yours,

HENRY F. LONG, *Commissioner.*

We have heard many references in the course of this debate to the so-called yacht tax, and the Ways and Means Committee has been criticized for taking this item out of the present law. As usual, our Democratic friends while professing fairness do not practice it. Why have not they said there were two taxes on yachts? One a manufacturer's tax; another a user's tax. One we desire to repeal, the other to continue. The word "yacht" is somewhat deceiving. Under the decision of the United States Supreme Court the large pleasure yacht to which our friends refer is no longer purchased in this country. The yachtsman can purchase it abroad fully equipped and bring it to this country, under the decision to which I have referred, without payment of one cent of duty. Consequently our yacht builders are confining themselves solely to the construction of

ordinary motor boats and the like which can be used for fishing or pleasure purposes by the average citizen, either on lake or harbor. On boats of this character, under section 803, a tonnage tax is levied based on the length by the owner and user thereof.

Here is an advertisement taken from a sporting publication showing that a new boat, complete, like this [indicating] can be purchased abroad for one-half the American cost. The boat built in America would cost \$40,000, complete, with motor, and the same boat built abroad can be built and sold for \$15,000. Is anybody in America going to pay that additional cost? It is absolutely ridiculous, and therefore the idea that this item in the tax bill applies to the rich man's yacht as a luxury falls of its own weight.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield there?

Mr. TREADWAY. Yes.

Mr. GREEN of Iowa. The fact is that under the decision of the Supreme Court the way in which the tax was applied exempted the rich man, and the only man who had to pay the tax was a poor man buying a small motor boat.

Mr. TREADWAY. Yes. The tax was imposed on the length of the boat and the cost of the boat itself. Our Democratic friends have gotten so that the progressive scale seems to have gone to their heads, and they will not even let us tax yachts on it. [Laughter.]

Mr. GREEN of Iowa. The fact is that these small boats, now exempted from the first tax, are the only articles on which we have levied two taxes. We will still collect one tax.

Mr. TREADWAY. The gentleman's statement is borne out by the facts.

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

Mr. TREADWAY. Yes.

Mr. CHINDBLOM. Will the gentleman state the amount in dollars realized from it?

Mr. TREADWAY. Yes. It is almost identical on the two items. I tried to find from the Treasury Department yesterday what part of the purchaser's tax was on large yachts. They said in all probability there could not be any, under the principle by which the yacht builders in this country are building only small boats, showing how this business has depreciated. The income tax was \$406,000 in 1922, and in 1923, \$267,000, tax by tonnage is about \$215,000, which will be retained in the phraseology of the bill, as the gentleman from Illinois well knows. The complaint in regard to this item can be explained in another way. I took pains to look up yesterday the effect on the yacht tax in the income of the tax districts, and I find that in the districts represented by six Democratic Members of the committee there was not a cent paid under this tax, and that in two others almost an infinitesimal tax had been paid, the two combined representing \$300.

The only Democratic Members representing districts contributing to this tax reside in Massachusetts, Illinois, and Pennsylvania, all three also having Republican Members. It is the same old story—"Let George do it," and the Democrats have always shows a courteous and kindly disposition to let all possible taxes be paid elsewhere than by the section which they themselves represent. The yacht tax is an excellent illustration of the manner in which they would like, in all probability, to have all taxes laid, and I am sorry to say a good many of them are laid in that way. The more taxes of this kind the Democrats inflict upon residents of States represented by Republicans the better they are suited.

Let me return to my general argument. It is very clear that in order to secure capital and turn it into productive enterprise, a return must be found at least competitive with or more attractive than tax-exempt securities. It is doubtful if a rate of 25 per cent would accomplish this purpose, provided the rates had not been so materially higher over a period of years. The advice of the best business experience available is that with a surtax rate of 25 per cent maximum we will invite capital into productive enterprise.

It seems strange that partisanship predominates in this body under these circumstances. Suggestions of the Secretary of the Treasury were so emphatically approved by the people of the country that our Democratic friends on the Ways and Means Committee found themselves floundering in the quicksand of Republican oblivion. Desperation both marked their countenances and their actions. They, therefore, appear before you to-day not favoring tax revision and hardly favoring tax reduction. The difference between the present law on surtaxes and the so-called Garner program is so slight as to appear almost ridiculous. We know that appeals to our Democratic friends are unavailing. An arbitrary caucus counts more with

them than reason, judgment, common sense, and the welfare of the American people. [Applause.]

Mr. GARNER of Texas. Will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. GARNER of Texas. The gentleman says that Secretary Mellon's plan appeals to the entire country overwhelmingly, and if that is so, I was wondering why it did not appeal to the Republican side of the House.

Mr. TREADWAY. The gentleman from Texas asked me a question a few moments ago and tried to make me speak for others. I speak for myself and let my colleagues do the same. I give them and the Democrats the same courtesy of their own opinions that I claim for myself.

Mr. GARNER of Texas. I was just wondering why it is that the Mellon plan, so called, appeals so overwhelmingly to the country, and yet the patriotism and intelligence on the Republican side can not step in with the country.

Mr. TREADWAY. Why did not the Democrats take their places, then, and come in?

Mr. GARNER of Texas. They did, because the Mellon plan does not appeal to the country.

Mr. TREADWAY. It does appeal to the country. The gentleman from Texas and I never can agree on that premise. The press of this country, even in his own State, in all probability, will back me up rather than the gentleman from Texas. However, we like to have these little "run ins"; they do not do anybody any harm and probably do not do anybody very much good.

Mr. MURPHY. While the gentleman is in good humor—

Mr. TREADWAY. I hope I am always that. I will have to have more time, because I would like to get into the RECORD some important parts of my speech. Would the gentleman like me to answer his question even before he asks it?

Mr. MURPHY. Yes.

Mr. TREADWAY. I know exactly what the gentleman is going to ask.

Mr. MURPHY. I would like to have the gentleman's good judgment as to whether the Mellon plan will take care of adjusted compensation for the soldier? [Applause.]

Mr. TREADWAY. I shall be very glad to answer my friend's question. I do not know whether the present surplus we are accumulating of \$300,000,000 a year would eventually pay for adjusted compensation or not. Mr. Mellon says—and I like his financing ideas better than my own; he is much more competent, in spite of my Democratic friends' opinions, to pass judgment—that we can not reduce taxes at all and pay adjusted compensation to the soldiers.

Mr. MURPHY. That is the point I am trying to bring out. I am on this side of the aisle and I am going to support this tax measure, but my intelligence will not allow me to follow blindly one who is \$1,000,000,000 out of the way when he talks of adjusted compensation. All of his other figures are correct.

Mr. TREADWAY. I am very much surprised that when a man makes a mistake he should make a mistake of \$1,000,000,000 and still the rest of his figures be correct. I am sure my friend is confused on this point.

Mr. MURPHY. That is what surprises me.

Mr. TREADWAY. But I want to answer the gentleman's question fairly and squarely. There is an old adage in New England which has probably gotten out into Ohio, that "you can not eat your cake and have it." That is as nearly a reply to the gentleman's inquiry as I can make.

Mr. MURPHY and Mr. WURZBACH rose.

The CHAIRMAN. Does the gentleman yield; and if so, to whom?

Mr. TREADWAY. I am surrounded on all sides, but I think I had better finish with the gentleman from Ohio. Of course, time is no object, and I must have further time.

Mr. GREEN of Iowa. The gentleman has already been given 45 minutes.

Mr. TREADWAY. I really want to get into the RECORD some important parts of my speech, but let me answer these questions, and then I will not permit any further interruptions.

Mr. MURPHY. The thing which surprises me is that whenever it comes to talking about adjusted compensation for the soldiers we can not find the money, yet two Congresses have passed an adjusted compensation bill for the soldiers, and the information furnished the President caused him to veto those bills; yet, in the light of events which have followed, it was shown that the information furnished was almost \$1,000,000,000 out of the way.

Mr. TREADWAY. Is this a speech or a question?

Mr. MURPHY. That is what I am trying to find out. I am trying to find out from those who have studied this bill

whether there is any chance whatever of lowering taxes and taking care of adjusted compensation at the same time.

Mr. TREADWAY. We were instructed by the Republican conference—but not hidebound like the Democrats are—to report a revenue revision and reduction bill. We have worked laboriously ever since that instruction was given, and here is the fruit of the work. I want to say this to the gentleman from Ohio; I have noticed the form of his previous questions, and in them he has said there has been some promise made by somebody in both parties. I have recently looked over the platforms of the Republican and Democratic Parties of 1920, and so far I have been unable to find that any such promise exists.

Now, one other statement. I have recently carried on a referendum vote in my district, sending inquiries to 78,000 voters, and the returns on this very question are 11 to 6 against the payment of a bonus. I am certain, however, there will be ample funds so that the laws in behalf of the sick, wounded, and families of deceased soldiers can at this session be liberalized. I shall be glad to support bills of this kind.

I will now yield to the gentleman from Texas [Mr. WURZBACH].

Mr. WURZBACH. In view of the fact that the gentleman from Texas [Mr. GARNER] voted against the bonus bill, and will probably vote against it again, does it appear reasonable that provision should be made in the Garner bill for the payment of a bonus?

Mr. TREADWAY. The gentleman from Texas [Mr. GARNER] says he is reducing taxes more than the Republicans, therefore there can not be as much revenue left when he gets through, and that appears to be true from his own reasoning. I now desire to proceed without interruption.

It would seem to me that the merits of the case and the undoubted public support for the Ways and Means Committee bill would take precedence in the minds of our colleagues over the desperation shown in voting for the Garner plan. Many times the Democratic leaders on this floor express sorrow or regret, as evidenced by crocodile tears, for the Republicans, and, from their viewpoint, the errors we make. In my membership in this House there has never been a better time for the return of sympathy than what the Republicans are able today to contribute to the Democrats. We truly regret that partisanship and the party whip have misled you into failing to rise to a great opportunity in behalf of the American people.

BENEFITS TO MR. AVERAGE MAN.

We have heard the banterings and wallings in the interests of the small taxpayer. It is his case that I intend to plead now in offering a few explanations of what this bill proposes to accomplish. I never have had a great deal of interest in the man of very large income. His ability to care for his own interests preclude the necessity of intrusion on our part. The one who should appeal to our interest and secure our particular support and assistance is the average man, and I therefore wish briefly to explain in simple language what certain features of this bill do for Mr. Average Man. Three years ago I spoke in his behalf, and now I ask your attention to the merits of this bill in his interest.

Mr. Average Man is the most numerous of taxpayers, and it is therefore in his behalf that the greatest interest should be shown. Let us look at the number of returns within certain brackets. For instance, we find that under \$5,000 there are 3,064,379 taxpayers, ten times as many as in the five next brackets and six times as many as the total of the other brackets. It is estimated that the total reduction in this bracket will amount to \$98,000,000, nearly one-half of the total estimated reduction, a showing in the aggregate of figures that Mr. Average Man having the lowest rate of taxation is very substantially benefited. His normal tax is reduced 25 per cent, or from 4 to 3 per cent, bringing a loss in revenue to the Government of \$50,000,000. All other brackets aggregate \$41,600,000.

His next benefit is under the earned income provision, whereby, according to the definition in the bill, all income under \$5,000 is regarded as earned. So that he is receiving another 25 per cent reduction under this clause. So much for the advantage given Mr. Average Man under the direct taxes.

Now let us pass to indirect or miscellaneous taxes, frequently referred to as nuisance taxes. It is, of course, impossible to estimate what part of these taxes are paid by Mr. Average Man, who receives an income of \$5,000 or less, but it is undisputed that his part in proportion to his ability to pay is very large.

The existing law provides a tax on telephone and telegraph messages of 5 cents where the charge is from 14 to 50 cents, or if the charge is more than 50 cents the tax is 10 cents. This tax is paid directly by the user of the telephone or the

sender of a telegraph message. The total item of reduction is over \$29,000,000. Under section 602 of the present law there is an entire remission of the tax on all cereal beverages, mineral waters, and carbonic-acid gas aggregating about \$10,320,000. The proportionate part of this entire item is indirectly paid by the consumer, and it is very apparent that the greatest consumption comes from Mr. Average Man and his family.

On a hot summer's night or on a Saturday afternoon when he has a half holiday Mr. Average Man starts for some recreation with his wife and children. They are hardly on their way when the youngsters begin teasing for a glass of soda or lemonade, a bottle of soft drink, or to be taken to a moving-picture show.

The generous father desires to comply with these various requests. Indirectly the tax on beverages has taken, as stated above, more than ten millions from the people because, argue as we may, the ultimate consumer is the one paying the bill.

The admission tax to the neighborhood movie theater, where the charge is never more than 50 cents, is entirely removed, so that Mr. Average Man and his family probably attending the movies once a week will save the entire amount now assessed against admission to moving-picture shows, and therefore will be benefited for the greater part of the aggregate of \$33,000,000.

In the tax on candy, 70 per cent is paid on the cheaper grades sold to the consuming public. The penny lollipop and the stick of licorice will no longer contribute its part toward this \$11,000,000 tax. Children of Mr. Average Man will either receive a better grade of candy at the same price or more in quantity.

Under section 904 many articles in use in the home of Mr. Average Man will no longer be taxed, such as the better grades of carpets and rugs and articles of travel.

The greatest change under section 905, the section carrying the jewelry tax, is aimed to meet the needs of Mr. Average Man wherein he will not be required to pay a so-called luxury tax upon the cheaper articles of jewelry which he occasionally desires to buy for his wife and daughters. Any article under \$40 will be untaxed. As the family grows up, the boy or girl either earns a watch or father wants to present them with a good, useful timepiece. We also have in this country thousands of railroad men who, as part of their business equipment, must have an accurate timepiece. When sold for under \$60 they will no longer pay a tax. Now and again Mr. Average Man feels the need of relaxation by himself and is fond either of billiards or of bowling. If he is a member of a club or organization, there will be no additional charge for the use of the table or the alley. If he visits a public alley or billiard parlor, the owner of that establishment will pay only one-half of what the rate now is, which will reduce Mr. Average Man's cost by over \$2,000,000. It will thus be seen that the claims of the opponents of this bill that the average man is not given proper consideration is as fallacious as the substitute bill is partisan.

Again, Mr. Average Man will receive the benefit of the 25 per cent reduction in his return of this year on the tax of 1923. Our Democratic friends were so surprised at this suggestion the day after it was announced that they tried to offset the popularity of its effect among the people of the country by setting up a "me, too," claim. As usual, they were left at the post and too late tried to make a spurt after the race was won by the popular appeal to the minds of the people.

There are also many persons who would qualify under the title of Mr. Average Man who pay no Federal tax. Such persons and their families are the ones for whom we should be particularly solicitous. It is natural that at first thought a person in this class should feel that he was no part of the taxing system, not directly being called upon to make a tax return. In the examples I have just given of Mr. Average Man he is a factor, but under the direct taxes he is not called upon to make payment. A very little thought, however, will show him that a general tax reform and reduction are more important to him than to the man with a sufficient income to make direct payment. Fourteen billions of dollars tied up in nontaxable securities to-day, being added to at the rate of one and one-quarter billions per year, mean just that much less money in circulation and not in competitive business from which Mr. Average Man secures his livelihood. If competitive business is active, the demand for labor is keen and employment is available for Mr. Average Man.

On the other hand, his cost of living is bound to decrease. No better illustration is needed than the one that has previously been used here, that of the cost of building apartment houses. The man of means invested in building, say, 10 years ago \$100,000; a net return of \$8,000 would be a good business proposition. To-day the same building would cost \$200,000

and the owner would be obliged, in order to secure the same return on his investment that he did 10 years ago, to boost the rents so they would bring in \$38,000. Many of the men in the class of Mr. Average Man, to whom I have been referring, do not own their own homes. He, therefore, is the one from whom the owner of the property must secure the advanced amount of rent in order to obtain interest on the investment. He would therefore pay at least three times as much for the same class of property as in 1913. For the owner of the property to pay high surtax rates the rent of each apartment in his building must be correspondingly increased. The ultimate consumer pays the tax. In this case the ultimate consumer is Mr. Average Man. With the reduction of the surtax rates the landlord will naturally reduce his rents, and the benefit to Mr. Average Man living in an apartment is entirely obvious.

Let me close as I began, by stating it is greatly to be regretted that partisanship will take the place of judgment in this House on a question so seriously affecting the American people as that of tax reduction and tax reform. Let me console with the Democrats by prophesying that their lack of judgment being exhibited here in consideration of this measure will be resented by the American people at the elections in November. If this just and proper measure in behalf of the American people is so mutilated by the Democratic partisanship as not to accomplish the benefit the people believe will accrue to them from the bill, I do not hesitate to prophesy that we shall see many vacant seats on the Democratic side and that there will be an ample Republican majority to again revise the revenue act in a manner that will meet the wishes of the people. [Applause.]

Mr. BLANTON. Will the gentleman yield for one more question?

Mr. TREADWAY. I believe my time has expired.

Mr. BLANTON. No; the gentleman's time has not yet expired.

Mr. TREADWAY. Yes; I will yield.

Mr. BLANTON. The gentleman spoke of reducing the tax on billiard and pool tables one-half. I want to call his attention to the fact that in American Legion clubrooms—

Mr. TREADWAY. Oh, clubs of that kind are omitted entirely.

Mr. BLANTON. I understand; but the gentleman did not state that.

Mr. TREADWAY. That is so apparent in the bill itself I thought that a gentleman who keeps himself so thoroughly familiarized with all pending legislation as the gentleman from Texas would not have overlooked it.

Mr. BLANTON. I wanted to call the gentleman's attention to that very fact, because he indicated that only one-half of the tax had been taken off, and in order to stop the flood of letters coming to us I wanted the gentleman to state that in the case of those clubs all of the tax has been taken off.

Mr. TREADWAY. I am very glad to call the gentleman's attention to that omission. When it does not appear in the bill, of course that means it is omitted entirely.

Mr. BLANTON. I just wanted the gentleman to say in his speech that on American Legion clubrooms the entire tax is to be removed.

Mr. TREADWAY. And not only that kind of club but all the private organizations. The only tax that will apply, so far as billiard and bowling rooms are concerned, is to those which are run under private management for profit. In that case the tax is reduced one-half.

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

Mr. GREEN of Iowa. Will the gentleman yield back the balance of his time?

Mr. TREADWAY. I do not like to be discourteous, and I will yield to the gentleman from Mississippi.

Mr. LOWREY. I understood the gentleman to say that he lived in a district where there was no prospect of any Democrat ever being elected to Congress, or something of that kind.

Mr. TREADWAY. Thirty years ago there was one elected for one term, a very eminent gentleman who is now a justice of the Supreme Court of Massachusetts. He made a most excellent Representative, as he does a justice, and I feel highly honored to be one of his successors.

Mr. COLLIER. Mr. Chairman, I yield to the gentleman from West Virginia [Mr. LILLY].

Mr. LILLY. Mr. Chairman and gentlemen of the House, while I am heartily in favor of tax reduction to the very minimum consistent with the financial safety of the Nation, I can not consistently support the present bill as reported by the Ways and Means Committee. There are some good features in the bill as reported, and I want to congratulate the committee upon them, but my chief reason for not supporting the bill in its present form is the apparent discrimination between the large

and small taxpayer. It has always been the theory and practice of this Government in levying a tax for the administration of the Government that the rich shall bear the largest portion of the burden of taxation. It is a fundamental principle that the strong by their financial help shall support the weak, and I can not interpret the bill in its present form in any other way than that it is discriminatory.

In the question of surtax, the main issue, the bill as reported seeks to cut the surtax of the rich from 50 per cent to 25 per cent, which is relieving this class of exactly 50 per cent of its present income-tax burden, while the taxpayer whose income is below \$30,000 is only getting a 25 per cent reduction. When we seek to lift the burdens of taxation from the wealthy and fasten them on the poorer classes we are endangering the very fundamental principles of taxation, and should this bill be extended too far along this line it would ultimately result in the destruction of the income-tax system and would cause unrest and financial chaos in our Nation. The man who receives an income of \$30,000 to \$100,000 and upward usually receives it from dividends, as disclosed by public records. Should he be relieved instead of the man or woman with an income earned by toil?

The district in West Virginia represented by me has between 275,000 and 300,000 people; this is divided into about four classes. There are a few millionaires, but I want to say to the gentlemen of this House that with very few exceptions they are men with big, open hearts and are ready, willing, and anxious to bear their just proportion of taxation. When a civic improvement is launched for roads, schools, or other improvements by the issuance of bonds they are the first to go out and champion the cause and help put it over; neither are they lobbying around Washington or writing and wiring their Representative to support the Mellon tax plan in the manner other Representatives are being appealed to along this line. I will admit I have received hundreds of letters and telegrams requesting my support of the Mellon tax plan, but with few exceptions they have come from multimillionaires from outside my district. The next class is the small business man, who is likewise big hearted and loyal. The third class is the laboring man—the man who goes under the earth in the coal mines and who works on the railroads of West Virginia—whose income ranges from \$1,500 to \$3,000. The fourth class is the farmer, who is not affected by the present income tax for the reason that he is operating at a loss and has been since 1921. He is in a class by himself. What he has to buy is a great deal higher than before the war and still climbing higher all the time, and what he has to sell he is compelled to sell at a price less than the cost of production. This condition, I want to impress upon you gentlemen, is brought about by the action of the Republican Sixty-seventh Congress by its passage of the iniquitous Fordney-McCumber tariff bill. The poor miner and railroader are likewise affected. He hardly makes a living; he toils long and steadily; his work is hazardous, yet he is forced to contribute to the coffers of the trusts from the time he sweetens his coffee at breakfast until he goes to bed at night, and unless this tariff is repealed he will have to continue to do this on most of the articles he purchases from the time he begins to struggle for a living until he dies. I hope and sincerely believe that this condition will be greatly remedied after this year—I mean, after the next election, when a Democratic Congress and President are elected.

There are other unjust discriminations in this bill. The reduction on the estate tax is, in my judgment, a very unwise thing. It is fundamentally wrong for a person to come into possession of a large estate which is built up without any will or effort upon his part to be relieved or almost entirely relieved of forfeiting any part of this to the Treasury of the Government. It is like receiving something for nothing, and certainly a part of it should revert to the Government.

In the war-tax exemptions I notice that yachts are not taxed. Who owns yachts? I can say to you frankly that, although we have some navigable streams in West Virginia, you will find no miners, railroaders, or small business men owning private yachts, but in New York and other places you will find most every millionaire owning one. Why should they not pay a tax on these vessels?

The arguments of the proponents of this bill are not logical. It is a known fact that in order to produce revenue by taxation the wealth of the country must be taxed, and the very idea that to relieve the rich man of 50 per cent of his surtax as now paid, or 44 per cent as held in the Garner bill, would produce more revenue, is unreasonable and unreliable. When we want money where do we go to get it—to the man who has it or to the man who has not it? Therefore, in order to produce revenue from taxation it is necessary to tax those who have wealth. There is another peculiarity about this bill. It is

called the Mellon tax bill. It originated in the office of the Secretary of the Treasury. With few exceptions it is reported out of the committee exactly as dictated by Mr. Mellon. The Democratic minority had to depend entirely upon men selected by Mr. Mellon to examine the Treasury records to report the approximate amount of revenue that would be derived under the Garner plan. Mr. Mellon's estimates as to the probable condition of the Treasury in the future, given at various times when the conditions warranted it, are peculiar. For instance, when the matter of the soldiers' bonus came up in the Sixty-seventh Congress Mr. Mellon gave out an estimate that the Treasury was facing a deficit of something over \$3,000,000,000, and that if the bonus were passed it would be far more, yet in a year from this time he seeks to put through a tax reduction, probably for political purposes, in which he shows a large surplus in the Treasury of several million dollars. Now he says that if the Garner bill is passed it will create a deficit in the Treasury, and if the Mellon plan is adopted there will be a surplus. At the same time he recommends that the surtax be cut from 50 per cent to 25 per cent on the wealthy. Gentlemen, these estimates of Mr. Mellon's, according to my opinion, to say the least, are not reliable. Mr. McAdoo and others who are just as expert as Mr. Mellon show that the Garner bill, if passed, will not leave a deficit but will, on the other hand, create a large surplus.

According to the statistics in my State, last year there were 75,277 people making income-tax returns. Out of this number, under the proposed Mellon plan, the number benefited more than by the Garner plan would be 63, while the number benefited more by the Garner plan would be 75,214, and as I was elected and sent here to participate in legislation by a majority of my constituents, I deem it my duty to vote for such economical and just measures as will benefit the largest number of my constituents. Hence, I will support and vote for the Garner plan. [Applause.]

Mr. COLLIER. Mr. Chairman, I yield 20 minutes to the gentleman from Massachusetts [Mr. TAGUE].

Mr. TAGUE. Mr. Chairman and gentlemen of the committee, this bill contains many provisions of taxation, and most of them have already been referred to in the general debate. It contains many provisions tending to correct evils in the present revenue law and plug up holes through which evasions of just taxes were had. It is an important question, for it directly affects every man, woman, and child in the United States, for they all pay their proportion of the expenses of running our Government. Since it is a proposition which affects every citizen of the country this should be a bill drawn in a fair and impartial manner and without resort to partisanship. Let me now proceed to cite some instances to show that this is a strictly partisan measure.

The Mellon plan for the readjustment of the income tax law was submitted to the Congress with the unqualified indorsement and approval of the President of the United States. He assured us, and those closely associated with him urged, that the plan, which is nationally known by the name of the Secretary of the Treasury, was for the relief of all of our people. We assumed, without subordinating thought to sarcastic interpretation, that "all the people" included the Democrats, and that those of us who have been honored with an assignment to the Committee on Ways and Means of the House of Representatives would be accorded the privilege of meeting the evident desires of the President by joining with the Republicans on that committee in the thorough analysis of the plan and the perfecting of a bill through the medium of which "all the people," the rich and the poor, the workmen and the executives of industry, would be accorded their pro rata modicum of relief from the heavy taxes made necessary by and imposed during the World War.

Long before this session opened there was an insistent demand from the people of the country and by the press for a reduction of taxes. Then, when the report of the Secretary of the Treasury was made public, it began to appear that the burden of taxation could be lessened. Several weeks before December 3, the date on which this Congress convened, Secretary Mellon submitted, with a letter, to Hon. WILLIAM R. GREEN a plan by which he thought taxes could be reduced, and claimed that by his plan the taxes would be lessened in the most equitable and even manner for all of the people. This plan was, in effect, the draft of a revenue bill and comes dangerously near upsetting the processes of our American Government. No former Secretary of the Treasury has so ruthlessly usurped the rights of Congress as has Secretary Mellon in drafting a revenue bill, and then by means of pernicious propaganda insisted that not one "t" was to be crossed, not one "i" was to be dotted. Long before this session opened, long

before even the members of the Ways and Means Committee had received a comprehensive outline of the Mellon plan the press of the country commenced their bombardment for the Mellon plan. So skillfully was this done that the people of the country soon came to regard the Mellon plan and tax reduction as synonymous; any deviation from the Mellon plan was played up to mean a blow at tax reduction, and any Member of Congress who dared to criticize Mr. Mellon's plan was termed a "demagogue." To show how skillfully this propaganda for the Mellon plan has been carried on I would like to insert right here in my remarks an editorial from the American Legion Weekly of February 15, 1924, commenting on a so-called poll which is being conducted by one of the magazines of the country. The claims made in this editorial are absolutely fair and worthy of the consideration of every Member of this House:

ARE YOU STILL BEATING YOUR WIFE?

The Weekly regrets that it is obliged to print on another page a warning against the national poll being conducted by the Literary Digest on tax reduction. But this step is necessary to parry a blow which threatens to be as powerful and as unfair as any which have been aimed at the cause of adjusted compensation for ex-service men in the recent frenzied weeks.

Read the reproduction of the Literary Digest's ballot. About the first thing you will note is that, large and loud, it sounds that battle slogan of blind and selfish financial interests: "Secretary Mellon says his plan can not be carried out if the bonus to ex-service men is paid."

To 15,000,000 people the Digest has sent this statement. This is propagandizing on a grand scale. It is pernicious propagandizing. A good many of the 15,000,000 people who receive this ballot are going to believe that it is tax reduction or the "bonus"—that the issue is that clean cut, that it isn't possible to pay a "bonus" and also to reduce taxes reasonably—yes, even reduce them, probably, as Mr. Mellon would have them reduced, 50 per cent off on multimillionaires and all.

In giving such prominence to this slogan of greedy capital the Digest, had it been fair, would have included an opposite opinion. Accompanying the post-card ballot goes a 4-page explanation of the Mellon plan and the vote upon it—in reality an adroitly worded brief for this scheme designed to create the impression that it would make everything hunky-dory for the average taxpayer. No word about the large slashes in the taxes of the multimillionaires. No adequate mention of any other viewpoint on tax reduction. No attempt to make it clear that, while everyone favors tax reduction exactly as everyone favors three square meals a day, it still might be possible to secure tax reduction under some other plan than Mr. Mellon's. In the Digest's explanation there was, indeed, a bare statement that there was an opposition viewpoint to the Mellon plan. The Digest, therefore, must have known about it. But it did not give it equal prominence on its ballot. This was unfair.

The thing most important, of course, is, what significance will the Digest itself attach to the result of the poll? Will votes for the Mellon plan be considered as votes against compensation? So ambiguous are the ballot and the instructions that a voter can not know. The Weekly is advised by the Literary Digest, however, that it expects those who favor the "bonus" to vote "no" on the tax plan.

This means that hundreds of thousands are going to vote "yes" on the Mellon plan and not know that they will be counted as voting against compensation. It means that, so far as adjusted compensation is concerned, the results of the poll will be worthless.

The minority members of the Committee on Ways and Means approached the responsibility as conveyed to them in the Mellon plan for the readjustment of the income tax law with the honest purpose of securing all the facts at the disposal of the committee. Regardless of former proceedings of the Ways and Means Committee, we believed that the call of President Coolidge for adjournment of partisanship was a special occasion calling for serious and impartial consideration of the needs of the people of the United States. With that thought in our minds, I say, we approached our responsibilities imbued with a desire to have the best possible tax-reduction program prepared. How did the majority members of the committee treat the minority? I will tell you.

At the outset, when hearings were commenced on this bill, the majority and minority members of the committee met together and proceeded to analyze the tax-reduction plan submitted by the Secretary of the Treasury. With his access to the official records of his department he was in a position to prepare all manner of data in support of his plan. Naturally, some of this data we could not understand, so we asked that certain records and figures be placed at the disposal of the committee. Our requests were met with delays, rather incomplete records, and failure of the Treasury Department to furnish the full committee with material it should have in order to meet the tax-reduction proposition fairly. It very

soon became evident that certain information was to be placed at the disposal of the majority members of the committee, but it was to be withheld from the minority members. Majority members in committee meetings soon began referring to certain records and figures which had been submitted by the Treasury Department, and the Democrats discovered that the majority members of the committee had possession of more official data than the minority. It was obvious that the attempt was being made to railroad the Mellon plan through the committee under the guise of a strictly nonpartisan measure. The refusal of the Secretary of the Treasury to supply the full committee with statistics and figures showed that this was to be a strictly partisan measure and paved the way for reasonable suspicion that the Mellon plan was a gift horse after all.

Identified now as a Republican measure, the Mellon plan entered rather a stormy passage. Members of the Republican Party in Congress assailed it as failing to meet the tax-reduction situation fairly; outlines of more equitable plans of tax reduction were prepared and made public, and the Secretary of the Treasury drew back further into his cave and refused to give the full committee any more official data. Then it was decided that the minority members of the committee were no longer needed in preparing the bill, so executive meetings of the majority members of the committee were held to which came the experts of the Treasury Department. The chairman of the committee called a meeting of the full committee, and a vote was had on reporting the bill. The attitude of the majority toward the minority was "Take it or leave it." And this was supposed to be a nonpartisan measure; a balm for the wounds of all of the people of the country.

The bill as reported is really a reward for persons of large income for their ingenuity in discovering means by which they could evade payment to the Government of their just share of taxation. Since they have stated they will not pay taxes unless the rates for higher incomes are reduced nothing remains but for the Government of the people to get down on its marrow and plead. This bill is an humble plea from the Government; a docile petition to wealth to please pay its taxes. The rocks have been removed from the path and the way made easy.

The result of these private meetings are now known to you for you have before you three bills prepared by the majority. It was found, much to the disgust of Mr. Mellon, that there were at least some members of his official family over whom he had no control and that they had minds of their own.

I can not, in the brief time that I have at my disposal, try to discuss the figures and estimates in this bill, but intend later under the reading of the bill to do so. I believe these have already been discussed sufficiently to have the Members understand them, at least for present consideration of the bill.

I do say, however, that from all the figures and estimates that I have been able to obtain I believe the Garner plan will meet all the requirements for the needs of the Government and that it best serves the people; that it will net sufficient returns for the running of the Government; and, that it keeps alive the first principle of taxation for Government needs, "That the burden of taxation must be borne by those best able to pay." The Mellon bill is a direct denial of this principle and places the burden on those least able to pay.

I believe that the best method of relieving taxes would be to place before the country the needs of the Government and then decide which is the best way to meet expenses. One of the first questions asked by the minority through their leader was whether in making up this tax reduction we were to consider the question of an adjusted compensation bill which had been promised by the Republican Party to the soldiers and sailors of the country. Immediately we were informed that that question had been sidetracked for the present and those who were in a position to know know that that sounds the death knell of the adjusted compensation bill.

I am one of those who believe that most of the Members of this House are in favor of adjusted compensation and want to see it pass at this session, but I can not understand why so many well-meaning Members on the Republican side of the House allowed themselves to be misled as they have been on this question. We are all practical men in this body and we should be able to meet this situation without trying to fool ourselves, for after all we are only fooling ourselves.

When we came to this session we had placed before us the Mellon bill which had the indorsement of the President and we were told that we were to accept it as it was; that this bill was to be passed and that if we attempted to pass an adjusted compensation bill it would receive the veto of the President.

A few days after we convened the President appeared before the Congress and emphatically told the country, as well as this Congress, that he was opposed to a soldiers' bonus.

You were also later told by Secretary Mellon that if you attempted to pass a bonus bill that there would be no tax reduction, and by that notice he intentionally dealt a deathblow to adjusted compensation.

You Republicans attended the caucus of your party and you voted to get the tax bill out of the way before you would consider an adjusted compensation bill. By that vote you allowed your party loyalty to your leaders to get the best of your judgment and to my mind you voted away your chance to do the thing which I believe you wanted to do, pass the adjusted compensation bill. Do you really believe that you have a chance to pass a bill for the soldiers after you pass this tax bill? How are you going to do so?

Do you believe that you are going to be able to pass a bonus bill over the veto of the President, who says that he is opposed to it, and that means that he will veto it?

Do you not know that the same forces behind the Mellon bill will howl that the passage of a bonus bill will mean more taxes?

I have a very high regard for the President, for I know him. I served with him as a member of the legislature of my State, and I know that he is honest. I dislike to think that President Coolidge's methods of reasoning have undergone so decided a change with regard to the debt of gratitude owed the veterans of the World War as is evidenced by a comparison of his remarks in 1919 and in 1923. In 1919, when he was Governor of the Commonwealth of Massachusetts and Massachusetts boys were returning from the arena of the war—70,000 did not return—he said, in giving executive approval that a bonus of \$100 should be paid to the returning soldiers:

There is nothing that the Commonwealth can do which will exceed the debt of gratitude owed to the men who have maintained by their service and their sacrifices the ideals on which our institutions are founded.

In spite of the fact that payment of the soldier bonus in Massachusetts resulted in an increase of \$3 in poll taxes throughout the Commonwealth for the years 1920, 1921, 1922, and 1923, the then Governor Coolidge exhibited no such concern for tax reduction as he evinced on December 6, 1923, when, in an address to the Congress, he stated:

But I do not favor the granting of a bonus.

If you imagine Calvin Coolidge will not veto an adjusted compensation bill if it is presented for his signature, you do not know the man as I have known him. He has said he is opposed to the granting of a bonus, what he says he generally means, and I know of no occasion where he has withdrawn from a definite stand he has once taken.

Accordingly, I make this contention, that unless the subject of adjusted compensation is made part of the revenue bill the Members of this Congress will be afforded scant opportunity to consider adjusted compensation during this session. You will return to your districts in the summer with the task of trying to explain to your ex-service men why adjusted compensation was again sidetracked. It is really time we had a show-down on this subject. Promises have been made and repeatedly broken. Regardless of your attitude on adjusted compensation you should stand ready to sink or swim on the proposition, and this is the time. Unless there is inserted in this revenue bill a provision for the payment of adjusted compensation it will be necessary to reconsider the entire tax problem of the country before adjusted compensation can be considered. Now is the time for this Congress to act on the matter; after this bill is passed it will be too late, and big interests know it.

Mr. BLANTON. Will the gentleman yield?

Mr. TAGUE. Yes.

Mr. BLANTON. The State act which the President signed while Governor of Massachusetts was a bonus act pure and simple, because the State was giving a gratuity to its soldiers who served the United States, but the adjusted compensation act is a debt of honor that the Government owed these men when it sent them to France on such a small salary, and if the President, while Governor of Massachusetts, signed the bonus act of the State of Massachusetts how can he now refuse to sign the debt-of-honor act, adjusting the compensation of soldiers, on behalf of the Government?

Mr. TREADWAY. Will my colleague yield?

Mr. TAGUE. Certainly.

Mr. TREADWAY. My colleague also referred to the fact that there was a direct method of payment of a flat sum of \$100 to every ex-service man in the State of Massachusetts and the law itself provided the means of payment, did it not?

Mr. TAGUE. I said that, and every adjusted compensation act is a direct tax on the people just the same as that one was. A like provision should be in this bill if adjusted compensation is seriously considered by the Republicans who framed this bill.

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

Mr. COLLIER. I yield 10 minutes more to the gentleman from Massachusetts.

Mr. TAGUE. I dislike to take any more time of the committee, but there are one or two other sections of this bill I want to briefly touch upon. I would like to discuss the bill in its every phase, if I could do so, but time would not permit. There are some other phases of the bill which I believe deserve the consideration of this House.

The majority in its report laid great stress on the fact that we should release money for business investments, and stated that without a reduction of the surtaxes investment in business and industry will be retarded and that revenue would diminish. To me that is a new mathematical proposition—that the more money you get and the higher surtaxes you have the less revenue you obtain for the needs of the Government. I can not compute my figures in that manner, but let me, in passing, refer to one other matter.

On page 42 of the report of the majority of the committee, with regard to the matter of money released to go into industry, the report says:

The railroads of the country have just had a good year, but they have been unable for the last few years to obtain the necessary funds for permanent improvements by inviting more partners and fresh capital, and have had to rely on mortgage financing.

I want to direct the attention of every Member in this House to the railroad situation of this country. It can not be said that the condition of some of the railroads of the country today was caused by the war. It can not be said that their deplorable condition was caused by accident. It was rather the acts of unscrupulous men who robbed and plundered the treasuries of some of the railroads of this country for their own benefit.

I know whereof I speak. In my own State of Massachusetts I served on the committee which investigated the theft of the capital of some of the railroads in New England. I also want to refer to the New York, New Haven & Hartford Railroad scandal, to the Boston & Maine Railroad scandal, to the street-railway scandal, to the destruction of competing steamboat lines by the New Haven Railroad, and then ask yourselves why the people of these United States will not put their money into these securities. Mr. Chairman and gentlemen of the House, these are only a few of the exhibitions by these men in high finance that cause the people to hesitate before again trusting them with their savings. They took from the people of New England over \$400,000,000 and drove the value of their securities in these railroads to practically nothing. Railroad stocks selling at over \$200 a share are now selling at \$13 a share; street-railroad lines and railroad companies in the hands of receivers; steamboat lines sold upon the market for practically nothing; and then these men come forward after their unscrupulous methods and say, "Give us more of the money of the people of this Nation that we may play with it."

Reference was made here to-day to the Rockefeller millions. It was men like Rockefeller and his associates who wrecked the Boston & Maine Railroad and the New York, New Haven & Hartford Railroad. For years Mr. Rockefeller played with the money of the people of this Nation, and when old age was coming and he thought he had played with the people's money long enough he took his earnings out of industry and stocks and placed them in nontaxable securities, where they could not be touched by the taxation system of the Government, which had protected him all these years. I am not afraid of nontaxable securities. There will be a time when we will reach nontaxable securities, and the time is not far distant. When the railroads apply to the people of this Nation for more money, let me say that the people of the country have lost confidence in railroad stocks and bonds and will no longer take them.

We will have more investigations in time to come perhaps, and we will have exposés as we are having to-day at the other end of the Capitol; but, my friends, business will never be good, the people will never trust the men in high finance again, until they resort to different methods than those of deception, bribery, and corruption.

There appeared before your committee representatives from the farmers' organizations. They pleaded with the committee not to reduce surtaxes below the present law. They told us of the terrible condition of the farmers of the country, and that hundreds of thousands were losing their homes, and their

farms were being taken away from them. The ordinary means of getting a livelihood were being denied them, and they appealed to your committee not to reduce taxes of the rich, because the taxes that were to be reduced would fall upon the farmers of the country.

I can not understand for the life of me how a Member representing a farming district can stand on this floor and advocate a bill which shows upon its face that it is an attempt to unload the taxes upon the shoulders of the farmers and small business men of the country and present the reduction as a gift to the already rich. These taxes you are now trying to remove from the backs of the rich, if you do by any means pass the Mellon bill, and I do not think you will, will result in every farmer and small business man in the country being obliged to carry the burden of increased taxation. You know that is so. I know it is so.

Now, my friends, there is much more that could be said. I would like to answer a few statements made by my colleague from Massachusetts [Mr. TREADWAX] about partisanship and the attitude of the majority toward the minority, but time will not permit. I will say that from the time the minority met the majority, from the first day until the day when we were invited to leave the committee room by the majority, it was the intention of the Democratic members of that committee to meet this bill and treat it fairly. We believed in tax reduction then, as we now believe in tax reduction, but we want a tax reduction that will meet the wants of the people of this country fairly. We do not want to pass a tax reduction bill that will allow the people to say of us "You have been willing to relieve the rich and put the burden upon those least able to bear it." No, my friends, that is why we bring forward the Garner bill. And let me say to my friends that we are not driven into our vote by a party caucus, because every Member had a chance to vote as he saw fit, just as you Republican Members in party caucus voted to lay aside the adjusted compensation act, and the Republican members of the Ways and Means Committee, voicing the sentiment of that caucus, have voted so to do.

We do not claim our bill to be perfect, and amendments will be offered to make it so. Different opinions have been expressed as to the reduction of the excise taxes, and among those taxes, I might add, the tax on auto trucks and accessories, which I believe should be reduced. The auto truck is no longer a luxury, but is a very important adjunct of our transportation system. It is just as essential to business to-day as anything connected with business, and should be encouraged instead of being discouraged.

Mr. LONGWORTH. Will the gentleman yield?

Mr. TAGUE. Yes.

Mr. LONGWORTH. Did the gentleman from Massachusetts ever hear a gentleman on this side of the aisle say, as one of your most competent Members said yesterday, that if he were at liberty to vote his own way he would support the Mellon bill?

Mr. TAGUE. I have heard some prominent gentlemen on your side of the House say within a few days that they wished they could vote their wishes and instead of voting for 25 per cent they would vote for 50.

Mr. LONGWORTH. The gentleman knows that on this side of the aisle we have no binding caucus.

Mr. TAGUE. You did on the soldier's compensation.

The CHAIRMAN. The time of the gentleman has expired.

Mr. COLLIER. I will yield to the gentleman five minutes more.

Mr. LONGWORTH. Yesterday a prominent Member of the gentleman's party, than whom there is no better lawyer in either branch of Congress, said in the course of his speech "If I were at liberty, I would vote for" so and so. Now, has the gentleman from Massachusetts ever heard a Member of Congress on this side of the aisle make a statement of that sort?

Mr. TAGUE. I do not know that I have. I am not responsible for the gentleman who made the statement. If I were in his place I would stand up and vote the way my conscience dictated to me to vote, party caucus or no party caucus.

Mr. LONGWORTH. Is it not a fact that the gentleman asked to be relieved?

Mr. TAGUE. I do not know.

Mr. LONGWORTH. Was the gentleman at the caucus?

Mr. TAGUE. I was; I did not hear the statement, and I do not know to whom the gentleman from Ohio refers.

Mr. LONGWORTH. I refer to the gentleman from Missouri [Mr. HAWES] standing in the place where the gentleman now stands who said, "If I were at liberty to vote, I would vote so and so."

Mr. TAGUE. I do not know that that was said.

Mr. LONGWORTH. Has the gentleman ever heard a Member on this side of the aisle make a statement of that kind or one approaching it?

Mr. SEARS of Florida. Would my friend from Ohio be willing to tell everything that took place in the Republican conference? We have never asked them to do it.

Mr. BLANTON. Will the gentleman yield? The difference between the two sides is that the Democratic caucus leaves it to the individual Democrats to decide in caucus what they are going to do, while our Republican brothers through their steering committee go to the Republican Members and say, "Here, you get into line, and if you don't we will do so and so to you."

Mr. LONGWORTH. Does the gentleman from Texas deny that that caucus the other day was binding upon every man?

Mr. BLANTON. Of course it is binding. It was an agreement between the Democratic Members entered into voluntarily, reached after an open and free discussion of their individual judgments. They were not whipped into line. They were individual members of the Democratic Party acting fearlessly but agreeing upon what the policy of their party should be in behalf of the people of the country.

Mr. LONGWORTH. Then why did the gentleman from Missouri [Mr. HAWES] yesterday say, "If I were at liberty, I would not vote for the Garner plan"?

Mr. BLANTON. For the same reason that the Republicans have never yet been able to agree—

Mr. LONGWORTH. Oh, answer the question, if the gentleman desires to say anything.

Mr. BLANTON. I heard Mr. HAWES in the caucus, and he openly and freely discussed his views in a perfectly good humor, and the conclusion of the caucus was reached after hearing the views of all Democrats.

Mr. LONGWORTH. Does the gentleman ever read the CONGRESSIONAL RECORD?

Mr. BLANTON. Oh, he was just talking facetiously, recognizing that Democrats in caucuses do reach wise agreements.

Mr. LONGWORTH. Does the gentleman ever read the CONGRESSIONAL RECORD outside of his own speeches?

Mr. BLANTON. Oh, the gentleman from Missouri was talking facetiously in order to try to bring once again a smile to the face of the gentleman from Ohio.

Mr. WOLFF. I wish to say for the benefit of the gentleman from Ohio that I was a member of that Democratic caucus and that I am not going to vote for the Garner plan.

Mr. LONGWORTH. I congratulate the gentleman.

Mr. WOLFF. And I am not going to vote for the Mellon plan.

Mr. LONGWORTH. Evidently the gentleman does not regard the caucus as binding. Permit me to read what the gentleman from Missouri [Mr. HAWES] said:

Personally, if the liberty of voting as I wish were accorded me, I would vote for the Mellon plan.

Who deprived him of the liberty of voting as he wished?

Mr. BLANTON. He did himself, under reasonable Democratic regulations.

Mr. LONGWORTH. The Democratic caucus deprived him of that.

Mr. WOLFF. Not at all. Here is a gentleman in the Democratic caucus who said that he is not going to vote for it.

Mr. GARNER of Texas. Let me say to the gentleman from Ohio that there will be a dozen Democrats on this side who will vote to amend the Garner plan. Let me tell him the difference between the Republican process and the Democratic process. The Democrats all get together at one time and thrash out their views, whereas the gentleman from Ohio takes the Republicans State by State and behind closed doors and whips them into line. That is the difference between the Republican process and the Democratic process.

Mr. LONGWORTH. I now ask the gentleman from Texas [Mr. GARNER] the same question that I asked the gentleman from Massachusetts [Mr. TAGUE]. Did he ever hear a gentleman on this side of the aisle in announcing his position upon a great and vital measure say "If I were at liberty to vote as I wished, I would do so and so?"

Mr. GARNER of Texas. No; because the gentleman adopts different methods to whip his people into line.

Mr. GREEN of Iowa. Mr. Chairman, I make the point of order that debate is not proceeding on the bill as required by the rules.

The CHAIRMAN (Mr. MAPES). The gentleman from Massachusetts will confine his remarks to the bill.

Mr. TAGUE. I think I have confined my remarks to the bill. It is other gentlemen on the floor, who have interrupted me, who have not confined their remarks to the bill.

Mr. GREEN of Iowa. I was not finding any fault with the gentleman from Massachusetts.

Mr. TAGUE. Mr. Chairman, I want to say in conclusion just this word. I have not been swept off my feet and I do not intend to be swept off my feet by the propaganda that has been sent throughout this country. I represent in this body a district which perhaps can lay claim to as much of the wealth of the Nation as any district in the country. I say that advisedly. I represent the greater part of the business district of the city of Boston. I have received more than 6,000 letters of propaganda on this bill and I want to say to this body, with considerable satisfaction, that of the 6,000 letters I have received I have received less than 50 from the business men of my district. There is no more cosmopolitan district in the United States—aliens if you will, men who came to this country seeking opportunity and wishing to enjoy all of the great blessing that you and I have enjoyed. They are becoming citizens every day. You have not found them trying to evade their just taxation. These men have been told that this is a Government of all of the people, and that as part of the Government they must pay their share of the country's taxes; but, alas, they have this horrible example before them of men of means, controlling millions of dollars, refusing defiantly the will of the Congress of the United States—hiding their riches and placing these riches where the Government can not get any return from them. Is that American citizenship; and have these men forgotten their obligations and their duties as citizens when they defiantly say as they now do, "Unless you give me what I ask, unless you give me what I want, I shall refuse to contribute to the requirements of my Government"? This is what confronts us to-day and this is what the passage of the Mellon plan means. By the passage of the Garner plan, with the amendments that Mr. GARNER will propose, we will save the situation, and we will put taxation back where it belongs, so that the rich and poor alike must pay their just proportion of taxation. [Applause on the Democratic side.]

Mr. GREEN of Iowa. Mr. Chairman, I yield two minutes to the gentleman from Ohio [Mr. LONGWORTH].

Mr. LONGWORTH. Mr. Chairman, I underrated the humiliation in which the gentleman from Missouri [Mr. HAWES] finds himself, because I had not read the peroration of his speech, which is as follows:

Mr. Chairman, had I the poor privilege of expressing my own individual judgment—

Think of it—had I the poor privilege of expressing my own individual judgment!—

had I the poor privilege of expressing my own individual judgment in the matter of surtaxes, I would have voted for the 25 per cent tax, or the 50 per cent tax, because the rates imposed in between are pure guesswork and do not seem to be logical or persuasive.

So the gentleman from Missouri [Mr. HAWES] finds himself in a position where he has not even the poor privilege of expressing his individual judgment or the judgment of his constituents! Why? Because you called a caucus to force, if you could, upon Congress this so-called Garner plan, and no gentleman can vote for anything else and still remain a Democrat.

Mr. STENGLE. Is it not a fact that, while we are discussing

Mr. LONGWORTH. I am delighted to yield to the gentleman.

Mr. STENGLE. Is it not a fact, that while we are discussing the caucus, the gentleman's own State delegation, the Republican members of it, held a caucus this morning and decided on 37 per cent?

Mr. LONGWORTH. It is absolutely not a fact in any possible respect. The gentleman is wrong in every way that he could be wrong, because, in the first place, there was no meeting, and in the second place, if there had been, there would have been no such resolution, and in the third place, men from Ohio on the Republican side do not have caucuses that bind them. So the gentleman is thoroughly and absolutely wrong, as are most of his colleagues.

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

Mr. GREEN of Iowa. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. UNDERHILL].

Mr. UNDERHILL. Mr. Chairman, it seems as though this is Massachusetts day. You have heard in succession from three Massachusetts Representatives. I have wondered since

I have been a Member of Congress if a question of legislation could possibly be discussed in this Chamber without the introduction of partisan politics. I do not know if that is possible, but I have a few observations to make, and I hope that perhaps for the first time, at least for the first time since I have been a Member, a public question may be discussed without a word of partisanship.

Mr. Chairman, a few days ago Congress was engaged in an effort to force into industry large fortunes which are now going into tax exempts through the medium of a constitutional amendment which would not be ratified by the States until long after conditions prevailing have passed. No one who voted for that amendment can vote against this legislation and remain consistent. Those who voted against the amendment because of constitutional objections can also vote for this bill, which will accomplish the desired result by direct action through a common-sense, substantial, sound economic reduction of the income tax. The man or woman with an income must invest it or suffer loss, since idle capital is shrinking capital. Unless excessive taxation drives the owner to the purchase of tax-exempt securities, investment is made in productive industries, such as factories, mines, stores, banks, apartment houses, and the thousand forms of business enterprise. When the Government takes a large part of a man's or woman's income, does the Government invest it in factories, stores, mines, farms, houses, inventions, hotels, railways, or any other form of industry whatever? It does not. The money goes to defray the gigantic and oftentimes useless expenses of the Government. A remedy for this situation has been frequently urged, but is always opposed by those who appeal to prejudice through the class cry of "Soak the rich." This endeavor to soak the rich ignores the fact that it withdraws from industry and commerce the necessary capital, increases interest charges, and in consequence everyone has to suffer.

Money is not being invested in tax-exempt securities for the purpose of escaping taxation so much as it is to secure a sound and safe investment. An investor may see possibilities of a much larger return in industry or public-service investments, but realizes the element of uncertainty and prefers to take the smaller return rather than risk his principal. How many, in view of past experiences, are willing to take the chance of losing the accumulation of their thrift and industry over a long period of years and invest those savings, due in many instances to sacrifice of all luxuries and in some instances necessities, in such an uncertainty as business which under the present law is subject to a tax far beyond the prosperity and safety of the business?

It is almost confiscation to-day. It is hard to impress this upon the politician, that there must be sufficient capital in the hands of the employer in order that it may be distributed through the medium of employment to the general public. It is management more than money and leadership more than labor that makes for progress and prosperity. When 25 per cent of the time of the employers of this country is wasted in an effort to make up tax returns, 25 per cent of efficiency of management and leadership is lost; there is 25 per cent neglect of employee and employment, 25 per cent of time given to expert accountants and lawyers in making out tax returns properly, not to escape taxation but to escape jail or bankruptcy.

This is one of the fundamental reasons for the increased cost of living and also increased expenditures on the part of those who can ill afford the additional burden. The best way to increase production and prosperity is to increase the number of employers and the number of employed. It is one of the hardest and most difficult propositions to find a man or group of men who can successfully employ labor. Within the last few years it has become a great indoor sport of the politician and the demagogue to accuse and abuse the business man. The man who has smoke coming from his chimneys and keeps the wheels of industry turning in any other country on the face of the globe, except Russia, is a benefactor. But in the United States of America a man who has smoke coming from his chimney and the wheels of industry humming is a malefactor. Soak him! He is working anywhere from 14 to 24 hours a day. He adds to the wealth of the Nation and incidentally to his own wealth. He would like to put the money he makes back into business. But the Government says, "No; you must pay it to us as a surtax." Hard times come. He may lose money, but the Government does not advance him his losses or reimburse him for his labor. If this man prefers to take the fruits of his thrift and industry and put them into the only positively safe investment he knows under present conditions, tax-exempt bonds, and spends his time playing golf or in travel or some other recreation without the worries and cares and

risks of business, is he to be censured or is he to be commended as a man of good business judgment?

Mr. HOWARD of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. UNDERHILL. In a moment.

Can a man be censured when he sees the writing on the wall that in his days of prosperity he can not put aside a fund for the future calamities? What is the result? He retires, and the only safe thing for him to do is to retire and invest in tax exempts. Now, then, what becomes of the employees, who have been happily located for many years? The Government has closed the factory in its foolish effort to exact more money from the man who owns the mill. It has driven him from business, and the employees have joined the rank of the unemployed.

Now I yield.

Mr. HOWARD of Oklahoma. I just listened a few moments ago to the gentleman from Oregon, who insisted that this tax was passed on to the consumers, through a pair-of-shoes illustration. Now, the gentleman at present on the floor insists that men will not invest their money by reason of this taxation. Where is the man hurt in investing his money in enterprise if, as contended by the gentleman from Oregon, he passes it on to the consumer? Which is the correct theory to follow?

Mr. UNDERHILL. Of course he passes it on to the consumer. That is not a very pleasant prospect either for the manufacturer or the merchant. He gets the complaints of his customers, whom he wants to treat fairly, and he gets the condemnation of the politician, who accuses him for doing this very thing. I say if he has a fair, even break, a gambler's chance, he will continue in business.

Mr. HOWARD of Oklahoma. One of you stated that he will not continue in business by reason of these taxes and the other says he passes the taxes on. Which is the correct theory?

Mr. UNDERHILL. Both are correct. The successful man retires; his successor passes it on to the consumer, and takes his chances of bankruptcy.

The public interest is paramount, and when the public opinion coincides with the public interest, as it does in this instance to the greatest degree I have ever witnessed, the politician and the statesman must give heed. Do not delude yourself that this is propaganda. The people are in earnest. They are not now so keen to soak the rich for they have found that they themselves are eventually the greatest sufferers every time this soaking process is attempted.

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

Mr. UNDERHILL. Mr. Chairman, may I have one minute more?

Mr. GREEN of Iowa. Mr. Chairman, I yield to the gentleman one minute.

Mr. UNDERHILL. Give capital an even chance and you will get a favorable and almost immediate reaction. There will be no necessity now or in the future for a constitutional amendment to reach tax-exempt securities.

This is not a partisan question and there is not a word of partisanship in what I have said. It applies equally to all parties and affects all classes.

The public of all classes are clamoring for bread. Do you propose to give them a stone? [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I yield 20 minutes to the gentleman from Kansas [Mr. LITTLE].

The CHAIRMAN. The gentleman from Kansas is recognized for 20 minutes.

Mr. LITTLE. Mr. Chairman, I ask that I may be allowed to proceed without interruption until I shall have finished my remarks. If my memory serves me correctly the gentleman from Massachusetts who has just addressed us voted against the last Republican tariff, and his remarks here lead me to have less confidence in the Republicanism of this one.

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

Mr. LITTLE. Not until I have finished my remarks.

In the CONGRESSIONAL RECORD of February 14, page 2441, I find this statement by Mr. MILLS, the gentleman from New York:

I am not going to discuss the reasons for the reduction in the surtax rates, although I will admit that it is the corner stone of tax reform, and I will admit it is the corner stone of the Treasury bill.

Since he is candid so far, he should have added that it is primarily simply a plan to enable a man with great wealth to avoid paying his income tax. He may have taken it for granted that every intelligent man knows that.

However, other reasons have been advanced. We are told that if we will permit them to quit paying their taxes they will

sell their tax exempts and put them into active business and will reduce the high cost of living.

Turning to page 2442 of the RECORD of February 14 we find that he entirely explodes the theory his followers are giving. He says:

The tax reductions are apportioned * * * 3 per cent to incomes of \$100,000 and over. How can a bill be drafted for the benefit of one class that only gets 3 per cent of the reduction while other classes get 97 per cent?

If the total reduction is \$233,000,000 in taxes and men with incomes of \$100,000 or more are only relieved a total of 3 per cent of that, they will receive, in round numbers, a relief of only \$7,000,000. The gentleman has demonstrated at one fell swoop that the corner stone of his bill is an eggshell. The lady doth protest too much.

The surtax on incomes of \$200,000 or more is 50 per cent and on incomes of \$100,000 to \$200,000 48 and 49 per cent. Speaking in round numbers of a 50 per cent surtax on the amounts from \$100,000 up, this bill will reduce them 50 per cent and give them a gain of \$7,000,000, according to the gentleman from New York, on page 2442 of the RECORD for February 14. If this analysis is correct they are now paying only \$14,000,000. If \$14,000,000 is 50 per cent of their present incomes, those people only have incomes totaling \$28,000,000. Why, it is a drop in the bucket in the great ocean of American business. That will not give relief to anybody, even the poor, suffering, oppressed, and down-trodden millionaires. Twenty-eight million dollars is 10 per cent on \$280,000,000. The gentleman from New York has been very thoroughly certified to us by the leaders of both political parties as the bulwark of the corner stone of this bill, and according to his own figures the people for whom the bill was drawn and who are the corner stone of the bill only have \$280,000,000 in business subject to taxation.

How much of those great fortunes are held in tax-exempt securities? The gentleman has not undertaken to specify, so far as I have learned, any amount that will be turned loose to other business purposes, but it is evident that the relief they receive from this bill can not possibly be of any serious assistance to them or to this country. We will be compelled to rely on the relief given the rest of us for any aid to the business of this country. Why not let them have the pleasure of continuing to contribute toward paying the war debts of the Republic? Their contribution will not be a noticeable one if they are relieved.

Those advocates of relief for the great incomes who are gifted with the higher flights of imagination, demagogues for Midas, fondly tell us that the big men pay no taxes, that they pass it all on to the poor man. Then why relieve them? The average man then should get the relief. Why not just honestly face the actual God's truth? They fix their prices as high as the traffic will bear, and the only reason they don't make them higher is because the people would cease to buy. When we reduce their taxes, their price remains the same and we are simply adding to their profits by great bounties. That is why when we cut their taxes in the Sixty-seventh Congress from 73 per cent to 58 per cent they made no diminutions in the cost of living and invested no more money in active business subject to taxes. I can not help but feel that it would be better for the Nation and for them if they would just candidly confess that this is simply an effort to diminish their taxes and maintain the highest market price the people will stand.

73 AND 58 PER CENT.

Fortunately we can judge of what they will accomplish by what happened when they were relieved of 15 per cent by the Sixty-seventh Congress. When the war was in progress this Government levied a tax of 73 per cent on the great incomes and a much greater tax on the lives of the young men of this country.

One hundred thousand of the young men of the country paid their taxes in full and came not back. Thousands more, the lame, the halt, and the blind, still carry that tax and will to their deaths. The rich men of this country should thank God that they are able to pay a small part of these debts. [Applause.] How can any man have any respect for men of enormous fortunes who come here wringing their hands and crying for a relief of 3 per cent, amounting to only \$7,000,000? What happened when the Sixty-seventh Congress cut their surtax by 15 per cent? Did they launch any great fortunes into business? Did they lift the burden of the high cost of living from the shoulders of any poor man? Did it cost anybody 15 per cent less to live? They had already put on everything the traffic would bear, and they adhered to it, as they will in all events. Did they found, establish, and broaden the business of this country? These gentlemen should at

least come here and answer those questions and answer them affirmatively. Anything else than that would show a total disregard for public opinion. Caesar said, "All Gaul is divided into three parts." The report of this committee indicates that he underestimated. It is divided among several more than three. [Applause.] Equally presumptuous and grotesque is the claim that inducing a part of the holders of tax exempts to sell to some other parties would take money out from under tax-exempt securities. Every dollar one man sells will be bought by some other man. This is not "a dagger I see before me." This is a fake.

The other day I heard a gentleman in this House tell us that if great wealth were compelled to pay these surtaxes it would decline to make the great profits and thus avoid paying the taxes. This is sabotage, pure and simple. [Applause.] Every man who indulges in it is an enemy to his country and a traitor to its people. The women of this country might with good warrant refuse to bear boy babies until the men agreed to quit killing them. One might understand how weak men in the roar and shock of battle might seek safety for their lives elsewhere, but how can human nature reach so low a standard as that of the malingering tax dodger with wealth beyond the dreams of avarice who hides his fortune from the taxgatherer and refuses to assist his fellow citizens in discharging the great war debts that hang over them?

A great statesman said long ago, "The love of money is the root of evil." At different epochs in the world's history we find curious fantasies and fallacies taking possession of the human mind. We have now a dementia pecunia which expresses itself in the parrotlike cry that "the people want to soak the rich" [laughter], which threatens a total revolution in society and destruction of the foundations of our liberties. "The fear of the Lord is the beginning of wisdom," gentlemen, and it has become the duty of this Congress to put the fear of God in the hearts of these demented victims of enormous wealth. [Applause.]

BOUNTY AND BONUS.

There are before this House two propositions. One is to grant a bonus to the boys who went over the top in the gray of the morning on the fields of France. The other is to grant a bounty to the great millionaires who take their breakfasts in bed at 11 in the morning. Which are you for? The idea that we ought to grant a bounty to men with millions is the most astounding proposal ever made to a legislative body in the annals of mankind. Jack Cade and John Ball in their wildest moments never ventured such supreme audacity. Danton and Robespierre never launched anything so entirely unparalleled in the field of human reason.

The proponents of this plan to reverse Robin Hood's famous theory, and thus rob the poor to help the rich, would grant to a man with a \$5,000,000 unearned income a "relief" of \$1,331,000 per annum. Surely, future people will think that in this House, where such a proposition is seriously discussed, "the sweet bells jingle out of tune."

This suggestion has received the entire attention, apparently, of the committee on which is devolved the duty of preparing our laws for taxes. Even the distinguished gentleman from Texas has joined in the high tide of effort to rescue the rich from their money piles which threaten to engulf them. He wants to give them a relief of 6 per cent per annum, which would of itself be ample and sufficient interest on all their money.

The men with the great fortunes in tax-exempt securities claim they have in effect a contract with the States and the Nation that exempts them from taxes forever till the securities mature. That a man with one hundred millions of dollars can carry it safe from the taxes that other people pay is evidently against public policy, and if there were any such contract between private citizens the courts would hold it void. If there is any such contract, it is void, and everyone of them should be made to pay his legal taxes like other people. Every contract is made subject to such changes in the Constitution of the United States as the people see fit to make. I have introduced a proposed amendment to the Constitution which will encourage every one of them to pay his taxes like other people and to engage in the business of the country which is subject to taxation. It reads as follows:

SECTION 1. The United States shall have power to lay and collect taxes on income derived from any securities issued by or under the authority of the United States or any State before or after the ratification of this article whenever said income so derived shall exceed the sum of \$12,500 per annum.

I am glad there are here those to defend such men. The meanest criminal in the courts of this country will have an

attorney assigned to him by the court. While these men who have amassed enormous wealth and sheltered themselves behind technical claims to avoid paying their taxes and contributing to lifting the burden of twenty billions of debt from the backs of the people of this country whose sons fought its wars are malingering tax dodgers, guilty of sabotage far in excess of any practiced by the most desperate and poverty-stricken laborers, they have a right to be heard.

The lists show that in Kansas there is no man who pays taxes on an income of \$100,000 or more. The 3 per cent relief on the suffering millionaires will not reach the State where I live. The people who receive it are amply and ably represented here in the arguments on this floor, and to be just with them they devote themselves to presenting the plans to help the people they represent, and waste no time on the people of Kansas and their needs and necessities. The farmers of our Commonwealth have had very little assistance from the advocates of a bounty to the great incomes, and they can safely confide the welfare and the equities of the great fortunes to those who speak for them so ably and eloquently here.

The gentleman from Massachusetts [Mr. TREADWAY] said a few moments ago that "a very able young man from the Treasury," a Mr. Gregg, had worked on this proposed legislation, but had explained to the committee that he could not write it all "in plain English." In my judgment, Mr. Chairman, we should not abandon the English language in writing the tax bills of this country. The language of Alexander Hamilton, Albert Gallatin, Richard Rush, Robert J. Walker, Salmon P. Chase, John Sherman, and John G. Carlisle is good enough in which to write the tax laws for the American people yet. Let us stick to it.

The gentleman from New York informs us in the quotation I made from him that these big incomes pay only a nominal share of the \$233,000,000 taxes that will be reduced. It appears that these income taxes are paid practically all by average men and men of moderate means and moderate fortunes. Let us have somebody write the tax bill that can write "plain English" for them. That is where the tax reductions should be made and are needed. If they pass all these taxes on to the consumer, as they claim, it is plain why they do not get and do not need any great relief. Let the consumer's taxes be relieved in whatever amounts he pays that the great fortunes should pay.

SIXTY-SEVENTH CONGRESS.

In the Sixty-seventh Congress this House voted to reduce that tax to 32 per cent. The Senators promptly increased it to 58 per cent, 50 per cent of it surtax, and returned it to the House. A desperate effort was made to fix it at 40. The gentlemen at the other end of the Capitol arranged for a 58 per cent tax on great incomes and made themselves safe and sound at home with their constituents. We were then asked to hold the sack and leave them all the credit for compelling great wealth to pay its taxes. The House declined to do so, just as they should decline to cut a cent off of the big surtaxes now. However, Congress reduced the taxes on the big incomes by 15 per cent. You know what resulted—70 Republican Members of this House stayed at home. Those gentle faces are missing here. Who is this poor general that wants to lose another half of his army in order to maintain the corner stone of this proposition and reduce the surtaxes? [Applause.] The friend of the people with big incomes would grant a bonus of \$1,331,000 a year to every man with a \$5,000,000 unearned income. That amount of money will pay a bonus of \$500 each to 2,662 men. The axiom that we should legislate for the greatest good of the greatest number seems to indicate that that would be the better way to expend this money. The Government records indicate now that none of these men are paying taxes on \$5,000,000 incomes. Great incomes were frequent enough after the war. Where are they now? Disappeared like breath into the frosty morning air on the tax returns. Has anybody heard of any great fortunes destroyed? Is the country so poorly conditioned that we have no great incomes from our wonderful businesses? No man here really believes it. These perjured, malingering tax dodgers should be in the penitentiary where they belong. [Applause.]

This concealment of great fortunes to escape taxation is the greatest record of perjury and theft, the greatest piece of sabotage of the wealth of a nation in all time since they piled the gold of Egypt knee deep in the sarcophagus of the Pharaoh 3,000 years ago.

I repeat that this devotion to wealth is a species of insanity that now afflicts the whole world. Under the authority of the State and Nation, every great fortune can be taken over by the Government under the Constitution whenever its owner dies. An inheritance tax of 25 per cent by the Nation and 25 per cent by the State can already assimilate into the Treasury half of

every very great fortune. Personally, I would prefer that men pay their taxes as long as they live and bequeath a reasonable share of their property to their children. You have seen what has happened in Russia and will happen in England. Where is the wealth of the Czars? English nobles already, thanks to the war and Lloyd-George, are paying a land tax that they have been dodging for five centuries. Do you want the next tax law made by radicals or reds? How long do you think the people of this country will permit great fortunes to avoid their taxes? How long will it be before the State and the Nation levy an inheritance tax of 80 per cent and pay off the debts of this Nation in a few short years? Oh, you ostriches, take your heads out of the sands and face the future and be content to pay your taxes as long as you live. [Applause.]

You are at the parting of the ways. You are called upon to choose between the heroes who fight our country's battles and the malingering tax dodgers who plunder its wealth. "Under which king, Bezonian? Speak or die."

What's wealth to them whose faith and truth
On war's red touchstone rang true metal,
Who ventured life and love and youth
For the great prize of death in battle?

[Applause.]

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

Mr. LITTLE. Yes.

Mr. MURPHY. I did not get to hear all of the gentleman's speech, but I quite agree with a good deal that is in it.

Mr. LITTLE. I thank you.

Mr. MURPHY. I am just a little curious to know what the gentleman's idea is with reference to the ability of the Government to take care of the soldiers' adjusted compensation in the event that any tax bill that is now before the House should pass?

Mr. LITTLE. The gentleman asks me a very difficult question. The greatest financier in the country guessed a billion dollars wrong on that last year. [Laughter and applause.]

The CHAIRMAN. The gentleman from Kansas yields back two minutes.

Mr. COLLIER. Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. GREENWOOD].

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

Mr. GREENWOOD. Mr. Chairman and gentlemen, having but 10 minutes, I prefer to proceed without interruption to the end.

The Constitution provides that all revenue measures shall arise in the House of Representatives. Like the declaration of war, this special delegated power to tax, was placed by the framers of our fundamental law in the hands of the people's representatives.

A very startling policy of the administration has been inaugurated by the Executive. Through the Secretary of the Treasury, we have here a full-fledged detailed revenue bill written outside of our Ways and Means Committee and proposed here as the Mellon plan and heralded by the subsidized press of the country as the only plan of taxation that will suffice to meet the needs of our country. I for one resent the idea of the Secretary of the Treasury usurping this function of Congress, and I resent accepting his program without the dotting of an "i" or the crossing of a "t." Because Andrew Mellon is reputed to be the third richest man in the United States convinces me that he is not the proper person to administer the duties of the Treasury Department in the interest of the whole people. I call now upon my colleagues to refuse to accept his biased views on surtaxes and to refuse to crown him as the financial autocrat of our America.

Our colleague from New York [Mr. MILLS] in this House recently, in speaking on the economic features of the income tax, said there was another theory concerning this method of taxation. I was lead to conclude that this second theory, which he termed the "social effect of the law," did not meet with his hearty indorsement.

I believe the people through the States ratified the sixteenth amendment to our Federal Constitution allowing the levy of an income tax, in order to place the burden of taxation upon the wealth of our country and upon those who are best able to carry this burden. Certainly it is as fair a tax as has ever been proposed.

The gigantic fortunes of our country have been accumulated through the special privileges of legislation; by governmental grants of natural resources in coal, oil, gas, water power; by corporations who receive the charter privileges from the Government; by the accretions of value to real estate and property, where society and not the individual creates this value. Why

should not these immense fortunes, created by special privilege, corporate rights, monopoly, and power specially conferred, become partners with the people who produce this wealth and through their Government collect the partner's share of the profit? [Applause.]

In time of war we conscript the youth of our land. I say that we should also conscript the wealth of the land to pay the debts of our Government.

IS PROPERTY MORE SACRED THAN LIFE AND BLOOD?

I join with my colleague from Virginia, Mr. Moore, in saying that this social feature and advantage of equalization of classes should be further produced by increased inheritance and gift taxes. I hope this bill will be amended to adequately reach these sources of property.

No one man ever produced the wealth of Henry Ford or of Andrew Mellon but by the combined producing effort of thousands of men. I believe that taxation by government be for the equalizing process to keep the rich from becoming over-olupent, and to relieve the poor from becoming destitute. The true purpose of law, as I conceive it, in its highest efficiency, "is to restrain the strong and to likewise protect the weak."

I am not so much impressed that excess profits of corporations should be taxed unreasonably, so long as the individuals in such corporations are taxed upon their incomes derived therefrom. The company effort, as the agency of making profits, should not be wounded and killed, as we have reached the economic development now where corporations are needed to promote our business and continue to promote progress. Such corporations should be regulated by law and not allowed to domineer or oppress freedom of commerce and production, or to destroy by unjust methods.

However, to allow these increased profits, earned and belonging to the stockholder, to escape just taxation as stock dividends is a travesty upon justice, and if the Supreme Court can not see the justice of such a tax or reach it under the present law, then it is the duty of Congress to become specific in this revenue bill upon that particular feature.

Of course, we should not adopt the ideas of the President or the Treasury Department in regard to our duty to the soldiers of the World War. This is not a money or economic question.

This is the question of paying our just debts in a spirit of patriotism. It is a just debt that our country owes, and the statute of limitations will never run against this debt.

If this double-barreled propaganda of Andrew Mellon to the taxpayers of the country leads every taxpayer in my district into the delusion of believing that they can only have tax reduction by denying the soldier boys their adjusted compensation, I want to say now that I will disregard the deluded taxpayer and stand with the boys who wore the uniform and listened to the singing of the bullets while the moneyed interests accumulated fortunes, which they are now trying to selfishly conserve. [Applause.]

I am ready to vote for a soldiers' adjusted compensation bill first, and then frame our revenue bill accordingly.

I am a profound believer in the greatest good to the greatest number. I am a disciple of Thomas Jefferson and Woodrow Wilson, and have a desire to serve the great common people of our country who produce its wealth but do not always get their share in the divide. [Applause.]

Whenever there is the question of earnings upon one side and dividends on the other, I desire to banish selfishness from my heart, let the spirit of democracy prevail, and decide by voting for the earnings, the wages, and the necessities of the poorer class.

In this process of equalization we can apply a leveling-out process that will promote more equal opportunity, curb extreme wealth, and help extreme poverty.

Goldsmith, in the Deserted Village, observing that the homes of the peasantry had drifted into the clutches of the landed patricians, voiced his regrets:

Ill fares the land, to hastening ills a prey,
When wealth accumulates and men decay.
Princes and lords may flourish or may fade—
A breath can make them, as a breath has made;
But a bold peasantry, their country's pride,
When once destroyed, can never be supplied.

I am for the Garner bill—greatest good for greatest number. [Applause.]

By legislation let us have equality and promote democracy.

Oh! greed, stony-hearted greed,
Strike thy dread shackles from the limbs of men;
Let love fling wide thy chained and bolted doors
That bar the path to brotherhood.

Mr. Chairman, I yield back the remainder of my time.

Mr. COLLIER. Does the gentleman yield back any time?

The CHAIRMAN. The gentleman yields back one minute.

Mr. GREEN of Iowa. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. WURZBACH].

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

Mr. WURZBACH. Mr. Chairman, my primary purpose in addressing the House to-day is to go on record as being in favor of the Mellon plan of taxation, with specific reference to the 25 per cent maximum surtax. I think we might as well call the Mellon plan the Coolidge plan, because President Coolidge—in whom I have great confidence—has approved that plan. It seems to be a favorite pastime in these days to criticize men holding public office who happen to be fortunate enough to own more wealth than the average man. I have heard criticisms made against Mr. Mellon. So long as a man acquires his wealth in an honest way, he ought not to be criticized simply because he is wealthy. It is the hope and desire of every normal being to acquire wealth. To deny that statement is socialistic demagoguery. I am sure the \$12,000 which Mr. Mellon receives in public service as against the amount of money he could honestly earn in private life would exceed the amount it is claimed he will profit by the enactment of the Mellon plan. The public services of this quiet, unassuming gentleman call for praise, not censure. I do not envy or begrudge men of larger means than mine their wealth if honestly acquired, nor should any man in this great Republic having a decent regard for its Constitution and laws entertain that feeling of envy and hatred toward men of wealth who are willing to take upon themselves the burden of patriotic public service.

I feel I am in a peculiar attitude with respect to this bill. I do not often indulge in the criticism of Members on the Republican side of the House. I am Republican, and I submit to you gentlemen on my side of the House that I have been a fairly consistent and regular Republican. I think it can be said even that I vote with the party as regularly as any man on this side, but it does seem anomalous to me that a committee—a Republican committee, if you please—should report out a bill providing for a 25 per cent maximum surtax and in substantial compliance with the Mellon plan and then be put under the impression that I nor any other Member favoring the Mellon plan is to be given an opportunity to vote upon that plan carrying the 25 per cent rate. I do not believe it is sound political principle or good politics for a Republican committee to present a bill unless the Republican Members signing the bill at least make a sincere effort to enact into law the main provisions of that bill. It has been charged openly and whispered about in cloakroom and lobby that there is an understanding among Republican Members that no attempt will be made to incorporate the rates of the Mellon plan, and that the parliamentary situation will be brought about so that a Republican Member will not be permitted to vote for the plan reported out by our own committee. I strenuously object to that. Such a compromise of principle will not gain us the people's respect nor the voters' support next November. It will in a measure humiliate our President and burden him with a responsibility we ourselves should bear with courage. Non-partisan experts of the Treasury Department agree that the Mellon plan is scientific. President Coolidge approves the plan. The Garner 44 per cent plan, or any other plan carrying a maximum surtax between 25 per cent and 44 per cent or over 44 per cent, is based upon guesswork and unscientific to the last degree. In my humble judgment, we Republicans ought to place our committee tax-rate plan against the Garner tax-rate plan. If we are defeated by a coalition vote of Democrats bound by party caucus and Republicans who nearly always vote with the Democrats on important issues, and the Garner plan is adopted as a substitute, the President will be given a fair chance to veto and thus place the responsibility for no tax reduction where it belongs—on the Democratic Party.

I think President Coolidge would have the courage—and he always displays courage—to veto that kind of a bill; and the American people would applaud his action. I believe further that the American people would then hold the temporary majority party—made up of caucus-instructed Democrats and that class of "floating" Republicans heretofore mentioned—responsible for the failure to enact the legislation for tax reduction and tax revision which the American people are demanding to-day.

I like to stand up and fight, even if I go down fighting. I think we ought to stand our ground and not surrender our guns but make a brave fight.

It seems Republican Congressmen have an idea that they can work out their individual political salvation in their own way. Perhaps they can. I want to say that in my opinion Calvin Coolidge is decidedly the strongest asset we have in the Republican Party to-day. [Applause.] I do not say we ought

to hang to his coat tails, but I do say we had better not step on his coat tails and stop his onward march. He has caught the popular fancy because of a clearness of judgment, honesty of purpose, fair-mindedness, and an unquestioned courage, all equal to those same virtues so abundantly found in the character of the immortal Lincoln.

The gentleman from Missouri [Mr. HAWES] the other day referred to this 35 per cent plan—and I suppose we might as well recognize its existence, though not yet publicly announced—as the Green-Mellon plan. I think that is a good name, but I do not like green melons; I want them ripe, red, and juicy. If I can not get the 25 per cent surtax I may, with great reluctance, vote for the Green-Mellon 35 per cent plan as the least of three evils. I would rather have the 35 per cent surtax than to have the 44 per cent surtax or the Frear plan. These two plans are not green melons. They are worse than that. They are much overripe—they are simply rotten. If I am forced to choose between green melons and rotten melons, I guess I will take my chances with the former.

Mr. CONNALLY of Texas. Will the gentleman yield?

Mr. WURZBACH. I have only a little time, otherwise I would be glad to yield to my friend. I know we are all of us just a little bit too much inclined to look to our reelections. I am convinced of one thing from my experience in politics—my congressional political experience has been brief, but I have had some local political experience at home. Our people in Texas—and our people are just like your people—do not want a man to run away from his own shadow. They want him to stand up and fight. If he errs in honest judgment, he is only slightly criticized, if at all; but if ever they get the impression that a man is one of these ear-to-the-ground statesmen or a self-seeking demagogue, he is a cooked goose in Texas. I know that is true in my district.

Mr. HAWES. Will the gentleman yield for one question?

Mr. WURZBACH. Yes.

Mr. HAWES. Is it not a fact that the first man who ran away from the Mellon plan was the gentleman from Ohio [Mr. LONGWORTH] and that the second man was the gentleman from Iowa [Mr. GREEN], both declaring before the bill was reported that it would not pass?

Mr. GREEN of Iowa. I object to the gentleman from Missouri putting statements into my mouth which I have not made.

Mr. BARKLEY. If there is any jealousy between the gentleman from Ohio and the gentleman from Iowa as to which ran away first, we might compromise. [Laughter.]

Mr. GREEN of Iowa. The "gentleman from Iowa" does not know anything about running away.

Mr. WURZBACH. I happen to be the only Republican Representative from the State of Texas, and probably the only Representative from that State that favors the Mellon plan with only such amendments as will not change the substantial provisions. I am in favor of that portion of the Republican committee plan as now written which provides for separate income-tax returns in Texas and other community property States.

Mr. BLANTON. Will the gentleman yield?

Mr. WURZBACH. Yes.

Mr. BLANTON. The gentleman is for the Mellon plan, and that is the plan which says that no adjusted compensation may be paid to soldiers in the San Antonio district of Texas. How is the gentleman going to go back there and face those people—not the soldiers—but the people who stand for that adjusted compensation?

Mr. WURZBACH. I am going to answer that, and I am glad you asked it. It is not claimed, and it could not be claimed, by the advocates of the Garner plan that they are providing in their bill for a sum sufficient to take care of the bonus?

Mr. BLANTON. But we are going to pass a bonus bill.

Mr. WURZBACH. Wait until I get through.

Mr. BLANTON. We are going to pass one.

Mr. WURZBACH. That is all right, but they are not claiming that the Garner plan will take care of it, and we could not expect that the gentlemen who are demanding the Garner plan intended to make provision, or did make provision, in their bill for a bonus fund. The gentleman from Texas [Mr. GARNER], who is the senior Democratic member on the Ways and Means Committee, the gentleman from Mississippi [Mr. COLLIER]—one of the leading advocates of the Garner plan—both voted against the adjusted compensation bill in the last Congress. [Applause.] And gentlemen may rest assured that those men, opposed as they were then, unless they have heard from home during the

last few days to induce them to change their former vote against adjusted compensation, are not going to provide for money in a bill to perform a thing that they are opposed to doing.

The CHAIRMAN. The time of the gentleman has expired.

Mr. LINEBERGER. Mr. Chairman, I ask unanimous consent that the gentleman be permitted to proceed for five more minutes.

The CHAIRMAN. The gentleman from California asks unanimous consent that the gentleman from Texas may proceed for five additional minutes. Is there objection?

There was no objection.

Mr. LINEBERGER. Did not the Republican leadership vote for the adjusted compensation bill in the last Congress?

Mr. WURZBACH. Yes. Mr. Mondell, who at that time was Republican floor leader, voted for the bonus.

The gentleman from Ohio [Mr. LONGWORTH] our present floor leader, I might add, also voted for it, and the gentleman from Tennessee [Mr. GARRETT], then and now Democratic floor leader, also voted against it.

Mr. LINEBERGER. And our leader is still for it.

Mr. WURZBACH. Now, gentlemen, here is the situation to which I wish to call your attention, because some of you may give me credit for having unusual courage in voting as I am going to vote, but that is not true. My people, I believe, are for the Mellon plan as expressed in the Republican committee bill at this time, and will be stronger for it when they better understand its provisions. You will be surprised that in my State, the Democratic State of Texas, you can find no favorable editorial comment upon the Garner plan, but they do comment with enthusiastic approval almost unanimously on the Mellon plan of taxation. I am talking about the big papers in Texas that I have had opportunity to read. I have read more ridicule of the Garner plan in Democratic Texas newspapers than I have heard on the floor of this House. But that is not the reason I am going to vote as indicated. I have many good reasons, all of which I will not be able to give in the limited time available.

I think you gentlemen on the Democratic side will conclude before you get through with this campaign that you have out-demagogued yourselves, for this reason: You look upon the 3 per cent of taxpayers as an entire and separate entity. You forget that 97 per cent of the people of this country do not pay any income tax at all. Suppose we be liberal and multiply the 3 per cent by 5 in order to get in the whole family of the direct taxpayers, that would be 15 per cent. You have then 85 per cent of the American people who are not hurt by the payment of any income tax. Therefore they are not affected one way or the other by the Mellon plan or by the Garner plan; but here is the point: It is unquestioned—

Mr. MURPHY rose.

Mr. WURZBACH. I thought I had answered the gentleman's question before.

Mr. MURPHY. You have been speaking of the Garner plan, and I am sure you have given this matter serious study.

Mr. WURZBACH. No; I have only tried to hit the high points. I am not a tax expert at all, but I think a blind man can see the general principles of the proposition.

Mr. MURPHY. Would you mind telling the Congress whether it is your best judgment that the Mellon plan will produce enough revenue to take care of the soldiers' adjusted compensation bill?

Mr. WURZBACH. The Mellon plan is the only scientific plan that has been presented. It comes from the Treasury Department. I do not know how much money the 35 per cent proposition will bring to the Government, nor do I know how much the 44 per cent will produce, nor does any Member of the House, but we know approximately how much the Mellon plan will produce. It is admitted, and nobody will deny, that taxes are passed down to the ultimate consumer. I suggested here the other day that that was an assumption and was almost ridiculed. They said that is an established fact, and I know it is. Now, take the 85 per cent of the American people who can not be hurt by direct taxes or surtaxes, whatever the rate may be, looking at those people and keeping in mind that taxes are passed down to the ultimate consumer, is it not axiomatic that fewer and less of those expressed in the increased cost of living of this 85 per cent taxes, and the burdens that go with them, will be passed down to this great majority of American citizens who are too poor to pay a direct income tax, if you have only a 25 per cent rate than if you have a 44 per cent rate?

Mr. BARBOUR. Will the gentleman yield there?

Mr. WURZBACH. Yes.

Mr. BARBOUR. How can the gentleman give us any reasonable assurance that that will be the fact?

Mr. WURZBACH. What fact?

Mr. BARBOUR. That if the maximum rate is made 25 per cent that fewer of the tax burdens will be passed down to the people who do not pay income taxes.

Mr. WURZBACH. That is mathematical. I say that if my premise is correct—and I thought that was generally agreed upon—that high surtaxes are passed down to the consumer—if that is true, then you can not get away from the conclusion that a 44 per cent tax rate will mean a larger passing down to the consumer than a 25 per cent tax rate.

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

Mr. WURZBACH. May I have a little more time?

Mr. GREEN of Iowa. How much more time does the gentleman need?

Mr. WURZBACH. I would like to have 5 or 10 minutes.

Mr. GREEN of Iowa. I yield the gentleman five minutes more.

Mr. GARNER of Texas. Would the gentleman yield for one question right in that connection?

Mr. WURZBACH. I am going to refer to the gentleman in just a moment.

Mr. GARNER of Texas. This question is right in that connection. Do you believe that these high surtaxes are passed on to the consumer?

Mr. WURZBACH. Yes; and I learned that from you Democrats, with reference to the tariff law.

Mr. BARKLEY. It was true then, was it not?

Mr. GARNER of Texas. I just wanted to put the gentleman on record as believing that these high surtaxes are passed down, because if you vote for a proposition to remit 25 per cent you are giving them back what they have already collected from the people.

Mr. WURZBACH. I am going to agree with the Democrats for once on one part of the argument they have made on this floor year after year, that if you put a tariff or duty on imported goods, they pass that duty down to the ultimate consumer, and you are estopped now to deny that proposition.

Mr. CONNALLY of Texas. Will the gentleman yield?

Mr. WURZBACH. No; I can not yield.

Mr. BARBOUR. Will the gentleman yield for just another question?

Mr. WURZBACH. No; I would rather continue my remarks. I am not afraid to defend my vote in Texas. My people are fair-minded. They think that to take 31 per cent—nearly one-third—of a man's income is as much as any Government ought to take away from any of its citizens, and I agree with them on that, and that is the tax under the Mellon plan, made up of 25 per cent surtax and the normal 6 per cent tax. The people in Texas believe in reasonable taxation, but they have not come to the point where they believe in legislative confiscation of property.

Now, with reference to the 3 per cent of the people who pay direct taxes, I think there has been a fair distribution there, when you consider that the taxpayers of this country who pay less than \$5,000 of income taxes—and they are in the very lowest bracket—that 42 or 43 per cent of the entire deduction provided in the Mellon plan is credited to them; and going a step further to the taxpayers below \$10,000, you have 72 per cent, or nearly three-fourths of the entire deduction provided for by the Mellon plan, is credited to these smaller income-tax payers.

I think that is fair and just. The Democrats, especially those Democrats that voted against tax-free securities the other day, ought not now to be taking the position that they are and attempting to put up the surtaxes to 44 per cent. When you Democrats voted against that resolution you provided the hiding places for tax-exempt securities that will be issued during the next 50 years until you have securities running up perhaps to \$50,000,000,000, enough to take care of the money of all the rich men who are desirous of avoiding their duty in the payment of taxes. [Applause.]

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

Mr. GREEN of Iowa. I yield the gentleman five minutes more.

Mr. WURZBACH. I want to make a short reference to the criticisms that have been made of Mr. Mellon and his estimates. They make great capital of the fact that he estimated about a year or so ago that there would be a deficit at the end of the fiscal year of 1923 of \$600,000,000 in the United

States Treasury, when as a matter of fact there was shown a surplus of about \$309,000,000, a mistake in estimate of about \$900,000,000!

It is not unnatural he made that mistake. He perhaps listened or heard of the argument you gentlemen on the Democratic side made when we were discussing the Fordney tariff law. You prophesied that the rates under that Republican bill were so high that there would be no importation of foreign goods and therefore no revenue to the Government. That was one of your favorite arguments. But, as a matter of fact, under the beneficent administration of Republicanism we had greater receipts of customs than we ever had in this country, and several hundreds of millions of dollars more than Mr. Mellon or even any Republican anticipated. If you created that impression you are partly responsible for the fact that Mr. Mellon did not take these increased customs receipts into consideration.

Under a Republican administration we reduced the actual expenditures of the Government for the fiscal year 1923 over and above the estimated expenditures by over \$230,000,000.

I think it is pretty safe business; I think the American people are going to compliment us and also the Secretary of the Treasury if he remains on the safe side in making his estimate. You and we also referred to a lot of war material as "junk." We considered it as junk. Under a previous administration you had approved sales of property by private negotiations, without chance of competitive bidding in many cases, but the present Secretary of War initiated a change in that respect. Shortly after Mr. Weeks went into office he sold property at public auction and stopped private sales, and we have derived millions of dollars more than we anticipated. [Applause.] So that we reduced the expenditures of the Government nearly, or approximately, \$300,000,000, and we collected about \$700,000,000 more than any of us anticipated. Take the two together and you have the sum of about \$1,000,000,000, and that corresponds exactly with Mr. Mellon's figures. The difference between a balance on hand of \$300,000,000 and an estimated deficit of \$600,000,000 amounts to almost exactly the sum by which you claimed Secretary Mellon failed in his estimate.

Now my friend Mr. GARNER of Texas was the senior Democratic member of the Committee on Ways and Means. He could not lead the way; he could hardly follow his committee when you had the emergency tariff law before the House. He had the hardest time in the world even to follow along in a limping way. You gentlemen remember that he forgot to insert in the Record that famous tariff speech. [Laughter.] And now, lo and behold, in his partisan fight against real tax reduction and revision my good friend is not only leading the Democratic hosts but he has come over here on our side and leads all of our "floating Republicans" under his flag into their camp. He sure is leading now. I want to compliment him for his shrewdness and political sagacity. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I want to take two minutes. After the remarks made by the gentleman from Kentucky [Mr. BARKLEY], I want to say I never ran away from anything. Every Member of the House knows that. I simply exercise my right as a Member of the House to express my views upon legislation. Gentlemen of the House know what I went up against. I knew it and I knew what the New York and Philadelphia papers would say. I faced it.

Mr. MURPHY. Will the gentleman yield?

Mr. GREEN of Iowa. Yes.

Mr. MURPHY. Is it not a fact and do you not know that there is a mild revolution here, so that neither the Republican Party nor the Democratic Party alone can pass this bill or any other bill in this House?

Mr. GREEN of Iowa. I only took two minutes, and I can not go into that. I never cast any vote in order that I might get votes back in my own district. If I expressed my opinion by my vote, in accordance with what most of the people of my district think, I probably would cast it as the gentleman from Texas [Mr. WURZBACH] just said, for the Mellon plan without dotting an "i" or crossing a "t." I never sought to retain my position in that manner and never will. I have never asked any special favors in my district. I represent an agricultural district pure and simple. I never cast a vote to get votes in my district or favored particularly agricultural matters. Every Member of this House knows that, and I resent any insinuation to the contrary. [Applause.]

Mr. GARNER of Texas. Mr. Chairman, I think the committee is entitled to know that the gentleman from Iowa [Mr. GREEN] has been very courageous in this matter. [Applause.] I say that to these Democrats. I want to congratulate the Republican side of the House for quitting the Mellon plan and

coming to Mr. GREEN of Iowa. I think the country is entitled to congratulations for the good judgment and patriotism of the Republican side of the House, which has been demonstrated by quitting the Secretary of the Treasury, who undertook to dictate, and coming to the chairman of the Ways and Means Committee. [Applause.]

Mr. COLLIER. Mr. Chairman, I yield 20 minutes to the gentleman from Kentucky [Mr. BARKLEY].

Mr. BARKLEY. Mr. Chairman, I want to assure the gentleman from Iowa [Mr. GREEN] that my suggestion of some jealousy that might exist as between him and the gentleman from Ohio [Mr. LONGWORTH] as to which one of them ran away from the Mellon plan first was probably a little unjust. The gentleman from Iowa [Mr. GREEN] convinces me that he did not run away from Mr. Mellon because he never was with him, but I doubt whether the gentleman from Ohio [Mr. LONGWORTH] could say the same thing.

Mr. GREEN of Iowa. I took the statement of the gentleman from Kentucky [Mr. BARKLEY] rather more in the nature of a jest than anything else.

Mr. BARKLEY. It was intended to be facetious.

Mr. GREEN of Iowa. But I feared that some others who might be listening, who did not know the circumstances, might put a wrong construction upon it.

Mr. LINEBERGER. The gentleman from Ohio is on the floor and he can answer for himself.

Mr. BARKLEY. I desire to discuss this measure, not from the standpoint of the financial expert or as an expert economist, because I do not pretend to possess those qualities, but from the standpoint of some things which have occurred to me during this debate which do have some bearing upon the economic side of the measure. It has been stated here by the gentleman from New York [Mr. MILLS] and by other gentlemen who have argued for the abandoned Mellon plan, that in order to have prosperity in the country, in order that industry may be busy and labor employed, it is necessary to do two things. One of those things is to withdraw the tax-exempt securities from the markets of the United States, and the other to reduce the surtax as proposed in this measure by the Secretary of the Treasury. Those gentlemen have seemed to me to assume that in order to withdraw from tax-exempt securities the billions of dollars now invested in them the only thing necessary is to reduce the surtaxes as provided in this measure as now drawn. In the first place it is financially impossible to withdraw the funds that are now invested in tax-exempt securities for any purpose. These gentlemen seem to have assumed that immediately upon the passage of an amendment to the Constitution, which was defeated a few days ago, or immediately upon the enactment of this legislation all of the money invested in tax-exempt securities will be withdrawn from those channels and invested in active industry. All I need to say to show the impossibility of that is simply this. These tax-exempt securities are not due and the amount of money invested in them can not be withdrawn from them until they become due and are paid off by the State, county, or city which issued them.

Even if it were possible for the money now invested in these tax-exempt securities to be withdrawn before becoming due and paid, the only way by which the identical money could be withdrawn would be to sell those securities to somebody else with an equal amount of money, which would likewise be equally withdrawn from active industry, and put into these tax-exempt securities. It strikes me as ridiculous as an argument that a reduction in the surtax rates in this bill or in any bill or in any tax program can, ipso facto, withdraw one dollar from tax-exempt securities and put it into active industry. It is a financial impossibility.

The other theory advanced by gentlemen who favor the Mellon plan or who even favor now the 35 per cent is that all those affected by the high surtax rate on incomes above \$53,000 per annum are going to put the amount they save by reduced taxes back into industry, while all those who receive less than \$53,000 incomes are going to dump their savings into a sink hole, and that it will result in no benefit to the country. In the first place, there is no guaranty here, and there can not be any guaranty, that the immensely wealthy people of the country, the 9,500 who, I believe, are affected more favorably by the so-called Mellon plan, will put their savings by reason of the adoption of the Mellon plan back into industry. It is a mere assumption, and they are decidedly more apt to expend the amount of money they save by any reduction in ways that are not essential to the country's prosperity than those who draw less than \$50,000 per year.

It has been shown here that the number of people who will be affected more favorably by the Democratic plan than by

either the Mellon plan or the steering committee plan, which has recently been evolved and which I think probably ought to be called the "Green plan," is something like six and a half millions, who pay income taxes upon incomes below \$53,000 per year. Those incomes range all the way from \$1,500 or \$2,000 up to \$53,000 per year. It is my belief that the money saved by those 6,500,000 taxpayers who draw incomes of less than \$53,000 can with more assurance be expected to be put back into industry than the savings upon the incomes of the 9,500 of more than \$53,000 a year.

There is no scarcity of money, so far as I have been able to observe, with reference to industry. There has not been a single bond issue floated in the United States in recent years that has not been oversubscribed, whether issued by an oil company, a railroad company, or any other industry in the country, and only this week the Financial World has announced that the \$150,000,000 loan to Japan was oversubscribed more than 50 per cent during the week. When industry wants money it finds it. What American industry needs is not more capital but a wider market for the things they are producing by the capital invested in their industries. [Applause.]

Roughly speaking, we have in this country a surplus of 25 per cent of manufactured products and something like 40 per cent of agricultural products, and the only way by which industry or agriculture with a surplus of 25 or 40 per cent, or any other per cent in its output, can prosper is by finding a market; and on the Republican side you could contribute more to the benefit and prosperity of industry in this country, and of agriculture, by abandoning your policy of isolation and seclusion and trying to help find a market in the world for American products of the farm and factory than by undertaking to relieve the enormously wealthy people of the country of 50 per cent of the amount of taxes which they are now paying, in the hope or on the theory that it will be put into industry and add to the unmarketable surplus already being produced. Products are of no value without markets in which to sell them.

I say that every dollar saved by every man and woman in the United States who belongs to that class who draw a small income will go back into industry. Every dollar that they save in income taxes will go to buy clothing, and food, and shoes, and vehicles, and the comforts and necessities of life; and every dollar of that will reach some industry, will give more employment to labor, will give a greater profit to industry and capital; and while it is doing so it will give greater comfort and ease to those who earn their living in the sweat of their brow and contribute thereby to the prosperity of our country. [Applause.] Hence I am not convinced that in order to make industry prosper you must rake up some sort of fantastic scheme by which all the money invested in public securities shall be suddenly withdrawn, or, on the other hand, that you must hold out to us the mirage that all the enormously wealthy people who will save money under the Mellon plan or under the Green plan are immediately to dump their savings back into industry and bring about a sort of paradise of prosperity from one end of the country to the other.

Now, I should like very much to vote for the greatest possible reduction in taxes upon everybody, but I adhere to that theory, which I think is correct, and especially is the fundamental policy of the Democratic Party with reference to taxes, that every man ought to contribute to the support of his Government as it has enabled him to prosper during the year. [Applause.]

Under the Democratic plan I believe the average man among the 6,000,000 will enjoy an average saving of something like \$20 or \$30 per person, but under the Mellon plan, if the surtax is reduced, 50 per cent, the average amount saved to the man whose income is over \$50,000 will be between \$15,000 and \$16,000 a year.

Now, the \$5 or the \$50 or the \$100 that will be saved by the ordinary man, who is the ordinary taxpayer—and over 3,000,000 of them are men who pay on income of less than \$5,000 a year—whether the saving is \$10 or \$50 or \$100, will be carried to his wife and children in the market basket, or by the enjoyment of greater comforts and greater luxuries and more of the necessities of life; while the man who is saving under the Mellon plan \$15,000 or \$20,000 a year may take that saving and take a trip to Europe, or invest it in more tax-exempt securities, or use it for nonessential purposes; so that it is folly to attempt to make the American people believe that the enormous surtaxes to be taken off by Mr. Mellon are going, for altruistic reasons, to be put back into industry, and that all the rest of us who would save \$10 or \$50 or \$100 by the reduction of our taxes are going to squander that money and that it will not go back into industry, either directly or indirectly.

So I am for the Garner plan, not because the caucus has told me to be for it, but because I believe it deals out the greater measure of justice to all the people up and down the scale of life than the Mellon plan or the Green plan.

Much has been said here about the caucus. It does not lie in the mouth of you gentlemen to talk about our side being bound by a caucus. It is always a good thing for the members of any party in a legislative body to get together and thrash out differences and then put up a united front on any question that may be presented. [Applause.] But if we are to be bound by our deliberate action, acting together and acting after discussion, I would rather be bound to vote by the unanimous action of the Democratic caucus or, if a Republican, to be bound by the unanimous action of a Republican caucus, than to be compelled to vote according to the dictates of a caucus not held in the House of Representatives, but held in the office of the Secretary of the Treasury, to which no Member, even on the Republican side, was invited. [Applause.]

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

Mr. BARKLEY. I yield to my good friend from Ohio.

Mr. BEGG. Does the gentleman believe it is absolutely fair to bind absent Members to that caucus simply because two-thirds of the membership present believed that way? Does the gentleman believe that is permitting freedom of action?

Mr. BARKLEY. Yes; I do, because if he comes under the rule adopted for that purpose he can recuse himself, although not participating in the conference.

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

Mr. BARKLEY. Yes.

Mr. BOYCE. I would like to know if Mr. GARNER at that meeting did not make it manifest to everyone present that he had no pride of opinion, to use his own words, I think, about the Garner plan, and that each and all were at liberty to vote their judgment upon it?

Mr. BARKLEY. That was not only true, but there was more real discussion and deliberation in our caucus a few days ago than has occurred in any similar body or group of men on the Republican side since the beginning of this discussion on the tax bill.

Mr. BEGG. I question the accuracy of that statement.

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

Mr. BARKLEY. Yes.

Mr. BOYCE. I will ask you if there was any attempt on the part of anybody to coerce any member of that caucus, but on the contrary was not each and every member perfectly free to exercise his own inclination and judgment?

Mr. BARKLEY. Yes; and there is never any attempt on the part of any Democratic caucus to coerce the intelligence of any member of the party. We discuss our differences; express our views as free men, not intimidated by some outside force; reach our own conclusions; and abide by our untrammelled action.

Mr. LONGWORTH. Why did the gentleman from Missouri make that statement here?

Mr. BARKLEY. I did not hear his statement and can not speak for him here.

Mr. LONGWORTH. But the fact is the gentleman from Missouri admitted on the floor of the House that he was coerced and that he could not vote his individual opinion.

Mr. BARKLEY. The gentleman from Missouri must be the judge of whether he was coerced or not; but there was nothing which went on in the caucus that coerced any man. He made his fight there and abides by the result. [Applause.]

Mr. BEGG. Will the gentleman get his leader, the gentleman from Tennessee [Mr. GARRETT] or the gentleman from Texas [Mr. GARNER] to make the statement to their membership in the House that they are free to vote their convictions on this bill?

Mr. BARKLEY. No; the gentleman himself may not vote his own convictions, though he says he has not been bound by anybody.

Mr. BEGG. Of course, they will not make that statement.

Mr. BARKLEY. No; they will not make that statement because it is not necessary to make it and because it is not necessary to deny a thing that is not true on its face. [Applause.]

Mr. BEGG. How can the gentleman say it is not true when one of his own party men says it is true?

Mr. BARKLEY. We have taken our action, and by practically unanimous vote decided to vote for the Garner plan as a party measure. [Applause.] We are willing to go before the country on it as an issue if it is made an issue. [Applause.] And we do not have to swallow the dictates of the Secretary of the Treasury or after his dictates have been abandoned we are not required to follow the dictates of your steering committee. Let me ask the gentleman this question: Whose dictation are you going to follow?

Mr. BEGG. I am going to follow my own. And does the gentleman dare to say that is true on his side?

Mr. BARKLEY. Is the gentleman going to vote for the 25 per cent surtax or the 35 per cent surtax?

Mr. BEGG. I suggest to the gentleman that he wait until the roll is called and he will then see. Is the gentleman going to vote his own convictions?

Mr. BARKLEY. Absolutely; yes, sir; I am going to vote my own convictions, and I voted them in the caucus when I voted for the Garner plan.

Mr. CARTER. Will the gentleman permit me to suggest that the answer of the gentleman from Ohio indicates that he has not yet gotten his instructions?

Mr. BEGG. The "gentleman from Ohio" does not need to get any instructions.

Mr. BARKLEY. The gentleman from Ohio has abandoned the Secretary of the Treasury and must now listen to the steering committee, and possibly he will not know until tomorrow morning whether to abandon the new plan.

Mr. BEGG. I would like to ask the gentleman if he will ask the gentleman from Missouri [Mr. HAWES] if he feels absolutely free to vote his convictions?

Mr. BARKLEY. The gentleman from Missouri will take care of himself.

Mr. BEGG. If you will permit me to do so, I would like to ask him that question.

Mr. BARKLEY. The gentleman from Missouri is amply able to take care of himself and he will do so; he will not only do it as to his vote on this bill but he will do it back in Missouri in November.

Mr. HAWES. Will the gentleman from Kentucky give me sufficient time to answer the gentleman's question?

Mr. BARKLEY. Yes.

Mr. HAWES. The difference between the position of the gentleman from Ohio [Mr. LONGWORTH], the gentleman from Iowa [Mr. GREEN], and my own position is this: I favored what I considered the scientific plan of a surtax suggested by Mr. Mellon. I went into my caucus and fought for it, the best I knew how, and I was whipped. Now, the position of the gentleman from Ohio [Mr. LONGWORTH] was this: Carrying a commission from the Republican Party and carrying the burden of responsibility for Republican leadership, three weeks ago he gave a statement to the papers that the Mellon plan could not be adopted, followed some two or three weeks later by a statement from the chairman of the Ways and Means Committee that he personally favored a 35 per cent surtax. The difference between those two gentlemen and myself is this: They ran away under fire, murdered the President's program, murdered Secretary Mellon's program, while I went as far as I could.

Mr. GREEN of Iowa. The gentleman from Missouri knows better when he makes that statement, because I never ran away from anything. I never favored the Mellon plan.

Mr. HAWES. The gentleman stated in the papers that he favored a 35 per cent surtax. His commander in chief is the President of the United States.

Mr. GREEN of Iowa. I stand here as the Representative in Congress of a sovereign district. The President has no authority over me under the Constitution or in any other way. On the contrary, the Constitution confers upon Congress the sole right to legislate, while the President's duty was to execute the laws enacted by Congress.

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

Mr. HAWES. Just the same, you both ran away.

Mr. GREEN of Iowa. I never ran away from anything. I could not run away in this case. I simply stood where I always stood, and the gentleman from Missouri stands there not daring to carry out his own convictions and to excuse himself makes charges against others which he can not substantiate.

Mr. BEGG. Will the gentleman from Missouri now answer my question?

Mr. BARKLEY. Mr. Chairman, may I have five minutes more?

Mr. BEGG. Does the gentleman from Missouri feel free to vote as he feels?

Mr. GARNER of Texas. Mr. Chairman, I yield five additional minutes to the gentleman from Kentucky.

Mr. HAWES. Will the gentleman from Kentucky yield to me for a minute?

The CHAIRMAN. The gentleman from Kentucky is recognized for five additional minutes. Does the gentleman from Kentucky yield to the gentleman from Missouri?

Mr. BARKLEY. Yes.

Mr. HAWES. The leadership in my party is the Democratic caucus, while the leadership in the gentleman's party is the President of the United States. I have obeyed the leadership in my party, which is a three-fourths majority expressed in caucus.

Mr. BEGG. Then the gentleman does not feel free to vote his own convictions?

Mr. HAWES. The gentleman from Ohio will obey the leadership of his party, which is not a majority of votes.

Mr. BEGG. Then the gentleman admits he is not free to vote his convictions?

Mr. HAWES. I am not.

Mr. CARTER. He voted them in the caucus.

Mr. HAWES. I expressed my opinion amongst my Democratic colleagues and I bowed to the majority rule, and the difference is that your leadership was afraid to call a caucus.

Mr. BEGG. Oh, no; not at all.

Mr. HAWES. Not that the gentleman from Ohio [Mr. LONGWORTH] and the gentleman from Iowa [Mr. GREEN] did not have the desire, but they were afraid to submit the program of the President of the United States to a Republican caucus. [Applause.]

Mr. BEGG. No; that is not so at all. The only point in the whole procedure is that the gentleman from Kentucky denied that the caucus bound his colleagues, and I take it that the gentleman from Missouri admits that the caucus does bind the Members.

Mr. HAWES. I do; and the gentleman from Ohio [Mr. LONGWORTH] and the gentleman from Iowa [Mr. GREEN] will go before the country saying they did the best they could for the Mellon plan, and they did not do anything of the kind. They murdered the Mellon plan.

Mr. BARKLEY. I will say to my friend from Missouri that the statement given out by the Republican leader in favor of a 35 per cent surtax was given out before the bill was ever reported by the Ways and Means Committee to this House, but I think my friend from Missouri is mistaken about one thing—that there has not been any Republican caucus. There has been one. It was held, according to the morning newspapers, last night. I do not know whether my friend from Ohio was there or whether he was even invited to be there. [Laughter.]

But after abandoning the plan proposed and the one in whose behalf we have been flooded with propaganda for months, set on foot by the Secretary of the Treasury, 10 Republicans got together last night in a caucus, all by themselves, and decided they would abandon the Mellon plan and adopt a 35 per cent plan, which is nearer the Garner plan than it is the Mellon plan, and force you to vote for it when it comes up next Tuesday, although you had no hand in fixing that program. [Applause.]

Mr. LOZIER. Will the gentleman yield?

Mr. BARKLEY. I yield.

Mr. LOZIER. Will the gentleman from Kentucky ask the gentleman from Ohio whether or not the other day, in Speaker GILLET's room or in a room near this hall, there was a meeting of the leading Republicans with a view to agreeing upon a 35 per cent surtax or some other tax upon which they could secure the votes not only of the Republicans but the progressive Republicans? Will you ask the gentleman that question?

Mr. BEGG. He does not need to ask me. I will answer that; no.

Mr. BARKLEY. Let me ask you this question. In the morning paper your leader gave out a statement that after their caucus met last night and decided on this 35 per cent—

Mr. BEGG. What is the gentleman talking about—a caucus?

Mr. BARKLEY. The 10 members of your party who met to hurry the Mellon plan.

Mr. BEGG. Who were the 10?

Mr. BARKLEY. The steering committee, and one or two more. After they met last night they gave out the statement that if they could not get 35 per cent, they were going gradually up toward the Garner plan until they got as near as possible to 44 per cent.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BEGG. The leader did not give out that statement.

Mr. BARKLEY. Are you going to follow your little caucus or are you going to vote your convictions. [Applause.] You do not know yet, because you have not been told what condition your own bill may be in when your leaders get through with it. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. LA GUARDIA].

Mr. LA GUARDIA. Mr. Chairman, in the early days of this session when some of us were looking for an isle of safety we had some hope that we might find fellow progressives among the independent Members on the Democratic side of the House.

This tax question is becoming more confusing every moment. A few days ago, after a resolution had been passed on the other side of the Capitol, the President of the United States, in commenting upon that resolution, said that the subject matter of the resolution was "exclusively an Executive function." Many approved of his stand. I had hopes that this House, adopting the words of the President, in reply to the Mellon plan, would say that the matter of taxation is "exclusively a legislative function." [Applause.] I could not understand or see how there was anything sacred about a 25 per cent surtax limit, and I had hopes that we could have discussed it on the floor of the House and determined the sense of the numerical majority of this House as to what the proper, fair, and effective surtax ought to be. But now those of us who do not believe in caucus and those of us who do not believe that the Secretary of the Treasury has the last word, find ourselves in a pretty predicament. With the Democratic caucus figure and the Mellon ultimatum where are we going to go? [Laughter and applause.] Mr. Mellon says 25 per cent. You gentlemen have caucused and say 44 per cent. There is nothing more to discuss. Mr. Mellon refuses to discuss the surtax rate. The Democratic Members dare not. What is going to become of this tax-reduction program?

Mr. LINEBERGER. Will the gentleman yield?

Mr. LA GUARDIA. Certainly.

Mr. LINEBERGER. Mr. GREEN does not refuse to discuss it. You can come over with the 35 per cent crowd.

Mr. LA GUARDIA. We will see about that. [Laughter.] Thirty-five per cent is at least a starting point, but I am primarily interested in the normal tax. We must first settle the normal tax. I want to know what is going to happen to the normal tax. I favor a 2 per cent and 4 per cent normal instead of the committee's 3 per cent and 6 per cent. I am frank enough to say that I do not have to resort to camouflage nomenclature in order to favor a so-called progressive income tax.

When you are taxing income and you run into 25, 35, and 40 per cent, it is no longer a revenue, scientific, or a progressive tax. It is a social tax, and I am in favor of it and I am not afraid to say I believe in a social tax. It is consistent with the progress of the Republic. Let us be frank about this. If we are going to have a social tax, let us look at it from that angle. The danger of the concentration of enormous fortunes in a few hands is quite obvious—we are now witnesses to a national scandal, the result of enormous fortunes. A great deal has been said here about releasing money for business, for new developments, for new enterprises. "Reduce taxes and encourage business" is the slogan. It was pointed out that in order to release money bringing a return of 8 per cent, the 25 per cent would leave a net income of 6 per cent. Since when have our millionaires been satisfied with 8 per cent? Men with enormous fortunes and large incomes do not release their money on hazardous new enterprises. They let others do it and then come in. This country was developed before we had large fortunes. It is after the development became successful and exploitation set in that your large fortunes are made. The financial history of the country will prove that our present millionaires never risked much in pioneer ventures. What happens when there is a new enterprise? The large fortunes or the large interests in a new enterprise are always protected by the bonds and the physical property is back of the bonds. The investors in the stock take the risk. The bondholders generally get a large slice of the stock as bonus with the bonds. If it is not a go—no loss to the bondholders—all to the unprotected stockholders. If it is a success—little profit to the unprotected stockholders and big profits to the "ground-floor bondholders."

Go into the railroad dining cars and you will see every railroad in the land advertising the fact on their menus that they have thousands of stockholders; that the company belongs to the people. That is true, now that railroad stock is somewhat hazardous, but the bonds of the railroads are concentrated. In the good old days of railroading, before we had Government regulation, the railroad policy, as made famous by a prominent railroad president and stock manipulator was, "The public be damned." Now it is, "Come, dear public, buy stock. There will be little dividends after all the interest on the bonded indebtedness is paid. The railroads are yours." So it is in mining industries, and the American people are now receiving a liberal education in the development, financing, and control of the Nation's oil resources.

So I do not see much in the argument that you are going to release money for new enterprises if you reduce the taxes. I also refuse to acquiesce in the argument that because there has been tax dodging we should reduce taxes. If that is sound, you

may say there has been bootlegging and therefore you must repeal the prohibition law. In fact there is more justification for the latter than there is for the former. [Applause.]

Mr. WURZBACH. Will the gentleman yield?

Mr. LaGUARDIA. I will.

Mr. WURZBACH. If there was a legitimate way there would be no necessity for bootlegging; and does not that apply exactly to the proposition—the fact that we make it an inducement to invest money in tax-exempt securities by having high surtaxes? Would not that result if we had reasonable or lower surtaxes and lower taxes all down the line? I think the gentleman's illustration is a good one.

Mr. LaGUARDIA. Does not the gentleman believe that tax exemption has been overworked for the last few weeks in the House?

Mr. WURZBACH. No; I understand the gentleman from New York voted against it and he had some reason, because the city of New York wanted to issue some bonds.

Mr. LaGUARDIA. I think the tax exemption has been overworked. If we could obtain accurate figures from the Secretary of the Treasury as to the amount outstanding of tax-exempt bonds in the country and the amount of tax returns, I would be willing to be convinced by the figures. But you will find that the decreased returns in the surtax brackets are far greater than all the outstanding tax-exempt bonds in the whole country. You have got a system of tax dodging and the average payer of surtaxes has become callous in his tax-dodging proclivities.

A few days ago there were hearings in the Committee on Immigration, and there was a provision in the proposed bill before the committee that anyone who went to Ellis Island to claim a relative coming from the other side would have to show his income by the receipt for the payment of his income tax. How do you get that? Anyone going to claim a relative at Ellis Island who said that he was willing to support the immigrant had to prove his ability by showing his income-tax receipts. Why, such a provision should be in the Committee on Ways and Means. Now, make your tax returns public. Put teeth into the law and let us try and collect what is owing to the Government, and then we would be in a position to know just what reduction should be made, if any.

Mr. RAKER. Will the gentleman yield?

Mr. LaGUARDIA. I will.

Mr. RAKER. The gentleman from Texas suggests the application of the bootlegger to the tax dodger—has it not always been the fact that men dislike to pay taxes?

Mr. LaGUARDIA. Yes; and men like to drink booze. [Laughter.]

Mr. RAKER. One thing is to fix it so that men can not get booze and the other is to put teeth into the law so that you make men pay their taxes.

Mr. LaGUARDIA. Yes; that is fair, coming from the State of California to the State of New York. My State pays the taxes, the gentleman's State furnishes the grapes that the bootleggers make the wine of. [Laughter.]

Now, there is another very important matter that is closely related to the bill before us, and that is the question of the bonus. I am sure you men do not want to simply give a lip bonus. What a farce it would be if we voted a bonus bill in this House after having reduced the revenues of the country so that we know it would be impossible to pay that bonus. I say that in voting on this measure, if you are sincere in your stand for the bonus, if you are not voting for the bonus with the hope that it will come back with a presidential veto—and I believe some Members are voting with their fingers crossed—you must take into account the cost of the bonus for the first, second, third, fourth, and fifth years, and now is the time to do it. [Applause.] I am glad to see the gentleman from California agreeing with me once.

Mr. LINEBERGER. I agree with the gentleman from New York on many things, particularly the adjusted compensation.

Mr. LaGUARDIA. So I hope this very important measure may be decided on its merits. We depend a good deal, of course, on the chairman of our committee, but the chairman of our committee has been in a very unhappy position lately. [Laughter.] The gentleman from Iowa is very much in the position of a flier in a dual-control flying machine and has the other fellow frozen on the control so that he can not fly his machine. Make Mellon get off the legislative control.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. LaGUARDIA. Yes.

Mr. GREEN of Iowa. I have been quite happy for the last few days because so many gentlemen agree with me. [Laughter.]

Mr. LaGUARDIA. I hope the gentleman will agree with us before we are through with the bill. The people of the country

do want a reduction of taxes, and it was very unfortunate, I will say, that the Democratic side of the House caucused on this very important measure, and thus prevented one-half the membership of the House from discussing, debating, and agreeing with those of us who are anxious to vote a real reduction of taxes, bringing relief where relief is needed. I had hoped that after the general debate, when we got down to business under the five-minute rule, we could have had such full and frank discussion as would have brought out a real bill, originating in and representing the wishes of the House of Representatives. I repeat what I said in the outset, that if you have already bound your Members on a given rate, and we have facing us another arbitrary decision or viewpoint, I do not know how we are going to get anywhere under such conditions. Come, let us loosen all shackles—executive, administrative, and political—and agree on a real, constructive, well-balanced income-tax schedule. [Applause.]

Mr. COLLIER. Mr. Chairman, the gentleman from Iowa [Mr. GREEN] and myself have had a tentative agreement about a proposed program for the balance of to-day's sitting. I suggest that the gentleman from Iowa state what that is now.

Mr. GREEN of Iowa. Mr. Chairman, for the benefit of the Members of the House it has been agreed between myself and the gentleman from Mississippi, so far as we can make such an agreement, that we would recess at 5.30 o'clock until 7 o'clock, and then run for an hour or two this evening, and perhaps longer than that.

Mr. COLLIER. I think that will permit nearly all of the speakers we have over to conclude, including the time that we have on Monday. Some gentlemen asked me here if there is likely to be any roll call this evening.

Mr. GREEN of Iowa. I should think not; there is no necessity for that. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. BROWNE].

Mr. BROWNE of Wisconsin. Mr. Chairman, I do not think that the people of the country are very much interested as to the fact of whether this bill is a Republican bill or a Democratic bill. The people of the country want a revenue bill which is going to reduce taxes, and I believe the majority of the people want a bill which will raise revenue enough to provide for adjusted compensation for the boys. My friend from Texas [Mr. WURZBACH] in his remarks endeavored to read some of us out of the Republican Party because we refuse to support the Mellon bill reducing surtaxes from 50 per cent to 25 per cent and favoring the men with incomes in excess of \$100,000 at the expense of people with modest incomes. I have heard similar remarks before, outside of the House of Representatives, but I am not at all alarmed about any threat of that kind, or my standing in the Republican Party in Wisconsin. They have tried to read myself and colleagues out of the Republican Party before for voting according to our convictions, but they have not been at all successful, and many of our critics have been retired by their constituents in their too zealous efforts to be regular. They have tried to read my friend and colleague, Representative COOPER, out of the party for 28 years, but he comes here this Congress with a larger majority than he ever had in his lifetime.

Mr. WURZBACH rose.

Mr. BROWNE of Wisconsin. In just a moment. It is quite remarkable and absurd when you come to analyze this question. We have before us a purely economic question. If you are in favor of a 25 per cent reduction, the Mellon plan, swallowed whole, you are a good Republican; if you are in favor of going up to 35 per cent you are a pretty good Republican; but if you go up to 50 per cent you are a bad Republican, according to my friend from Texas [Mr. WURZBACH] and many others.

The Democrats are just as partisan in that respect; they have had a caucus and bound themselves to a caucus rule; and my friend from Missouri [Mr. HAWES] a moment ago said that he is in favor of the Mellon bill; that he conscientiously believes, and his good judgment tells him, that the Mellon bill is right. Yet notwithstanding he goes into the Democratic caucus and he feels bound by the caucus and bound to vote contrary to his convictions. I do not believe in caucus rule or partisan politics of that kind. I do not believe in making a political or partisan question out of a purely economic question. I do not think that you can make me a poor Republican because I vote for a 50 per cent surtax, which all of us voted for two years ago. Mr. Mellon told us at that time that it was going to ruin this country; that we would not get enough revenue if we voted for a 50 per cent surtax. He favored a 32 per cent surtax, and a majority in this House followed his advice. I did not vote for the 32 per cent surtax, but voted for a 50 per cent surtax and had my Republicanism questioned by some of the House leaders who have since been repudiated by the voters of

their districts. The matter went over to the Senate. The Republicans there voted for a 50 per cent surtax. You were a good Republican for voting for a 50 per cent surtax in the Senate but a poor Republican for voting for a 50 per cent surtax in the House of Representatives, 200 feet away. You can see the absurdity of it. None of the Republican Senators could have passed the acid test prescribed by the Republican leaders in the House of Representatives. We finally passed a 50 per cent surtax after defeating it once, and we raised more money than Mr. Mellon expected by over \$300,000,000. Perhaps a Republican from Texas may be absolutely dependent upon what the administration says regarding the way he shall vote. The Republican campaign committee may point out to him that he must obey them. I would rather resign my seat in Congress than be dictated to as to how I shall vote by any organization of any kind or any political party caucus.

Mr. WURZBACH rose.

Mr. BROWNE of Wisconsin. Wait a moment until I get through. I want to discuss briefly a part of the bill which I think is unjust and which I think ought to be amended. That is in regard to the taxation of motor vehicles. The tax has been reduced somewhat on motor vehicles, but I think it is still an unjust tax. You propose to tax automobile trucks, and automobile wagons, and so forth, 3 per cent, and parts 5 per cent. The justification for taxing automobiles and automobile trucks has been that they wear out the roads. That is a plausible reason, but the fact is that our entire Federal appropriations for post roads amounts to only about one-half of the tax we get from automobiles and automobile trucks. Another thing that ought to be taken into consideration is that the Federal Government does not pay one cent for the maintenance of highways. The highways are maintained by the States. If there is any tax to be put on automobile vehicles, especially trucks that are a means of transportation, that tax ought to be levied by the State and used in the State for the maintenance of the roads. Just see what the result of our taxing motor vehicles is. The Federal Government has \$589,012,021 in taxes from auto vehicles and accessories, while our total appropriations for rural post roads from 1916, when the first highway appropriation was passed, has amounted to \$243,664,295.27 or less than half of the tax we have received from motor vehicles.

Each State makes the motor vehicles pay a license fee that it thinks is sufficient to maintain the roads. This is legitimate and proper, for the State has to pay for maintaining the roads.

That is the second tax. Then many of the States are putting on a third tax, a gasoline tax. Then the automobile or the automobile truck is taxed by the township assessor, and he taxes it the same as he taxes all property, according to the full value. That is a fourth tax. You are taxing the means of transportation, and the cost of transportation enters very largely into the cost of everything, and is too high to-day. The automobile is no more a rich man's toy or plaything. It is used by everybody. There is practically one automobile for every family in the United States. It is just as common as the horse and wagon was 25 years ago, and does not deserve being taxed to death any more than the horse and wagon did. It would be just as logical for the Federal Government to start in and tax the locomotive, and the sleeping car, or the day coach, or the Pullman coach, as it is to tax an automobile or an automobile truck.

This was a war measure. We raised in taxes, as I say, something like \$589,012,021, already paid, and I believe the motor industry is an industry on which we ought to reduce the taxation a great deal more than it has been reduced in this bill. It is a tax that is easily shifted to the consumer, and the consumer pays it, and that tax is shifted and paid by every family in this country. It also increases the cost of transportation of a large tonnage of goods carried by the automobile truck, which is becoming one of the modern means of transportation.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield?

Mr. BROWNE of Wisconsin. Yes.

Mr. GREEN of Iowa. Of course, so far as the automobile tax is concerned, like any other of these excise taxes, we would have been glad to take it off, realizing that taxes of that kind are not good things. Would the gentlemen suggest where we should put it?

Mr. BROWNE of Wisconsin. I should raise it from an inheritance tax or an excess-profits tax. I would not put it on a manufactured product. I would raise it from a gift tax, and I am in favor of an inheritance tax or an excess-profits tax. I

am in favor of raising the tax in any or all of these ways instead of putting a tax on a manufactured product which is used by practically every citizen of this country.

THE MELLON BILL.

I am receiving many letters and much propaganda in favor of the Mellon bill and urging me to take the advice of Secretary Mellon. Now, I want to say a word about taking the advice of experts. According to my friend from Texas, you might as well give a power of attorney to some steering committee or to Secretary Mellon and let them vote for you as to come here and vote yourselves. I do not believe that is what the 250,000 people of a Representative's district want their Representative to do. Mr. Mellon's opinion ought to be taken into consideration, but we must remember this, that so-called experts are not always right and may be prejudiced as much as anybody else, or may speak for a certain group of financiers. Mr. Mellon gave his opinion here before, and I wish to call your attention to it. On January 24, 1922, in reply to a letter of Mr. Fordney, chairman of the Committee on Ways and Means, Mr. Mellon said in part:

I am glad, in accordance with your request, to present the latest figures as to the probable receipts and expenditures of the Government for the fiscal years 1922 and 1923. It appears from the statement that for 1922 the Budget estimate indicates a deficit of \$24,000,000.

He was then using this estimate as an argument against the bonus. In President Harding's veto message of September 19, 1922, based upon Expert Mellon's figures, he used this deficit as a reason for vetoing the soldiers' adjusted compensation bill. The fiscal year 1922 ended with a surplus of \$313,000,000. Expert Mellon came within \$337,000,000 of being right. President Harding in his veto message, obtaining his figures from Mr. Mellon, made this statement in regard to the deficit predicted for the fiscal year 1923. President Harding, relying on Expert Mellon's estimates, stated the latest Budget figures for the current fiscal year, 1923, showed an estimated deficit of more than \$650,000,000. The fiscal year 1923 ended with a surplus of \$309,000,000. The difference, therefore, between the predicted deficit of \$650,000,000 and the actual surplus of \$309,000,000 equals \$959,000,000.

Taking the errors of judgment, Expert Mellon's estimates for 1922 and 1923 are as follows: 1922, \$337,000,000; 1923, \$959,000,000; total error in Mellon's estimates, \$1,296,000,000. Both of these estimates, which were erroneous and fell short over one billion and a quarter dollars of what proved later to be the true facts, assisted Mr. Mellon in his argument against the adjusted compensation bill and killed the bill by causing the President's veto.

Mr. EVANS of Montana. Mr. Chairman, will the gentleman yield there?

Mr. BROWNE of Wisconsin. Yes.

Mr. EVANS of Montana. Did the Secretary make an estimate for 1924?

Mr. BROWNE of Wisconsin. He did. Secretary Mellon predicted a deficit for the year 1924 at the time he was advising the President to veto the adjusted compensation bill, yet he now admits we will have a surplus in 1924 of \$329,000,000.

Mr. EVANS of Montana. There seems to be a progression in the figures.

Mr. BROWNE of Wisconsin. Yes; a progression in mistaken estimates. The World's Work, which is against the soldiers' bonus and has been opposing the adjusted compensation, tells about President Harding's opposition, and says:

His campaign against the measure, however, has been based upon the lack of money. The course of events made his plea a little ridiculous; instead of the enormous deficit which the Treasury Department had foretold, the Government ended the year more than \$300,000,000 to the good. The soldier's advocates were not slow to grasp their advantage; the administration's experts were either bad guessers or they had deliberately misled the public; the demonstrated fact was that new taxation was not needed to meet their demands, the money was already in hand to pay the bonus, or, at least, the first installment.

That the bonus will pass early in the new session, and that it will pass, if necessary, over the President's veto has for some time been an accepted commonplace in Washington. Mr. Mellon's letter to Congressman GREEN has given something of a shock to this program, but only a temporary one. The reason is that it repeats the Harding mistake. His position is not unfairly interpreted as a statement that the country can have either the bonus or tax reduction, but that it can not have both. In view of the strange course of national finances a year ago this conclusion does not necessarily follow. If the Treasury forecast was so many hundreds of millions wrong in 1922-23, is it impossible that it will be so in the year 1923-24?

MELLON TAX BILL.

The tax bill proposed by the majority of the committee provides for a reduction in the normal tax of 25 per cent and a reduction of the surtax of 50 per cent. This, translated into plain language, will result as follows:

First, a 25 per cent normal tax cut.....	\$92,000,000
Second, a 50 per cent surtax cut.....	102,000,000
Total tax cut.....	194,000,000

The substitute bill proposed by Representative FREAR, a member of the Ways and Means Committee, who assisted in drafting the bill, proposes a 50 per cent cut in the normal tax and the leaving of the surtaxes as they are to-day. This, translated into plain language, is—

First, a 50 per cent normal tax cut, leaving.....	\$184,000,000
Second, no surtax cut.....	
Total.....	184,000,000

I herewith give the amount that a taxpayer (a married man with two children) would pay on an income from \$1,000 to \$10,000 a year according to the existing tax law, the proposed Mellon tax law, and the Frear substitute:

Income.	Present tax.	Proposed Mellon tax.	Frear substitute proposal.
\$1,000.....	\$28.00	\$15.75	\$10.50
\$5,000.....	68.00	38.25	25.50
\$10,000.....	128.00	72.00	48.00
\$15,000.....	186.00	99.00	76.00
\$20,000.....	276.00	144.00	116.00
\$25,000.....	366.00	189.00	156.00
\$30,000.....	456.00	234.00	196.00

In other words, the Frear amendment reduces the taxes of the small taxpayer over 60 per cent and gradually lessens the reduction as the income increases. While the Mellon bill begins by reducing the surtaxes 50 per cent on the man with a million-dollar income.

The following will show how tax reduction under the Mellon plan is to be distributed among individual taxpayers:

Income of \$5,000,000.....	\$1,500,000.00
Income of \$1,000,000.....	251,784.00
Income of \$500,000.....	116,784.00
Income of \$250,000.....	49,284.00
Income of \$100,000.....	10,284.00
Income of \$50,000.....	1,944.00
Income of \$25,000.....	1,107.00
Income of \$20,000.....	747.00
Income of \$15,000.....	469.50
Income of \$10,000.....	222.00
Income of \$5,000.....	29.75
Income of \$4,000.....	12.75

Or, to follow the method of presentation used by a well-known cartoonist, Mr. Baer, and to use his caption, "Who gets the Mellon?"

A person with \$1,000,000 income saves under the Mellon plan \$251,784.

Fifty heads of families, each having an income of \$20,000—total \$1,000,000—save under the Mellon plan \$35,350, or \$707 each.

One hundred heads of families, each having an income of \$10,000—total \$1,000,000—save under the Mellon plan \$22,200, or \$220 each.

SURTAXES CAN NOT BE SHIFTED.

The main argument oft repeated in favor of the Mellon bill is that all taxes can be shifted and the ultimate consumer pays the taxes in the long run.

Professor Seligman, of Columbia University, in his work, *The Incidence of Taxation*; Professor Taussig, formerly of Harvard University, in his work, *The Principles of Economics*; and Professor Ely, of the University of Wisconsin, in his *Outlines of Economics*; Thomas S. Adams, professor of economics and finance, Yale; and Allyn Young, professor of economics, of Cornell University, all agree that the only way in which a surtax upon net income can be shifted to the consumers of the country is through a raise in price, and that prices are fixed and governed by cost, and that a tax upon net income does not enter into cost at all. Moreover, in the case of the great number of commodities produced by monopolies those prices are fixed without reference even to the cost. They are fixed at the point where they will receive all that the traffic will bear. In cases where prices are fixed through competition the price is ultimately fixed by the high cost of the marginal producer where that cost meets the margin of utility, and that unless a tax enters into the cost it can not affect prices. Take, for example, Henry Ford, whose annual income is estimated at at

least \$100,000,000. Suppose Mr. Ford's surtaxes are reduced from the present rate of 50 per cent above \$200,000 to 25 per cent, as Mr. Mellon advises, does anyone believe that Henry Ford would lower the price of his automobile? Of course not. What is true of Ford is true of every other manufacturer. It can not be shown that high surtaxes increase the cost to the consumer or that they increase freight rates nor rents. If surtaxes could be shifted as contended, the big income-tax payers of the United States would not be complaining the way they are to-day.

REAL ESTATE AND VISIBLE PERSONAL PROPERTY PAY HIGH TAXES.

The farmer and real-estate owner and the owner of visible personal property is paying an enormous tax to-day. The owner of city real estate can shift his tax and compel the renter to pay. The farmer can not shift his tax because he does not make the price on anything he sells. High taxes and high freight rates are ruining agriculture. When we repealed the excess-profits tax, which was, in fact, a profiteer tax, the Government lost in a single year, according to the estimate of the Secretary of the Treasury, over \$400,000,000. Who made up that amount? Federal expenses were not one dollar less because the excess-profits tax was repealed. The cost of living increased instead of decreasing, as the amount of revenue was made up by a high tariff schedule which threw a tremendous burden upon the consumer, especially the farmer, who could not shift the burden.

FARMER HARD HIT.

The Secretary of the Department of Agriculture informs us that 8½ per cent of the farmers who owned their farms in 15 corn and wheat producing States lost their farms with or without legal process between January, 1920, and March, 1923. Besides these, 15 per cent of this number were for a time actually insolvent by holding their land "through the leniency of creditors," as the Department of Agriculture puts it.

Tenant farmers fared still worse. Fourteen per cent lost their farms, while on top of that 21 per cent were spared such losses only because their creditors did not push them to the wall. These are staggering figures. They are personal tragedies to large numbers of our countrymen and they mean also a tremendous loss in our industrial system.

AN EXCESS-PROFITS TAX SHOULD BE PLACED IN THIS BILL.

In the Sixty-seventh Congress I voted and spoke against the repeal of the excess-profits tax, which is a tax on corporations that make over 8 per cent net upon their investments. I voted to amend the present income tax bill by reenacting the excess-profits tax. The excess-profits tax means just what it says—"a tax on excess profits." It is not a tax on normal profits. Many corporations in the last year have made profits of over 100 per cent. These corporations only paid 12½ per cent on their profits.

I believe that the law should be amended so that there would be no discretion with the Secretary of the Treasury in regard to stock dividends, so that corporations that deliberately and fraudulently and for the purposes of escaping taxation declare a stock dividend instead of a cash dividend should have the stock dividend taxed.

The Standard Oil Co. of Indiana, by means of stock dividends, increased its capital stock from \$30,000,000 to \$100,000,000. Every stockholder received over three times the amount of his stock in the form of a stock dividend, which could be sold in the stock markets for more than par, and yet these stock dividends paid no tax.

Here are a few of the large stock dividends that have been declared during the last year:

Stock dividend.	Per cent.
North Texas Oil.....	500
St. Regis Paper.....	400
Inman Mills.....	300
Rabston Purina Co.....	400
Shonme Oil & Gas.....	500
Tidewater Oil.....	300
Tiffany & Co.....	300
Waterhead Mills.....	900
Elmhurst Invest.....	1,600
Franklin Yarn.....	2,000

STOCK DIVIDENDS AND DEFERRED DIVIDENDS SHOULD BE TAXED.

An amendment to the present income tax law taxing stock dividends was proposed by Representative FREAR and voted for by the progressive Republicans and Democrats.

There is no question but what if stock dividends are paid or if a corporation permits its gains and profits to accumulate beyond the reasonable profits of the business that such profits can be taxed. They amount to simply an evasion of the true spirit of the law.

On October 11, 1923, the press of the country stated that stocks of the Standard Oil Co. and subsidiaries increased in value \$1,060,944,532. This increase is reported from 31 of the 33 companies of the Standard Oil. The papers also stated that oil stocks have soared through expectations of high stock dividends.

The Standard Oil Co. of New York declared a \$150,000,000 stock dividend and 100 per cent dividend in the California company, and with like dividends in other branches.

The Standard Oil Co. of New Jersey, besides declaring a 20 per cent cash dividend, accumulated \$592,000,000, or nearly six times the amount of its common stock, which is to be distributed in a stock dividend. These vast earnings did not pay a cent of tax, because they were labeled stock dividends. Yet any stockholder could have sold them in the market for more than dollar for dollar.

MOVEMENT TO REPEAL INCOME TAX.

There is a concerted effort on the part of big business to eventually repeal all income taxes and substitute in their place sale or consumption taxes, a tax placed upon everything that we eat and wear. The same interests that are opposing the surtaxes to-day opposed the enactment of the income tax law and prevented us from having an income tax law for over 30 years after public sentiment wanted it.

The Sixty-seventh Congress repealed the excess-profits tax and reduced the surtaxes from a maximum of 65 per cent to a maximum of 50 per cent, which was a reduction of the tax on wealth of over \$500,000,000 annually. It does not seem right, therefore, that these same large income-tax payers at the very next session of Congress should ask for a reduction in their taxes disproportionately to the reduction proposed to be granted to those of relatively small incomes.

OUR NATIONAL DEBT.

At the present time we have a national debt of over \$21,000,000,000, upon which we are paying almost \$1,000,000,000 a year interest. The greatest achievement of the Republican administration, in my mind, was reducing our indebtedness \$1,626,562,851 during the two fiscal years of the Republican administration. This saves us over \$50,000,000 a year in interest.

WE SHOULD CONTINUE TO REDUCE OUR NATIONAL DEBT.

This large indebtedness of the United States was contracted during the World War and is just as sacred a debt now as it was when it was contracted. I believe that we should continue to reduce our national debt. There is a homely and rugged notion in the average American heart that the burdens of Government should be borne by everybody in proportion to their ability to bear them, and the authorities on taxation agree that every person owes an obligation to pay taxes in proportion to his ability to pay. In time of war we conscripted the strong and healthy and the best-fitted young men, physically, to bear the burdens of Government. Why should not the same rule hold in time of peace? Why should not those who financially are the best able to bear the burdens of Government maintain those burdens in proportion to their financial ability?

I place in the RECORD a letter that I wrote to Alexander H. Revell, of Chicago, Ill., in response to his letter to me which attempts to answer the standard arguments made in favor of the Mellon bill:

HOUSE OF REPRESENTATIVES,
Washington, January 9, 1924.

MR. ALEXANDER H. REVELL,
Chicago, Ill.

MY DEAR SIR: Your letter and brief on the question of taxation has been duly received and contents carefully noted.

You lay down one proposition as elementary, to wit:

"All taxes are paid either directly or indirectly by the consumer."

If you are right in this statement, there would be no use of Congress attempting to draft any taxation bill. I admit that a great many taxes may be shifted. I have always been in favor of a surtax on incomes, and also an excess-profits tax, for the reason that it is very much more difficult to shift these taxes on the consumer than any other taxes.

You state that all taxes can be shifted to the consumer. Take a specific case, for instance yourself, individually; please inform me how you, Alexander H. Revell, can shift your surtax or could shift an excess-profits tax if one was imposed upon the consumer of your own products?

What incentive would it be for a man to place his money in exempt securities, which would not bring a maximum of 5 per cent interest, to avoid an excess-profit tax when the excess-profit tax only applies to net incomes of over 8 per cent?

If all taxes, including surtaxes and excess-profit taxes, can be shifted so easily to the consumer, why would people who pay the largest taxes put their money in tax-free bonds? Why wouldn't they simply laugh and let the consumer pay? Isn't it inconsistent to claim that the surtax can be shifted and large incomes escape taxation, and yet if you impose the tax it will drive capital out of business and into exempt securities? Surely it can't do both.

Take the largest manufacturer and probably the wealthiest man in the United States, Henry Ford, for an example. Does anyone seriously believe that Henry Ford will go out of business, liquidate, and buy some of the \$33,000,000,000 exempt securities that you speak of if he is compelled to pay a 50 per cent surtax for all income over \$200,000, as the present law provides? To argue that he would do it, the burden of proof would be upon you to show that he would make more upon these exempt securities than he now makes from his business. Would Ford charge more for his car if he paid the same surtax next year that he does this? Of course not. The only difference would be that the Government would continue getting several hundred million dollars in taxes instead of Ford. What is true of Ford is true of others. I have never heard of Henry Ford complaining of his taxes, and simply use his name because he is a manufacturer with a very large income.

There is a homely and rugged notion in the average American heart that the burdens of Government should be borne by everybody in proportion to their ability to bear them.

In time of war you conscript the strong and healthy and, physically, the best-fitted young men to bear the burdens of the Government. You do not select the physically weak but those having the ability to fight. Should not the same rule hold in time of peace? Shouldn't those who financially are the best able to bear the burdens of Government maintain these burdens in proportion to their financial ability?

Is it a great sacrifice for a man having an income of \$500,000 or \$1,000,000 a year to pay a surtax of 50 per cent on his income of over \$200,000 to pay off the war debt, which is just as sacred and as much of an obligation now as it was during the war when the debt was contracted?

I shall be very glad to hear from you as to the questions I raise in this letter.

Yours very truly,

EDW. E. BROWNE.

The CHAIRMAN. That right has been granted by an order of the House.

MR. COLLIER. Mr. Chairman, I yield two minutes to the gentleman from Massachusetts [Mr. CONNERY].

The CHAIRMAN. The gentleman from Massachusetts is recognized for two minutes.

MR. CONNERY. Mr. Chairman, it has been my endeavor to approach the subject of reduction of taxes from an entirely non-partisan viewpoint. Perhaps I have been more fortunate than many of my colleagues in not having had my office inundated by a flood of propaganda from my district asking me to sign on the dotted line of the Mellon plan without dotting an "i" or crossing a "t." This does not mean, however, that I have not received these propaganda letters. Hundreds of letters have come to me, not from my own district but from headquarters of high finance throughout the country—letters pleading, commanding, demanding, and coercing. The citizens of my own district have been kind enough to leave to the judgment of their Representative in Congress the question of voting for their best interests. For this consideration on their part I can not be too grateful.

Invariably in these form letters on the Mellon plan sent out by the big moneyed interests the writers informed me that they were absolutely opposed to any legislation that would give a bonus to able-bodied veterans. Now, gentlemen, I am frank to say that if these letters favoring the Mellon plan had come to me from the men and women of my district, who have to work and work hard to earn a decent living, educate their children, and who are striving constantly to better their condition, I would think long and earnestly before voting against the Mellon plan.

But when I see this agitation for lowering the surtaxes to 25 per cent coming from the same old crowd who gave three cheers and a tiger when the Government adjusted the compensation of the railroads to the tune of \$764,271,000, and who sent up another great cry of joy when the war contractors received adjusted compensation to the extent of \$700,000,000, and when I know that these are the same men who promised the earth and all upon it to the service men if they would only please protect them and their millions from the mailed fist of Germany, I can not but smile—a rueful smile, I will admit—and think of the old saying that "Republicans are ungrateful." Nevertheless I am sanguine enough to believe that the Sixty-eighth Congress is going down through history as the Congress which passed the long-overdue adjusted compensation bill.

Let me proceed a bit further. These days I have only to look at the letterheads of the wonderful missives of organized big business which come into my office to realize before I read them that some measure is up, or is coming up, before Congress that will benefit the working people of the country, and that the writers are absolutely against such measures passing the House.

There is no doubt but what the close of the first session of the Sixty-eighth Congress will see some bill passed reducing taxes. If we would have clear consciences at that time, then the great question before us now is, Are we going to legislate for a mere handful of financiers or for the great bulk of the American people? In my home State of Massachusetts, under the Mellon plan 749 persons will be more benefited than under the Garner plan, while 387,693 persons will be more benefited by the Garner plan than by the Mellon plan.

Gentlemen, I was sent here by my constituents to legislate for the greatest good of all the American people, and after weighing and considering both, the Mellon plan, in my judgment, legislates in favor of a small minority, and the Garner plan, I believe, legislates for the large majority. I unhesitatingly choose the latter. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I yield five minutes to the gentleman from Michigan [Mr. WOODRUFF].

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

Mr. WOODRUFF. Mr. Chairman, the debate on the tax-reduction proposals now before the House has been most illuminating. There are a few points in connection therewith which have not, so far as I know, been touched upon by the different Members in their discussion of this very important question. It is not my purpose to take the time of the House in covering ground already covered by other Members. I merely intend to cover some points which to my mind are very important and which have a direct bearing upon the effect of the Mellon proposal if it should be enacted into law.

The theories advanced by Mr. Mellon in his advocacy of further reduction in the taxes on wealth are as follows:

1. That it will induce capital to leave tax-exempt securities and go into industry.
2. That it will benefit the consuming public by passing along to the consumer the reduction effected in the tax on the larger incomes.

3. That it is impossible to collect the higher surtaxes for the reason that these taxpayers seek means whereby they can and do avoid paying their taxes.

During the debate it has been brought out that the percentage of tax-free securities as compared to investments in other securities and lines of business is a negligible factor; that if all large income owners were so inclined it would be impossible for them to invest more than a small percentage of their incomes in this class of securities. Further, it is a known fact that at no time in the history of the country has there been so much money invested in industry and other lines of investment as at the present time. It has also been shown that there is no lack of money available for industry and other business purposes. It would be interesting, I think, to secure a report from the several stock exchanges and boards of trade throughout the country as to the amount of business done by them during the past year and to know how this compares with the business done in other years. I think it would be found that at no time in the history of the country have industrial stocks moved more readily and more rapidly than during the past year.

A very significant thing occurred yesterday. It was announced in a New York dispatch appearing in the Washington Star of last evening that the proposed Japanese loan of \$150,000,000 was opened yesterday morning and at noon the books were closed. It was estimated that this loan was oversubscribed 50 per cent. These bonds, I understand, carry an interest rate of $6\frac{1}{2}$ per cent and were sold for from 0.92 to above par.

The stock exchanges opened for business at 10 o'clock yesterday morning, and two hours later more than \$200,000,000 had been offered for investment in a foreign security bearing an interest rate of only $6\frac{1}{2}$ per cent. And I want you gentlemen to appreciate the fact that these are not tax-exempt securities. They are subject to both the normal and surtaxes under our law, and I wish to submit that if it is possible to raise more than \$200,000,000 in two hours for foreign investment at $6\frac{1}{2}$ per cent it is possible to secure all money necessary for legitimate domestic business purposes. This, I think, completely disposes of the theory that it is necessary to reduce the tax on large incomes in order to

induce capital to seek investments in other than tax-exempt securities.

Two years ago Mr. Mellon presented to the Ways and Means Committee a plan wherein he proposed a repeal of the excess-profits tax and a reduction of the surtax from 65 per cent to 25 per cent, giving as his reason that it was necessary to offer this great inducement to capital in order that the then industrial depression might be lifted from the country. It will be recalled that the country was at that time in the greatest industrial depression that it had ever known; that industry everywhere had either halted or was stumbling along on half time. The Secretary of Labor on July 21, 1921, just before the revenue bill was presented to the House, issued a statement to the effect that there were 5,635,000 wage earners in the United States out of employment. This will indicate more clearly than anything I can say just what the conditions were.

At that time it appeared to many that Mr. Mellon's proposal was a sound one. There were some of us who disagreed with him on this, and there were sufficient Members of the House and Senate who declined to go as far as he proposed in reducing the taxes on wealth, so that surtaxes instead of being reduced from 65 per cent to 25 per cent were reduced from 65 per cent to 50 per cent. The excess-profits tax was repealed. It is estimated that the reduction of the surtax from 65 per cent to 50 per cent and the repeal of the excess-profits tax relieved wealth of taxation in the amount of \$600,000,000 a year.

Just at this point it is pertinent to say that the only recognition given the people of small incomes in the 1921 tax reduction was an additional \$500 exemption and an increased exemption of \$200 each for not more than two dependent children. Aside from this no man with an income of less than \$68,000 per year was given any reduction whatsoever. The entire \$600,000,000 reduction in taxes was given to those whose incomes exceeded \$68,000 per year, and to the business institutions whose net incomes were more than 8 per cent. The 1921 law repealed the excess-profits tax which applied only to the net profits above 8 per cent and increased the normal corporation tax from 10 per cent to 12 $\frac{1}{2}$ per cent, thereby increasing the tax of the conservative business organization which was willing to do business at a reasonable profit and giving a reduction of tax to the many concerns whose net profits exceed the 8 per cent just mentioned.

Mr. Mellon was very decided in his opinion at that time that a 50 per cent surtax would not do the thing he wished to have done; that it would not relieve capital to such an extent that it would seek investment in industry; that industry could not recover unless the surtax was reduced to 25 per cent.

It is interesting to note the effect of the reduction of tax carried in the revenue bill of 1921 and the refusal of Congress to accede to Mr. Mellon's demand that the surtaxes be reduced to 25 per cent, and in this connection I want to read a letter I have recently received from Hon. Francis I. Jones, Director General of the United States Employment Service, Department of Labor, and which, in view of Mr. Mellon's statements two years ago and now, is most illuminating:

UNITED STATES DEPARTMENT OF LABOR,
UNITED STATES EMPLOYMENT SERVICE,
Washington, D. C., January 14, 1924.

HON. ROY O. WOODRUFF,
United States House of Representatives,
Washington, D. C.

MY DEAR CONGRESSMAN: Replying to your letter of the 9th instant, I regret that I am unable to supply you with the desired information. On July 21, 1921, the Secretary of Labor made a statement that there were 5,635,000 wage earners out of employment. This was an estimate prepared by the Bureau of Labor Statistics. As you recall, a conference was called by the President to consider the unemployment question. This service was called upon to make a survey of unemployment in September, 1921. Out of the population of 35,430,910, 2,301,588 were found to be out of employment. There was no guesswork in making this survey. It was taken from pay-roll data, with the prestige of the President's interest back of the call, and we were able to get first-hand information without trouble or delay.

There has been no special survey of the unemployed made since, with the exception that this service makes a monthly survey in 65 of the principal industrial centers of the country of the 14 basic industries, including 1,428 industrial plants employing 501 and upward.

By May, 1923, not only were all the unemployed absorbed but there was an actual shortage existing in several lines of industry. June showed about the same amount employed as May. There was a slight decline in July, and August was practically the same as July. A very

slight decline was noted in October and November, and a still further decline in December, which, however, was not serious, and was undoubtedly attributable to seasonal work.

I have a chart which I am sure would prove of interest to you. I should be pleased to bring it down some time, or if it is more convenient for you to come here I shall be very glad to go over this matter with you. I shall await your pleasure in the matter.

Regretting that we can not give you more information, I am,

Respectfully yours,

FRANCIS I. JONES, *Director General.*

I had asked for a detailed report from him as to the unemployment of labor by periods covering each month from 1921 until the present time.

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

Mr. WOODRUFF. Will the gentleman from Iowa yield me five additional minutes?

Mr. GREEN of Iowa. Yes; I yield the gentleman five additional minutes.

The CHAIRMAN. The gentleman from Michigan is recognized for five additional minutes.

Mr. WOODRUFF. The tax-reduction measure of 1921 went into effect on January 1, 1922. It is interesting to note the immediate effect it had in the way of encouraging business. Mr. Mellon's theory that business could not recover unless surtaxes were reduced to 25 per cent has been completely exploded by the facts which developed after the enactment of the 1921 law. Conditions in this country to-day, as far as employment of labor is concerned, are as favorable as they have been at any time in our history at this season of the year. Labor everywhere is employed, and at high wages. Prosperity extends to every section of our country except the farm sections, and nobody seriously maintains, I believe, that a further reduction of the tax on wealth will accrue to the benefit of the farming population.

In other words, gentleman, the thing which Mr. Mellon now aims to do by a further reduction in the surtax from 50 per cent to 25 per cent has already been accomplished with the surtax at 50 per cent. Business is moving as rapidly as it is healthy for it to move, labor is employed, and in the cities we are enjoying a greater degree of prosperity than we have ever before enjoyed in the history of the country. The past year has been one of outstanding prosperity for business, and every business prophet now declares that the current year will see a material increase. This situation has been brought about while the higher surtaxes have been in the law, and it is difficult to see how a reduction of the same can improve this condition.

It is further argued by Mr. Mellon that this proposed reduction of the surtax from 50 per cent to 25 per cent will materially benefit the little fellow, the man whose income is so small that he finds it unnecessary under the law to submit a tax return; that this reduction will be reflected in a corresponding reduction in the cost of living.

Let us examine the results of previous reductions of the tax on wealth and learn if we can, just what may be expected from this proposed reduction. The Members of the House will recall the fact that in 1918, in order to secure revenues for prosecution of the war, Congress in its wisdom increased the then existing excess-profits tax to 40 per cent and 80 per cent. In 1919 after the war had ended, upon the theory that it would reduce the cost of living, which we all know was exceedingly high at that time, the Congress reduced the excess-profits tax from 40 per cent and 80 per cent to 20 per cent and 40 per cent.

Prof. David Friday, one of the foremost political economists in the country, in a statement to the Ways and Means Committee of the House said:

Prices in 1918 averaged 197 as against 175 in 1917 and 160 the month previous to our entering the war. Despite the reduction of the tax in 1919, prices stood at 238 in December of that year.

What we have then is a rise of 60 per cent in the price level before any excess-profits tax was either levied or discussed, and a further rise of 27 points before the tax was passed. Then a comparatively slight rise in prices during the period of our highest excess-profits taxes, and a renewed and rapid rise when the amount of the tax was cut in half.

In 1921, when it was proposed to repeal the excess-profits taxes and reduce the surtax from 65 per cent to 25 per cent, it was again argued that this reduction in tax would benefit the consuming public; that the reduction was a panacea for the high cost of living. It is well, in view of the fact that one of Mr. Mellon's arguments at this time is based upon the theory that this

proposed tax reduction on wealth will be passed on to and benefit the consuming public, to examine the result of the tax reduction of 1921. Naturally, we all expected some beneficial results to the consuming public from the tax reduction of two years ago. However, the facts are that, instead of the cost of living having been reduced, there has been an increase of 10 per cent.

It is also argued by Mr. Mellon and by the proponents of this bill that one of the potent reasons why it is necessary to reduce the surtax from 50 per cent to 25 per cent is the fact that people with large incomes decline to pay their taxes and find legal and other methods of tax evasion. They maintain that if the tax is reduced to the extent they advocate these men, who are now evading the payment of their taxes, will come forward and meet the 25 per cent rate. In my opinion this is the most ridiculous of all the arguments they present. If a man is constitutionally a tax evader, he will be just as active and just as resourceful in evading the 25 per cent tax as he is in evading the 50 per cent tax. Willingness to pay a tax is largely a matter of morals and loyalty to the Government. We can not improve a man's morals or increase his patriotism by reducing his tax from 50 per cent to 25 per cent, and claims to the contrary are ridiculous.

Mr. Chairman, the wealth of the country was given a reduction of \$600,000,000 in tax two years ago. People of moderate incomes were given practically no consideration at that time. Nor has the consuming public been given the relief they were promised as a result of that tax reduction. Mr. Mellon now proposes a further reduction of 50 per cent on the larger incomes, but insists upon a reduction of only 25 per cent on the incomes of those less able to pay. It seems to me that if a cut of 50 per cent is good and is necessary for those having large incomes it is just as good and just as necessary for those having the smaller incomes. The theory that the people should be taxed in proportion to their ability to pay is a correct one. It does and should meet the approval of the people. A tax is largely in the nature of a payment for the benefits we receive as citizens of the country, and we should pay in proportion to the benefits we receive.

We find ourselves in a position where we can reduce the taxes of the country very materially. I do not propose to vote a 50 per cent cut in taxes to those well able to pay the tax they now pay, and at the same time vote only a 25 per cent reduction to those less able to pay. I am opposed to the Mellon plan as it is presented to the House and shall so vote when the roll is called. I will, however, vote for any measure which in a greater degree equalizes tax reduction for everybody. [Applause.]

Mr. GREEN of Iowa. I yield to the gentleman from Maryland [Mr. HILL].

Mr. HILL of Maryland. Mr. Chairman and members of the committee, my friend from Texas [Mr. BLANTON] usually is very generous about yielding. I am sorry he would not yield a few moments ago.

Mr. BLANTON. I yield now.

Mr. HILL of Maryland. No; I can understand why the gentleman did not yield. He was making an address to an imaginary colleague. He did not seem to know that the gentleman from Texas [Mr. WURZBACH] was not at the moment on the floor of the House, and all I wanted to ask him was did he not think that Mr. WURZBACH had become on his reelection more or less "permanent" rather than temporary?

Gentleman of the House, in discussing this revenue bill of 1924 we have three definite propositions at the present time. One proposition is labeled by the minority report the "Democratic tax plan." The other is labeled the "Mellon tax plan," and we have the present law.

On both sides of the House it is agreed that the present law should be changed. I speak as one who voted against the proposed constitutional amendment for tax-exempt securities. I speak as one who favors an adjusted compensation act for the soldiers of the past war; but I speak as one who believes that adjusted compensation and tax reduction, both of which I think a majority of the American people want, are separate things which should stand entirely on their separate bases. I have yet to see any provision for the soldiers' bonus or adjusted compensation to be made under the Democratic tax plan, which is generally called the Garner plan. If any gentleman cares to take part of my time and point that out to me, I should be glad to have him do so.

As a matter of fact, tax reduction ought not to be a matter of party politics, but apparently it can not help being a matter of party politics any more than the tariff can. We Members of the House do not know all the inside and outside workings of the tariff, but I, as a comparatively new Member of the House,

know that I have watched the tariff framed by the Republican Party for 20 years, and I have watched the tariff framed by the Democratic Party for a number of years, and I think that the general results of elections, nationally, in this country show that the people believe that the Republican theory of tariff is better than the Democratic theory of tariff.

We have two theories here, the so-called Mellon plan and the so-called Garner plan, the Garner plan being the only plan which has definitely been stamped as a party plan.

The minority calls it the "Democratic plan." Personally I propose to vote for the so-called Mellon plan because I believe, like the tariff which has been framed by the Republican Party in the past, it is a better plan on the whole than the plan called the Garner plan or the Democratic plan.

Mr. MANSFIELD. Will the gentleman yield?

Mr. HILL of Maryland. I will.

Mr. MANSFIELD. Does the Mellon plan make provision for the soldiers' bonus?

Mr. HILL of Maryland. The Mellon plan does as much as the Garner plan, and indirectly more so, as I will explain. I favor a surtax of 25 per cent and the gentleman favors one of 50. Now, I want to ask the gentleman a question. Will the gentleman tell me how much more income for the Government in the next two years will be raised by a surtax of 50 per cent than by a surtax of 25 per cent under the Mellon plan? I would like to hear the gentleman, for I know he is sincerely interested in the Garner plan, and I would like to hear him discuss it and tell us what the plan he has will do.

Mr. COLLIER. Let me say that I do not think anyone can answer it except the clairvoyant that they have called in at the Treasury Department, who can anticipate business conditions for two years.

Mr. HILL of Maryland. I am sure the gentleman would not put his party on record as being in favor of a plan which makes a difference between 25 and 50 per cent surtax without being able to tell what the revenue is going to be.

Mr. COLLIER. Does the gentleman know what the Garner plan is?

Mr. HILL of Maryland. I do.

Mr. COLLIER. Does he know what the rates are?

Mr. HILL of Maryland. Yes.

Mr. COLLIER. Then he must know that the rate is 44 per cent and not 50 per cent. He must know that the gentleman from Texas [Mr. GARNER] stated on the floor that, according to the estimate, the Garner plan will bring in a hundred million dollars more than the Mellon plan.

Mr. HILL of Maryland. The gentleman states that the Garner plan has a surtax of 44 per cent, which will produce in revenue a hundred million dollars more than the 25 per cent surtax of the Mellon plan?

Mr. COLLIER. That is the estimate.

Mr. HILL of Maryland. That is, 44 per cent plus 6 per cent income tax equals 50 per cent. If that is the situation, there is something reserved under the Mellon plan to the Nation as a tax that will pay the bonus. One reason I am against the Garner plan is that the Treasury experts say it will lose \$200,000,000 a year of needed ordinary annual revenue; but if you say it will bring in a hundred million dollars more than the Mellon plan, adopt the Mellon plan and there is something left to pay the bonus.

Restated, the proposition is simple. The Mellon plan is devised to raise annually the amount needed for ordinary annual expenses. The Treasury experts say that the Mellon plan will do this. They also say that the Garner plan will not, by two hundred millions a year, raise this needed annual revenue. Therefore the Garner plan, in the endeavor to make a great appearance of reduction, fails to produce the needed revenue and becomes not a scientific tax measure but merely a specious would-be vote catcher.

I am strongly in favor of adjusted compensation for the ex-service people of the World War.

I am for it as a debt due the soldiers and sailors, not for the uncompensable dangers they faced or were ready to face, but in order to equalize in some small measure the pay they received from the Government with the pay the munitions factory workers, the camp carpenters and laborers, and other civil employees received from the Government for work where there was no danger or possibility of danger from the submarine on the sea or aerial bombs, machine guns, rifle fire, or gas on land.

I am for tax reduction as proposed by the Mellon plan. I am for a cash adjusted compensation, but these are separate matters and should stand entirely alone.

The Mellon plan does not tap all the sources of American revenue. It places a 25 per cent surtax on the largest incomes; that is, a 25 per cent surtax plus a normal 6 per cent tax, which means a 31 per cent total tax. This and the other features of the Mellon plan will raise the needed money each year for the normal needs of the Government. But, if my distinguished colleague [Mr. COLLIER] is correct in his estimate of the Garner plan, that plan will produce one hundred millions a year more than the Mellon surtax by means of the surtax of 44 per cent, which, plus the normal 6 per cent tax, is a 50 per cent tax on the largest incomes. Therefore the 50 per cent Garner tax will, according to its proponents, produce more than the annual needed revenue. The 50 per cent Garner plan will produce one hundred millions a year more than the 31 per cent Mellon plan; or, using the terms of the surtax above, the 44 per cent Garner plan will produce one hundred millions more annual revenue than the 25 per cent Mellon plan.

The proponents of the Garner plan propose to pay the adjusted compensation out of the \$100,000,000. In the first place the Treasury experts say that the Garner surtax will not do this. In the second place, in the interest of sound finance, adjusted compensation should not be paid out of general revenues. It should be paid from specific taxes that will end when the bonus is paid, not out of uncertain general revenues, which are raised for general purposes. The bonus is a war expense and it should be separately financed as a war expense. It should be paid once and for all. It differs from annual payments to the wounded and disabled, which can not be paid once and finally, but depend on the life of the disabled person.

Therefore, according to its enemies, the Mellon plan leaves us a 25 per cent possible tax above the 25 per cent surtax it imposes, that could raise \$100,000,000 a year as a source of payment of adjusted compensation. I cite this to show the fallacy of the claim for the Garner plan that it provides for the bonus.

The Mellon plan does not claim to provide for the bonus; the Garner plan does so claim, but its claim is fallacious. Note the testimony of Mr. McCoy, Government actuary, before the Ways and Means Committee:

Mr. FREAR. What would be the reduction at 44 per cent on the present basis? On the Garner bill, I take it, there would be about \$48,000,000 reduction from the present 50 per cent rates?

Mr. MCCOY. At 44 per cent Mr. Garner's plan gives a loss in surtax of \$139,000,000, as compared with \$200,000,000 of Mr. Mellon's, applied to the 1921 returns.

Mr. FREAR. That would make a difference of \$61,000,000, but that includes surtaxes between \$6,000 and \$10,000, but I believe the figures would not be far from my estimates.

The CHAIRMAN. I did not get those figures. How much was the loss in surtax?

Mr. MCCOY. The loss in surtax under Mr. Garner's plan would be \$139,000,000, and under Mr. Mellon's plan \$200,000,000, applied to the 1921 returns.

Mr. FREAR. I was going to ask, Mr. McCoy, if there should be an agreement as to a surtax of 35 per cent, would that release money for business among those who paid the 35 per cent surtax?

Mr. MCCOY. It would, for a couple of years.

Mr. FREAR. Is that the basis? I thought it was 20 to 22 per cent and along there, and that 25 per cent was really a maximum to coax the taxpayer to sell his tax exemptions and invest in business. At least we were so informed by the Secretary. Would 35 per cent be a fair rate?

Mr. MCCOY. Do you mean for normal times?

Mr. FREAR. For the times that exist now.

Mr. MCCOY. Well, for the first year there is no doubt a 35 per cent rate would bring a larger revenue than 25 per cent; but after the second or third year it would not.

Mr. FREAR. Would 35 per cent tempt people who were paying more than 35 per cent surtax to put their money into business and to pay the 35 per cent surtax?

Mr. MCCOY. It would have very much the same effect that the 1921 revenue act had. It would stimulate business very much for the first year and for the second year, and like the 1921 revenue act is doing now, a couple of years more, and we will have another year like 1921.

The claim, therefore, that the Garner plan will finance the bonus by the excess of its 44 per cent surtax over the 25 per cent Mellon surtax is not financially correct. For the bonus we must look outside both the Garner and the Mellon plans, but the Garner plan fruitlessly taps a source that may be used outside of the Mellon plan as part of a plan to finance the bonus. Therefore, as an annual producer of ordinary revenue the Mellon is better than the Garner plan.

Let us look for a moment at the effect of the Mellon plan on the kind of incomes in which most of my constituents are interested—that is, earned incomes of from \$1,000

to \$10,000 a year. Here is the estimate made for the Ways and Means Committee by the Treasury experts under the Mellon plan:

Income tax payable upon certain net incomes under the provisions of the bill as reported by the Ways and Means Committee.

Net income.	Income earned not in excess of \$5,000.				Income all earned.			
	Single man.		Head of family.		Single man.		Head of family.	
	Present law.	Proposed.	Present law.	Proposed.	Present law.	Proposed.	Present law.	Proposed.
\$1,000.....								
\$2,000.....	\$40.00	\$22.50			\$40.00	\$22.50		
\$3,000.....	80.00	45.00	\$20.00	\$11.25	80.00	45.00	\$20.00	\$11.25
\$4,000.....	120.00	67.50	60.00	33.75	120.00	67.50	60.00	33.75
\$5,000.....	160.00	90.00	100.00	56.25	160.00	90.00	100.00	56.25
\$6,000.....	240.00	150.00	160.00	97.50	240.00	135.00	160.00	90.00
\$7,000.....	330.00	210.00	250.00	157.50	330.00	180.00	250.00	135.00
\$8,000.....	420.00	270.00	340.00	217.50	420.00	225.00	340.00	180.00
\$9,000.....	510.00	330.00	430.00	277.50	510.00	270.00	430.00	225.00
\$10,000.....	600.00	390.00	520.00	337.50	600.00	315.00	520.00	270.00

For the fiscal year 1923, the present excess of ordinary receipts over total expenditures chargeable against ordinary receipts was \$309,657,460.30. For the fiscal year 1924 the surplus is estimated to be \$329,639,924, and for the fiscal year 1925, \$395,681,634.

The Mellon plan provides for two forms of tax reduction:

(1) Temporary and immediate relief to taxpayers by a 25 per cent reduction of the income tax payable in the year 1924 on 1923 taxable income. The estimated reduction resulting from this provision is as follows:

Fiscal year 1924..... \$128,010,000
Fiscal year 1925..... 104,740,000

Total reduction..... 232,750,000

(2) Permanent relief by the revision of the revenue act of 1921 through the reduction of certain taxes and the repeal of others. The estimated reduction after the bill is in full operation, as compared with estimated income that will be returned for 1923, is as follows:

Reduction in estimated revenue after bill is in full operation, as compared with estimated income that will be returned for 1923.

Normal tax..... \$91,600,000
Surtax..... 101,800,000
Earned income..... 89,500,000
Miscellaneous taxes..... 108,040,000

Total..... \$390,940,000

Increase in estimated revenue:
Capital loss provision..... \$25,000,000
Certain deductions limited to tax-free income..... 24,500,000

Total..... 49,500,000

Net loss..... 341,440,000

I am not a tax expert and do not pretend to be. I have, however, studied both the majority and minority reports of the Ways and Means Committee, I have read much of the testimony before the committee, and I have listened carefully for several days to the debate on this floor. I have heard the gentleman from Texas [Mr. GARNER] defend his plan against the arguments of the chairman of the committee [Mr. GREEN], and I have heard the gentleman from New York [Mr. MILLS] point out the unsoundness of the Garner plan.

As a result of all of this, I have finally made up my own mind that I am for the Mellon plan as it stands. I shall vote for all of its elements without any compromise, and I do this as one who voted against the tax-exempt security proposed amendment to the Constitution. In my opinion, the sixteenth amendment means what it says, and Evans against Gore, Two hundred and fifty-third United States, 245, does not decide that the sixteenth amendment is meaningless and that another amendment is necessary.

I vote against the Treasury Department's recommendations when my best judgment so demands, but on the Mellon tax-reduction plan I am for it from top to bottom, and shall vote for it just as it stands. [Applause.]

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

Mr. GARRETT of Tennessee. Mr. Chairman, I wish to ask the gentleman from Iowa, the chairman of the committee, if it is understood that there will be no business done to-night except debate?

Mr. GREEN of Iowa. That is all.

Mr. COLLIER. Mr. Chairman, I yield 15 minutes to the gentleman from Alabama [Mr. JEFFERS].

Mr. JEFFERS. Mr. Chairman and gentlemen of the House, my service in Congress has not been over a very long period of years but from the study which I have been able to make of the subject of tax legislation I believe that it is safe to say that never before has there been such a bold and brazen and extensive organized effort to push a legislative plan through Congress without clearly and fairly explaining all the provisions of the plan as has been the case in the stupendous effort which was made to swamp the country with propaganda in favor of the so-called Mellon plan and to swamp Congress with appeals for its passage. It seems that it was an effort to fairly sweep Congress off its feet and to steam roller the so-called Mellon plan through without even giving to Congress or to the country a fair explanation of all of the provisions of this measure.

The Secretary of the Treasury gave to the country his own statement regarding the plan, explaining only certain features of the bill, his explanation having been prepared by his own Treasury experts, of course.

Secretary Mellon having sponsored the bill, the President of the United States immediately placed upon it his stamp of approval, and the President gave out the information that he would not countenance any modification of the Mellon plan, the inference being that he would veto any revenue bill which was not strictly the Mellon plan. In other words, Congress was practically ordered blindly to swallow a revenue bill at the behest of the Secretary of the Treasury and under the threat of a presidential veto if the bill was not followed and adopted in its entirety.

The propaganda campaign was not one of enlightenment, but was one for the suppression of the truth, especially with reference to a great many sections of the bill which were not explained in Secretary Mellon's public letter. It was not a campaign of education, but was, at least in some instances that I will illustrate, a campaign of coercion.

I have had a great many letters from my State and of course I do not refer to the letters that I have received from my constituents when I speak of a campaign of coercion, as you will readily see if you will follow me for a moment.

I am always glad to hear from the people of the good district which I have the honor to represent in this body, especially regarding any public business in which they feel interested.

I am well aware of the fact that my people want tax reduction; they have told me so in their letters. It is perfectly natural for them to desire tax reduction. And I am, of course, favorable to fair and equitable tax reduction to such extent as may now be feasible to reduce Federal taxes. I am in agreement with my constituency on that, I believe.

But, gentlemen, while we all welcome letters and communications of all kinds from the citizens whom we represent here, and while we are always glad to have their suggestions and advice, I believe I correctly state the present situation when I say that there is a certain reaction now amongst the membership of this House against the principle of the monster propaganda campaign that has been so vigorously carried on all over this country in behalf of the so-called Mellon plan, and most certainly there is a strong reaction against the methods used in some quarters by people interested in fostering and pushing that propaganda scheme.

We have all had many letters from various interests in different parts of the country—most of them, however, from

New York—and some have been arrogant and actually threatening in their tone.

To receive letters from the folks at home is one thing, and that is all right, but this flood of commanding letters from individuals and corporations who are simply pushing a great program of insidious propaganda is a horse of another color [applause], especially when it appeared from the tone of their communications that they were practically demanding that I put on a blind bridle and tie myself up, without reservation, to a certain so-called plan which, in its entirety, makes up a document that is several hundred pages long and which the Members of Congress had had little or no time to study.

Oh, some people would have had us believe that the matter of the schedules of surtax and normal tax percentages constituted practically the whole tax bill, but of course we know that that is an erroneous impression. Now, for example, we know that the merchants and business people of the country and the great mass of the people of America who make up the consuming public are intensely interested in getting relief from the excise taxes, commonly called nuisance taxes, and they will all testify to the fact that there is something else in this bill besides the matter of a schedule of surtax rates. I just mention that at this point by way of illustration; there are many other things in the bill, too, that are very important to the American people, and I will try to touch on certain features of the bill in these few remarks.

Now I have made reference to the principle of the great propaganda campaign, and to the methods used, and I want to illustrate what I mean by showing these few communications which I have here. These are samples selected from many communications of similar nature which have come to the attention of Members of Congress. I include them in my remarks, as they are illustrative on the point.

Here is a letter received from New York and signed "Employees' Mutual Life Insurance Co.," which I will read, and which shows very clearly the extremes to which large business firms were going in order to try to further the propaganda in behalf of the Mellon plan. This letter speaks eloquently for itself:

JANUARY 8TH.

DEAR CONGRESSMAN: I just wish to let you know that employees of large firms in New York City are being forced to sign petitions for the Mellon plan and against the bonus.

I am employed with the Mutual Life Insurance Co. of New York City; 99 per cent of its employees are for your tax plan and also in favor of the bonus. But we were forced to sign Mellon petitions. What next? Will they force us to vote for a dummy named Coolidge? Hoping you success, we are,

EMPLOYEES MUTUAL LIFE INSURANCE CO.

Here is another letter, and this one you will find self-explanatory, too. You will note that the writer says that the blank ballots, upon which the employees were requested to vote "yes" or "no" upon the simple question of whether or not they favored the Mellon plan, were distributed even to the office boys and errand girls. This letter shows that the employees had practically no knowledge as to what the Mellon plan was at the time when they were requested to vote on it. I think this is a very interesting and illuminating communication. For obvious reasons the name of the writer is withheld.

FEBRUARY 7, 1924.

DEAR SIR: May I call your attention to a very flagrant use of propaganda in connection with the Mellon plan?

I am employed by one of the largest trust companies in this city. Last week at the instance of the chamber of commerce, we were furnished with a ballot and were requested to vote "yes" or "no" upon the simple question of whether we favored the Mellon plan or not. The ballots were distributed to practically everyone at the bank; even the office boys and errand girls received them. The vote was almost unanimously in favor of the plan, the figure being, I believe, 98 per cent.

I questioned quite a large number of my fellow employees as to their knowledge of the plan, and in all but a few instances found that it extended no further than a vague idea that "taxes would be reduced." In no single instance could I find a person—and I asked a great many—who could say that he or she was familiar with the plan or knew the provisions of the substitute Garner plan.

In the light of such facts a referendum of this sort seems the greatest farce. In considering facts and figures as to the overwhelming favor the plan has evoked, I trust that due allowance will be made for such cases as the one above cited.

Yours very truly,

(Signed)

TO HON. JOHN N. GARNER,
The Ways and Means Committee, Washington, D. C.

But as an example of brazen effrontery I think the blue ribbon goes to the following letter addressed "to all Aeolian employees" and signed by one W. V. Swords. I commend it to you for your careful consideration. I understand the Aeolian Co. is a large musical-instrument company, with headquarters in New York City, and that Mr. Swords is an official of the company, perhaps the general manager.

Here is the letter:

To all Aeolian Employees:

It is of the utmost importance and a matter of vital interest to all of us that the program of tax revision, commonly called the Mellon plan, be passed at the present session of Congress.

It is also vitally important that the so-called bonus bill should not be passed. * * *

I am asking that you write at once to the two Senators representing New York State at Washington, as well as the Representative of your voting district, that you, as one of their constituents, desire them, as representing you, to vote for the Mellon bill without changes and to vote against any kind of a bonus bill.

Write your letter for the Representative of your district and send it to Miss Reilly, executive offices, Forty-second Street, and she will forward it to the Evening Mail, who will be glad to fill in the name of the proper Representative, provided you give your voting address at the bottom of the letter.

The two Senators are JAMES W. WADSWORTH JR., and Dr. ROYAL C. COPELAND.

Address the Senators in care of the United States Senate at Washington and your Representative in care of the House of Representatives, Washington, addressing each one as "Honorable."

We shall check up our pay roll within the next couple of weeks to find out those who have written and those who have not.

Sincerely yours,

W. V. SWORDS,

Imagine that sort of a club over the heads of working men and women in America, "the land of the free and the home of the brave." We have little cause to boast of our democracy or to claim that we live under a great republican form of government when employers can coerce their employees in any such manner.

You will note that after telling the employees what position they are expected to take on certain issues, and after ordering them to write to their Senators and Representatives the general manager winds up with this gentle but significant hint:

We shall check up our pay roll within the next couple of weeks to find out those who have written and those who have not.

Citizens in America deprived of their own right of opinion! That is the way they worked the propaganda for the Mellon plan.

These reprehensible and un-American methods were not confined to New York alone. The very arrogance of the Mellon plan itself was reflected in the arrogance and unfairness of its proponents in other sections of the country besides New York.

I invite your attention to this illuminating letter on the point. This letter was written to Senator ASHURST from the Governor of the State of Arizona.

You will find all of this letter interesting, but I want to call your attention especially to this statement contained in it:

You will, therefore, understand that economic pressure is being applied by the railroad to compel the employees to indorse the Mellon taxation plan.

The letter is as follows:

EXECUTIVE OFFICE, STATE HOUSE,
Phoenix, Ariz., January 7, 1924.

MY DEAR MR. ASHURST: I am in receipt of a communication from an employee of the Arizona Eastern Railroad in Arizona, submitting several letters received by him and which are addressed to all of the agents of that railroad in the State.

Included among the documents is a copy of an editorial which appeared in the New York Herald of December 26, 1923, on the subject of the Mellon taxation plan and the soldiers' bonus. The editorial advocates the flooding by voters of the Congressmen and Senators with communications on the subject.

The letters from the Arizona Eastern to its agents instruct them to interview various business men and citizens in their communities—a list of names being submitted—and to urge that these citizens write the Congressmen and Senators asking support for the Mellon plan, and the agents are requested to notify the vice president and general manager of the railroad that the letters have been written.

It appears that the agents have not been enthusiastic about the matter, and they have received letters and telegrams daily from either the president, vice president, general manager, or the superintendent,

the latest message reading to the effect that not sufficient interest is being taken by agents and insisting that a better showing be made.

You will, therefore, understand that economic pressure is being applied by the railroad to compel the employees to indorse the Mellon taxation plan.

I am calling this to your attention for your information and such action as you may desire to take.

Very truly yours,

Hon. HENRY F. ASHURST,

United States Senate, Washington, D. C.

GEO. W. P. HUNT, Governor.

These letters show, better than I could tell, what the principle of this propaganda campaign was and what were some of the methods used. Is it any great wonder that the campaign has failed?

The last letter which I shall introduce was written by the Washington, D. C., office of the American Bankers' League to the president of a small bank down South. You will note that in this letter the banker to whom the letter was written was requested to please sign the card inclosed and return it to the Washington office if the banker favors the Mellon tax-reduction plan. I assume that they did not desire the cards to be returned by any who might be opposed to the Mellon plan or in favor of some other plan.

It is also significant in connection with this letter that they request the banker to write or wire to Senators and Congressmen, but they instruct the banker to give his views on the Mellon tax-reduction plan "in your own language." Of course, the idea of that was to camouflage the fact that the propaganda was working:

AMERICAN BANKERS' LEAGUE (NONPARTISAN),

Washington, D. C., January 8, 1924.

DEAR SIR: If you have not already done so, please write or wire your Senators and Congressmen, also the chairman of the House Ways and Means Committee, the Senate Finance Committee, and the senior minority members of these committees, who are shown on the inclosed plan of procedure, giving your views on the Mellon tax-reduction plan in your own language.

If you favor the Mellon tax-reduction plan, please sign the inclosed card and return to this office.

Please send us copies of letters that go forward or advise us of any activities in your community in tax matters.

Yours truly,

J. A. ARNOLD.

It soon became apparent that this great publicity campaign had overreached itself. It was much overdone and it became a boomerang. The reaction has been certain and sure. When the propaganda for the Mellon plan was first flashed upon the moving-picture screens it was usually loudly applauded; but later, according to newspaper stories, the same propaganda was hissed when it appeared on the screens. The people had begun to learn about the Mellon scheme and to see through it.

It is commonly known that the bill was drafted in the Treasury Department, probably in the Solicitor's office. Mr. Gregg, the youthful expert, was, I am told, the go-between between the committee drafting the bill and the Secretary of the Treasury himself, transmitting the views of the Secretary to the drafting committee and making reports from the committee back to the Secretary. It is fitting now, therefore, that he should, and he does, keep in close contact daily with the gentleman from New York [Mr. MILLS] while the plan is under consideration here in the House. Mr. MILLS is the mainspring on the Republican side behind what is left of the so-called Mellon plan.

This Mr. Gregg is the same young man who so glibly explained many provisions of the bill before the Ways and Means Committee. Mr. Gregg is no doubt a very smart young man, and he is no doubt an expert at compiling figures and an expert at explaining the many intricate provisions in this bill, and as the 25-year-old young man that he is, he deserves a great deal of credit for the position which he has attained. He no doubt knows the theory of taxation, but he has not had the actual practical experience down in the income-tax unit which would give him practical knowledge from such experience as to the possible loopholes in this complicated bill through which vast amounts of taxes could escape.

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

Mr. JEFFERS. Not now.

Mr. CHINDBLOM. The gentleman is speaking about Mr. Gregg. What does the gentleman know about Mr. Gregg?

Mr. JEFFERS. I have just stated what I know about him.

Mr. CHINDBLOM. The gentleman did not meet with the Committee on Ways and Means, which had Mr. Gregg with it for over six weeks and heard him every day.

Mr. JEFFERS. Why, I just said he explained the provisions of the bill to the committee, did I not?

Mr. CHINDBLOM. I understood the gentleman to say that he does not know enough to be reliable in his explanation.

Mr. JEFFERS. Oh, no; what I said is this—I will read it over to the gentleman: Mr. Gregg is no doubt a very smart young man, and he is no doubt an expert at compiling figures and an expert at explaining the many intricate provisions in this bill, and as the 25-year-old young man that he is he deserves a great deal of credit for the position which he has attained. He no doubt knows the theory of taxation, but he has not had the actual practical experience down in the income-tax unit which would give him practical knowledge from such experience as to the possible loopholes in this complicated bill through which vast amounts of taxes could escape.

Mr. CHINDBLOM. Mr. Chairman, as a member of the Committee on Ways and Means I respectfully dissent from that. There is not a member of the Committee on Ways and Means, not even a Democratic member, who will join in that view of Mr. Gregg.

Mr. JEFFERS. The gentleman is entitled to his views, of course, but whether the gentleman is entitled to speak for all other members of the Ways and Means Committee is another matter.

Why, I recall that we heard the gentleman from Massachusetts [Mr. TREADWELL] say just this afternoon that he felt greatly disappointed that there had been a failure to bring about simplification in the law, and that Mr. Gregg had said that it was difficult to tell, in plain words, what was meant by some of the complicated phraseology of the law. Now, the point I am making is that if the complications of certain sections of this bill, or the phraseology, make it so difficult that the expert, Mr. Gregg, can not even translate them into plain words, then how can Mr. Gregg see the possible loopholes in the law through which taxes can escape, especially as Mr. Gregg's knowledge is theoretical and not practical, as he has not had the practical experience down in the unit where he would learn how these intricate complications in the law actually do work out?

I did not say that Mr. Gregg is not a very brilliant young man. From all that I hear of him I feel sure that he must be very good. But I did say that he had probably explained the provisions of the bill very glibly in his own theoretical and technical way, and that he had not had the practical experience down in the unit which would teach him what is actually going on down there.

The law needs to be simplified and it should be done by men who have had plenty of practical experience and who, therefore, would know how to point out the weaknesses and possible loopholes in the law.

Now, then, Mr. Chairman and gentlemen of the House, nobody had access to that bill, in which was embodied the so-called Mellon plan. It seemed it was a secret document.

However, a definite challenge was made early in December by the Democratic members of the Ways and Means Committee that the bill should be printed and given to the Members of Congress for their consideration and study, and the Democratic members of the Ways and Means Committee stated that if the bill was not forthcoming they would go to the country, through the press, on the manifest unfairness of the situation, and as a result of that challenge the bill was brought out into the open.

Consequently the first print of the bill, consisting of 344 pages, was handed to us on December 18, 1923.

But from November 10, 1923, the date Secretary Mellon put his first notice in the press concerning his plan, until the day we first saw the bill, December 18, 1923, more than a month, Members of Congress were flooded with letters asking them to support the Mellon plan, when, as a matter of fact, we had not, up to December 18, 1923, had any opportunity to see the bill.

Then when the light was thus thrown on Mr. Mellon's plan the Ways and Means Committee proceeded to find some of the bad spots, Democrats and Republicans alike joining hands in remodeling the scheme of the Secretary of the Treasury.

They changed many features, and they knocked out some of Mr. Mellon's pet provisions, which might well be termed some of the very foundation stones of Mr. Mellon's plan.

But even after all this, when the bill was finally reported to the House by the committee it was announced in the papers that the decision of the House Ways and Means Committee was to accept the Mellon tax proposal in entirety.

Of course that was a false impression that was given out, and why the advocates of the Mellon plan wanted to give out that statement to the press I do not know because it looks like they surely would have foreseen that within a very few days the country was going to find out the truth—that the Mellon

tax plan certainly never was accepted by all the members of the Ways and Means Committee. Not even all of the Republican members ever accepted it, and Chairman GREEN himself has stated consistently all along that he was not in agreement with the Mellon plan. He has been openly opposed to the surtax rates proposed in the Mellon plan all the time.

So the claim that the so-called Mellon plan is being accepted, even by the Republicans, is a fallacy.

The Mellon plan has crumbled. Let me call your attention to an extract from an article in this morning's Washington Post. Bear in mind that the Washington Post is the administration sheet here now.

While the House was putting in another day discussing the revenue bill, Representative LONGWORTH, the party leader, held a conference with about 10 others directing the Republicans' campaign. Afterwards it was announced that no attempt would be made to obtain a vote on the 25 per cent surtax maximum when a show-down comes next week on the income-tax schedule.

You will note that the article says that the gentleman from Ohio [Mr. LONGWORTH] and about 10 others who are directing the Republican campaign decided that no attempt would be made to even obtain a vote on the 25 per cent surtax maximum when the show-down comes next week on the income-tax schedule. They have already quit the Mellon plan. They have decided to forsake Mr. Mellon's maximum surtax rate and will go to a 35 per cent rate to start with rather than stand by the 25 per cent rate which has been demanded and insisted upon by the Secretary of the Treasury and also by President Coolidge himself.

It will be recalled that some time back, while the bill was still in the Ways and Means Committee, the Republicans gave out the statement that they had offered the Democrats a compromise on the rate schedule for the bill and that the Democrats refused the compromise. That charge has been repeated at various times since then. That charge never was true.

The Republicans in the committee, realizing then that they could not even rally their own forces to the rates of the Mellon proposal, were the ones who were desirous of seeking the compromise. They made the suggestion to the Democrats that they compromise, that is true, but when the Democrats said, in effect, "All right, if you want to compromise, put your cards on the table, name the particulars of the compromise offer that you wish to make, and we will consider the proposition," the Republicans refused to outline any details of any compromise offer, but wanted the Democrats to agree to a compromise without knowing what the compromise offer would be. The Republicans made the overture for the trade, but they had the temerity to want the Democrats to take "a pig in a poke," so to speak, and when the Democrats correctly declined to make that kind of a trade then the Republicans yelled like a bunch of quitters, putting up the false cry that they had tried to compromise with the Democrats, but the Democrats refused.

The Republican majority of the Ways and Means Committee then used that as a pretext for barring the Democratic members from the further sessions of the committee.

Mr. GARNER said afterwards that he could not consider a blanket offer for a compromise, without particulars, as an offer that could properly be acted upon. The Republicans, he said, had their plan, the Democrats had their plan, and if the majority party wanted to compromise they should have come forward with a compromise measure showing some details or particulars and then the Democrats could have conferred with them on it.

So the claim that the Democrats were the ones responsible for a failure to reach a compromise is another fallacy.

RELIEF NEEDED FROM THE EXCISE TAXES.

Now, we all must realize that one form of taxation which has been particularly burdensome to the business people all over the country, especially to the small retail distributors such as drug stores, grocery stores, 5 and 10 cent stores, and general stores located in our cities and in our small towns and in the rural districts, and which has been also particularly worrisome and obnoxious to the consuming public, is taxation by these various little war excise taxes, or so-called nuisance taxes. They are rightly named nuisance taxes, too, for they are a real nuisance to both the business people and the consumers.

The Ways and Means Committee has made a good many improvements on the plan offered by Secretary Mellon, and I congratulate the committee on the good work they have done along these lines, and I hope the House will be able to go yet further toward wiping out these hampering nuisance taxes as far as possible.

They constitute what we might call the underbrush in the taxation system, and undoubtedly they should be cleared out of the way as fast as Congress can consistently cut them off.

Mr. Mellon's plan offered no relief, so far as the excise taxes are concerned, to average business people such as jewelers. People with their money invested in the jewelry business have been seriously handicapped by the continuation of the excise taxes on the articles they have for sale. Now the Ways and Means Committee, the Republican members and Democratic members joining hands, has proposed a large measure of relief for these business people. The nuisance tax will be removed from articles of jewelry selling for less than \$40. This will probably cover most of the articles of jewelry usually bought as gifts or otherwise by people of modest means and will, I believe, be a great help to business people in that line.

Mr. Mellon's plan did not propose to remove the nuisance tax from candies. I understand that at least 50 per cent of the output of candy in the country is in the form of these "penny goods" and the plain grades of candy which are largely consumed by the children. The Ways and Means Committee is recommending that we wipe that nuisance tax out of the bill.

All drug stores, merchants, and all those handling soft drinks, unfermented fruit juices, still drinks, mineral waters, fountain sirups, bottled soft drinks, and carbonic-acid gas will be very much gratified, I am sure, to know that, although the Mellon tax plan did not propose to take the nuisance tax off of all those articles, the Ways and Means Committee of the House, Republicans and Democrats together, has decided that it is time those nuisance taxes were taken off. Small merchants and business people are largely interested in these items, and the consumers of the nickel drinks are the rank and file of the people. I believe it will be the most welcome relief that could come to these business people and I am for it.

There are millions of users of motor vehicles of all kinds who are paying the excise or nuisance taxes on automobiles, trucks, all sorts of motor-vehicle parts, and tires and accessories of all kinds. These include many people in business and a great many farmers who use cars and trucks for business purposes as well as pleasure. There are thousands of dealers who are amongst our best business people. It is estimated that the farmers stand about one-third of all the nuisance taxes on cars, trucks, parts, tires, and accessories. The motor car or truck that the average farmer uses is a necessity to him, not a luxury. These millions of users and these thousands of dealers are praying now for relief from nuisance taxes. The Secretary of the Treasury and his experts forgot them when they framed up what was known as the Mellon plan and provided no relief for them along this line. I am in favor of granting all the relief to them now as may be feasible, and I hope it can be worked out here in the House some way.

In reducing Federal taxes I believe that special attention should be given to the cleaning away of these irksome and pestiferous nuisance taxes so far as we can.

The overhead expense of collecting them is heavy, and in some cases the expense of collecting these taxes does practically eat up all the revenue derived from them.

They are a constant irritant to the public and are the greatest burden to the business people who have to collect them and account for them. If all these excise or nuisance taxes could be repealed it would mean that an incalculable amount of work would be lifted from the shoulders of the business people of the country, especially the small business people, many of whom, as a matter of fact, can ill afford to have the great amount of detailed work done which is necessary in order for them to keep accounts of these nuisance taxes collected on all these items.

Another little tax which ought to come off is the so-called occupational tax on brokers of \$50 per annum. A man who merely has a small office and a telephone in his office is considered a broker, although he sells for another on commission basis and does not carry a stock of goods, and yet he must pay this \$50 occupational tax as a broker. This is a discriminatory tax on these men, and I feel it ought to be removed, and I hope it can be done when we get down to that part of the bill. Mr. Mellon's plan overlooked them, but I think we ought to give them relief.

UNLIMITED EARNED INCOME RESTRICTED.

In placing the restriction that it did on the unlimited earned income proposition in the Mellon plan the Ways and Means Committee performed a good service, but when the committee did thus limit the reduction to incomes up to \$20,000 a year they hit the Mellon plan a blow which disfigured the Secretary's proposal in that respect so that it was hardly recog-

nizable afterwards by some of those who had been most heartily in favor of the Secretary's unlimited earned income proposition. The committee also declared all incomes below \$5,000 to be considered as earned income for the purpose of this tax differential.

At the same time when the committee limited the reduction to incomes up to \$20,000 a year we recall that the gentleman from Texas [Mr. GARNER] offered an amendment designed to bring farmers and small business men under the benefits of the earned-income reduction. This amendment was rejected in the committee by a strict party vote, the Republicans voting against it. On this point I beg leave to quote the following from the Democratic report which accompanied the bill to the House:

The Mellon bill proposes to give a 25 per cent reduction to taxpayers whose incomes are earned and the bill confines this benefit to salaried and professional people. The minority are in sympathy with and give a reduction in taxes on earned income over unearned income, but we believe it unconscionable and unjust to confine this benefit to professional and salaried people and exclude from it farmers and small business men throughout the United States. The minority is in favor of extending this benefit to those engaged in agriculture and small business where both limited capital and personal services are combined. In the Committee on Ways and Means we offered such an amendment but it was defeated by the majority.

I agree with the sentiment thus expressed in the Democratic report and hope we further perfect the bill along this line when it is considered in the House.

PROPOSED BOARD OF TAX APPEALS.

In the Mellon bill it was proposed that a new board of tax appeals should be created. Some very plausible reasons were offered as to why such an appeal board was needed.

But the joker in the proposal was that the bill provided that the members of this tribunal should all be appointed by the Secretary of the Treasury, not to be confirmed by the Senate or anybody else.

If that had gone through, it would have meant that Mr. Mellon would have been able to provide soft berths for as many as 28 of his friends at \$10,000 each per annum, and it would have been up to those men to pass on the income-tax questions concerning and involving Mr. Mellon's own great interests. Mr. Mellon and his family are heavily interested in more than half a hundred great corporations.

Would it have been a fair proposition for a man in his position to have been able to personally name the members of such a board of tax appeals, and not only name all the members of the board but keep the board within the Treasury Department, where it would have been under his own direct and personal control and where it would have had to pass on questions coming up in connection with the many great interests in which the Secretary is himself heavily interested financially?

It was a monstrous proposal for him to make, and, with all due respect to Mr. Mellon, I must say that I think he had his nerve when he made it. While dealing out only a small amount of relief to people of modest incomes and to the small taxpayers of the country, Mr. Mellon certainly did propose to hand himself a nice, large, juicy portion.

The Ways and Means Committee promptly changed that part of the bill, taking the proposed board of tax appeals out from the control of the Treasury Department, and again I think the committee is to be congratulated for a good bit of work. Cases where the taxpayer and the income-tax unit of the Treasury Department are in disagreement are to be heard before the proposed board of tax appeals, and so it is perfectly obvious that such an appeal board should certainly not be a part of the Treasury Department, under the control of the Secretary of the Treasury.

SUGGESTIONS ON BOARD OF TAX APPEALS.

1. I have already stated that this board of tax appeals should be outside of the jurisdiction of the Secretary of the Treasury. I think that is apparent to everyone, and the Ways and Means Committee has already changed the original Mellon plan in that respect.

2. The board should have real power. I should think that the board should have jurisdiction of applications for final determination and assessment of taxes; should have power and authority to make, or cause to be made, redeterminations of all factors in any case appearing to the board to be incorrect, or not substantially correct, regardless of any rules of procedure in force in the Treasury Department or Bureau of Internal Revenue; should have the right to apply to the proper court—I should think the Court of Claims—for an order suspending the operation of decisions on principles of law by the Secretary of the Treasury or by the Commissioner or Solicitor of Internal

Revenue, and upon such application the court should grant an immediate preliminary hearing for the determination of questions at issue; should have power to requisition and obtain the case of any taxpayer for review, either upon its own initiative or upon any presentation to the board of information indicating anything like fraud, favoritism, gross error, or erroneous principles employed in its authority, and the board should have power to redetermine the tax in any such case, subject to the Court of Claims; should have power to investigate charges of fraud or malpractice against any taxpayer, his agents, accountants, or attorneys, and to initiate any investigation as the board may deem necessary, and should have power to disbar any such agent, accountant, or attorney from practicing before the department in internal-revenue matters; these few suggestions are given to outline in a tentative way what I should think should be the broad jurisdiction and powers of a board of tax appeals.

3. The board should be sufficiently under the direct supervision of the courts to render it free from suspicion of favoritism, political influence, and unfairness.

4. The personnel of the board should consist of a suitable division of members under the following classifications:

(a) Federal court judges, not subject to any civil-service rating;

(b) Attorneys with an understanding of principles of accounting and versed in income tax law;

(c) Certified public accountants or chartered accountants with a knowledge of law and of income tax law;

(d) Business executives, capable men who have made successful records in business; there should be some business men on the board who have the taxpayer's point of view and who will expedite matters in a business manner;

(e) Engineers and valuation experts who have had reasonable experience on appraisal boards whose valuations were for both buyer and seller;

(f) Economists should be on the board to give advice covering the desirability of any changes intended to help economic conditions and matters of that nature.

There should be some definite regulations regarding the selection of the members of the board. As a suggestion, I would say that the members of the board might be selected by the Court of Claims from a list of parties prepared as to qualifications by the Civil Service Commission. I think the qualifications required should be stated in the law. No political influence should be allowed to determine eligibility or to prescribe arbitrary requirements not contained in the law.

This board of appeals would be a very powerful agency, and its creation and every detail connected with its creation deserves most careful and thoughtful consideration on the part of Members of Congress.

SECRECY PROVISIONS NEED AMENDING.

The existing secrecy provisions in the law should be properly amended. I believe bad and fraudulent practices have become prevalent in the income-tax unit of the Treasury Department because of the cloak of secrecy now protecting every record in that division of the Treasury Department.

It is a fact now that not even a committee of the Congress of the United States can examine into the income-tax records of any individuals or corporations, even though that committee of Congress might have good reason to believe that certain income-tax records should be investigated. The insurmountable wall of secrecy now existing in the law would effectively block any such proposed investigation. This is a bad state of affairs and should be corrected.

THE DOHENY CASE.

Were it not for the tight secrecy provisions in the law Congress might now be able to find out about some peculiar things pertaining to the income-tax records of E. L. Doheny, for example, and the corporations in which he is interested.

Here is a man who, it appears, has paid money right and left, bribing people to do things for him in connection with fraudulent deals perpetrated against his country and his Government.

What things might be peculiar now regarding his income-tax returns?

Well, why was it that after his income-tax records were fixed up in January, 1923, and after they had rested undisturbed in the files down there in the income-tax unit for more than a year, they were suddenly sent for just a few days ago by some one in the Treasury Department? Who sent for them, and what for?

Some one may say that the officials of the department might have sent down for Doheny's income-tax records just to look them over and see if there might be anything wrong with them

in view of what has been disclosed concerning Doheny by the Senate investigation.

But if that be the case, why did not those vigilant officials send for Doheny's case a month ago, or whenever it was that Doheny first admitted sending Mr. Fall that \$100,000 in cash? No; they did not send for Doheny's case then.

On February 2 I made some remarks here in the House regarding the necessity of an investigation of the income tax unit of the Treasury Department. A few days later Doheny's case was sent for and taken from the file.

Another significant thing about the Doheny income-tax case was that a certain employee of the Government, while in his official capacity as such governmental employee, held conferences both here in the department and in New York with Doheny's representative regarding Doheny's case and then later quit the Government and reappeared in the department as the representative of Mr. Doheny, handling the same case of Mr. Doheny's that he had worked on himself while he was a Government employee in that department.

And let me mention another thing about the transaction of Mr. Doheny with the income-tax unit that I think is a little peculiar: After the Doheny case was closed in January, 1923, a man who had worked on the case in the unit where the case was audited quit the department and went to work for the Doheny people out in California at just double the salary he received while he was with the Government.

Something very peculiar there, my friends; and there are a great many flagrant cases that ought certainly to be probed thoroughly to the very bottom, and I want to express the hope that every Member here will join me in my effort to get action on a joint resolution (H. J. Res. 176) which I have introduced and which is now before our Rules Committee seeking to have a congressional committee fully empowered and authorized to really investigate certain income-tax records and other income-tax records as the committee may, in its judgment, deem desirable. [Applause.]

A few days ago I stated here on the floor that I thought David Lawrence was 100 per cent correct when he stated in an article that there have been some flagrant cases in which employees of the Government with a knowledge of the inside of some big tax question in dispute have resigned and gone to the assistance of the taxpayer for a considerable fee. That very thing had occurred in the Doheny case to which I have just called attention and I so stated in my remarks a few days ago on the floor here.

And just to-day there appears in the Washington Star an article on that very subject. I read you the following extracts from that article:

Secretary Mellon took steps to-day to curtail the practice under which former Treasury officials have acted in some cases as attorneys for claimants before the department in cases which were pending while they were in Government service.

The new regulations will not invalidate any existing contract between agent and client, and there is a proviso allowing for special consent under specific conditions.

At present former employees of the Internal Revenue Bureau are handling cases involving hundreds of millions of dollars. To a lesser extent the order will affect customs lawyers.

That article says they are handling cases involving hundreds of millions of dollars. The worst of it is that cases involving other hundreds of millions of dollars have already been handled. They are locking the stable door after the horse has been stolen, I am afraid, in a great many cases.

Of course, I do not mean to charge that fraud would be practiced by all former employees now practicing before the departments. I do not mean that at all. But I do believe, and I believe a real investigation will prove, that in a great many cases fraud has been practiced, and I believe the United States Treasury has been cheated out of millions of dollars rightfully due the Government in connection with the settlement of some very big income-tax cases.

Mr. MANSFIELD. Will the gentleman yield?

Mr. JEFFERS. I yield.

Mr. MANSFIELD. Does the gentleman believe that Mr. Fall in his tax return gave in the amounts shown to have been paid to him by certain parties?

Mr. JEFFERS. I should like for Congress to be able to lift the veil of secrecy now completely hiding those records, so that Congress could find out. I hope we can have a real investigation down there, and I hope, too, that the secrecy provisions in the law will be properly amended.

So much for the drastic secrecy provisions in the law.

EXPENSIVE LEAKS.

It has been stated by those who advocate the surtax rates in the Mellon plan that any rate higher than that proposed in that plan would be unproductive of revenue, and the gentleman from New York [Mr. MILLS] and others have remarked about the drop that has already occurred in the total amount, or in the net amount, derived from taxation.

But no figures have been presented here by Mr. MILLS, or by any other representative of Mr. Mellon's plan, to show Congress how much of that drop in our revenue has been due to very large allowances that have been granted by the Treasury Department, especially to big people in the oil business, as refunds to those people on such things as alleged discovery values, alleged loss of useful value, alleged increased depletion, and the depreciation on values as of March 1, 1913, and additional allowances to oil and gas companies for leasehold values in 1913 and later years.

The Secretary of the Treasury has been very much exercised about taxes escaping on tax-exempt bonds issued for schoolhouses, roads, hospitals, drainage projects, and all such worthy developments, but he has drawn no attention whatsoever to the amount that is getting away on what might be termed as tax-exempt oil. It would not surprise me to find that the excessive grants which have been allowed, and are still going on, to oil interests are amounting to a greater loss of revenue to our Government than the loss sustained on account of tax-exempt bonds, the proceeds of which are put to good use right away for such worthy public benefits and improvements as I have just enumerated.

Yes, gentlemen, there are indeed a lot of other things that deserve our especial attention besides the surtax and normal tax schedules, and I am sure it would be very interesting to know how much these items I have mentioned, and other things too numerous to mention here now, have cost the Government because of excessive allowances and excessive refunds.

In my opinion the oil scandals are not confined to Teapot Dome. King Oil has greased the way for many an excessive allowance through the income-tax unit of the Treasury Department.

The greatest and blackest drama in the history of the Nation, entitled "Oil," is on the boards at this time. As its scenes have been unfolded before our eyes we have been shocked and shamed by the revelations that we have seen. The stage is here in the Capital City of the Nation. The principal parts have been taken by players who have come from all parts of our great country. It has been a most disgraceful performance thus far; as the hideous scents have dragged themselves across the stage it has left a slimy, greasy trail; it has soiled all who have been partakers in the rotten mess; and the end is not yet.

There is the sign of the black trail of oil in the Treasury Department regulations, in Treasury decisions, in the solicitor's opinions, in the valuations—oil, oil everywhere.

One of the scandals is, in my opinion, in the administration of the provisions in the law for allowances for discovery. It seems to me that allowances for discovery are given practically to the oil industry alone. The oil industry may deduct its losses and expenses from income, as anyone else may, and then in addition it is given a big subsidy in the form of so-called "discovery."

What does it mean?

When is a well supposed to be discovered?

What are the limitations upon allowances for discovery for the oil industry?

All those things are left within the discretion of the Commissioner of Internal Revenue, or the Solicitor of the Treasury Department, or the Secretary of the Treasury. Those officials have it within their power to cover these vast questions with their decisions or opinions or regulations when any special cases come up for settlement.

These things ought to be clearly and arbitrarily defined by law. I do not believe that the revenue bill ought to be left open in so many very important places for interpretation by those who are responsible for its administration.

Arbitrary laws may possibly result in some inequalities, but I believe that many words and phrases in this income tax law should certainly be more clearly and arbitrarily defined than now seems to be the case. I believe that such a reform would make for more expeditious administration of the income tax law, and that is certainly one objective that is much to be desired. More arbitrariness, if you please, written clearly into the law would tend to cut out gross favoritism, make it fairly administered to all alike, make for more speed in handling cases, reduce the number of solicitor's opinions and conference

decisions, and cut out months and years of delay and waste of time, all of which would tend to reduce the heavy overhead cost of administration.

Let me call your attention to one or two examples illustrative of words or phrases in the wording of this bill that I think ought in some definite and understandable way to be defined in the bill.

On page 59, line 18, we find the words "the reasonable needs of the business." I believe it will be left within the discretion of the Commissioner of Internal Revenue to say what that might mean.

On page 39, lines 16 and 17, and also in other places in the bill, we find the words "a reasonable allowance for salaries or other compensation for personal services actually rendered." Who will decide, in the different cases that present themselves involving large amounts of taxes, what is the meaning of "reasonable allowance" for these things, and what does "actually rendered" mean?

Who really understands sections 201, 202, 203, and 204? In trying to read those sections you will find that to understand some provision in one of them you will be referred to another one of them and then in order to understand that one to which you have been referred you will be referred again to still another one, and so you can take a case around and around in those four sections until you are in a hopeless maze, and then if you want to delay the game still longer I think you could litigate the case to the Supreme Court over the meaning intended by the word "recognized," which appears, for example, on page 5, line 10. That word appears several times in those sections. Who can tell what meaning is intended by that word as it is used there? Is it not subject to interpretation? Who will render opinions defining that word in various cases over which there may be disputes over the intended meaning of that word?

I venture to say that not even the expert, Mr. Gregg himself, could exactly define to Congress what is, or what might possibly be, the legal significance of that word as used in various places in those sections. I am not an expert, by any manner of means. I do not claim to be able to offer the remedy. I have endeavored as best I could to familiarize myself with the many technical and complicated provisions and proposals contained in this bill within the time that we have had to study it. I offer these criticisms as just one humble Member of this body. It does seem to me that the great experts that are at the disposal of the Treasury Department could take the four sections that I have just mentioned, for example, and boil them down so that they would be clear and understandable to the average citizen of the country. I do not believe that revenue agents themselves, or even auditors or tax experts, will be able to clearly decipher those sections as they are now written.

TAX REDUCTION ON THE WAY.

We are going to have tax reduction. We are going to have tax reduction along the lines of the Democratic plan, that plan which bears the name of Mr. GARNER of Texas, the senior Democratic member of the Ways and Means Committee. [Applause.]

The Democratic plan will raise the exemptions on individuals from the present law of \$1,000 for single persons and \$2,500 for heads of families to \$2,000 for single persons and \$3,000 for heads of families.

The proposed Mellon bill provides no increase whatever in these personal tax exemptions.

The Democratic plan proposes normal taxes of 2 per cent on incomes below \$5,000; 4 per cent between \$5,000 and \$8,000; 6 per cent on incomes exceeding \$8,000.

The Mellon plan proposes normal rates of 3 per cent on incomes up to \$4,000 and 6 per cent on incomes exceeding \$4,000.

The Democratic plan proposes surtaxes beginning at 1 per cent on incomes between \$12,000 and \$14,000 and graduating up to a maximum of 44 per cent on incomes exceeding \$92,000 per year.

Under the present law the maximum surtax rate is 50 per cent on incomes in excess of \$200,000.

The Mellon plan proposes surtax beginning at 1 per cent on incomes between \$10,000 and \$12,000 and running progressively up to 25 per cent on incomes of \$100,000.

Under the Democratic plan people who have incomes of less than \$10,000 per year will be relieved to the extent of about \$140,000, it is estimated, while under the Mellon plan people who have incomes of less than \$10,000 will be relieved of only about \$50,000.

The Democratic plan provides more relief for people of small or modest incomes than does the Mellon plan, while the Mellon

plan provides greater relief for a comparatively small number of people who have very large incomes than does the Democratic plan.

Out of the income-tax payers in my own State, the State of Alabama, 42,974 out of a total of 43,009 will be benefited more by the Democratic plan than they would by the Mellon plan, while only 35 Alabama taxpayers would be benefited to a greater extent by the Mellon plan than by the Democratic plan.

ALONG FAIR LINES.

The Democratic plan is in line with the fundamental principle of the progressive system of income taxation, as I understand it. The system of taxation by taxing incomes is not intended and never was intended to place the greater burden of the revenue to be raised by that system of taxation upon the little fellow or the fellow with the small income. I believe it is in keeping with that principle that the relief of tax reduction be granted most liberally to those who have the small or modest incomes, upon which they must live and keep their families. They actually need every nickel of relief from taxes that can consistently be given to them.

Permit me to read this short extract from the report made on this bill by the Democratic members of the Ways and Means Committee:

The minority are of opinion that the smaller taxpayers should for the present have their exemptions raised from \$1,000 and \$2,000 to \$2,000 and \$3,000, respectively, according to whether a taxpayer is a single person or the head of a family or married. This view is based upon the facts that during the past few years State and local taxes have been doubled and trebled, and that under our general property tax laws in the States the medium and smaller property owners have little intangible property, with the result that their tangible property is exposed to tax assessors and assessed for taxes in a far greater proportion than the property of larger owners, the intangible portion of which is chiefly concealed, and so evades most State and local taxation.

The second ground is that the present unusually high tariff law which has resulted in notoriously high prices as to many or most staple articles of common use, falls most heavily on those same smaller income-tax payers, while a large class of the big taxpayers receive those special tariff benefits and other special governmental benefits. The result also is that its chief burden of more than \$3,000,000,000 is borne by the smaller income-tax payers.

It is deemed both wise and equitable, therefore, to raise the income-tax exemptions for those classes while the other tax conditions mentioned exist. The fact should also be borne in mind that the income tax comprises but one of our several Federal, State, and local tax methods, while the same 110,000,000 American people must bear the common load of Federal, State, and local taxation.

It seems to me that that is a plain, clear, and logical statement, and I commend it to you. The Mellon plan does not offer any raise at all on the personal exemptions of the individual taxpayer. I think it is right that the Democratic plan does propose to give this aid.

The proponents of the Mellon plan have never been able to explain it successfully. There is no doubt that it suits Mr. Mellon, but it never did suit the gentleman from Iowa [Mr. GREEN], the genial chairman of the Ways and Means Committee, and almost a month ago he [Chairman GREEN] and the majority floor leader, Mr. LONGWORTH, served notice on President Coolidge that Mr. Mellon's surtax rates would certainly have to be revised upward.

It seemed that Mr. Mellon wanted Congress and the country to accept his plan without question simply because it was the plan he said was the best plan in theory.

Then when the Democratic schedule was proposed, Mr. Mellon and President Coolidge immediately charged that the Democratic plan was political in purpose and nothing else. Now, as a matter of fact, it was pure claptrap politics for Secretary Mellon and President Coolidge to charge that the Democratic plan was wholly political in purpose without offering evidence or proof to show that their contention was correct.

Mr. Mellon has not been able to prove conclusively at all, by any line of reasoning or by any set of figures, that his proposed plan would be any better from an economic point of view than the proposed Democratic plan. But of course anyone can very readily see what a wonderful thing a tax plan like the Mellon plan would be for the few people in the country who are in the same class financially as Mr. Mellon.

If in truth Mr. Mellon's plan is the one and only scientific plan, then why has he not been able to so explain it to the membership of this House? He has had the benefit of all the expert help that money could secure for him. I say, if his plan is the only scientific plan it does seem to me that with all the expert aid he has at his command he could have fairly

demonstrated that fact beyond all doubt to Members of Congress.

If the Mellon plan is the only scientific plan, why has he not been able to satisfy the Republican Members to that effect?

The truth of the matter is that Secretary Mellon and Mr. MILLS, of New York, have failed in their efforts to convince even their own side of the House with their hollow claims that the Mellon plan is scientific and that the Democratic plan is unscientific.

They put the plan out but they have not been able to make good on it. They have not even proven it to the Republicans in Congress.

The Mellon plan has been abandoned and forsaken. The Republican floor leader and his lieutenants are coming up on their surtax rates all the time, and if we do not get to a vote on this matter soon they will be right up with the maximum surtax rates provided in the Democratic plan. Mr. LONGWORTH has already stated, so the papers said this morning, that the Mellon surtax schedule would not even be allowed to be voted on.

The attempt to simply put the Mellon plan over the top with an immense propaganda campaign back of it was unsuccessful. The proponents of the Mellon plan have been unable to explain satisfactorily the alleged principle of the plan. Republican leaders have long since stated that a higher maximum surtax rate would have to be reached than that suggested in the Mellon plan. To-day they are suggesting 35 per cent or even possibly higher. They are nearer the figures of the Democratic plan right now than they are to the Mellon plan. The Mellon plan is doomed, it is practically dead, and will soon be buried completely in an avalanche of votes. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and Mr. TILSON having assumed the chair as Speaker pro tempore, Mr. GRAHAM of Illinois, 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. 6715, and had come to no resolution thereon.

WOODROW WILSON.

Mr. AYRES. Mr. Speaker, under leave to extend my remarks I insert herewith the following address:

INTIMACIES IN THE LIFE OF NATION'S WAR CHIEF DEALT WITH IN MEMORIAL ADDRESS—WOODROW WILSON EULOGIZED AND IMMORTALIZED IN HEARTS OF THOUSANDS OF WICHITANS WHO CROWDED INTO FORUM FOR EXERCISES SUNDAY AFTERNOON.

"The vision lives.

"The prophet is dead."

Thus was Woodrow Wilson eulogized and immortalized in the hearts of thousands of persons who crowded into the Forum Sunday afternoon to hear the memorial address of Victor Murdock, editor in chief of the Eagle.

"He went to the nations of this world with an idea that came of the time of 2,000 years ago, and he led them through the wilderness of miseries and the errors of war, and like Moses of old he pointed out to them the sight of the promised land," Mr. Murdock said.

The memorial services, presided over by Earl Elliott, city manager, opened with the playing of "The Star-Spangled Banner" by the American Legion Band. Boy Scouts served as ushers.

The invocation, a fervid prayer by Col. Bruce Griffith, chaplain of the Thomas Hopkins Post of the American Legion, was followed by Mr. Murdock's address. The sounding of taps closed the meeting.

Intimacies in the life of the former President were dealt with in the memorial address, from the time of his boyhood up to and through his career as the Nation's chief. The large audience was visibly impressed.

Mr. Murdock's address follows:

"Gentlemen of the American Legion and friends, the hour hangs heavy on our hearts. The Captain in the greatest of all the wars has fallen. A great American, a great mind, a great heart, a leader of leaders among the nations of the world has passed and to me a friend has gone into the shadows where for each of us a grave is hidden.

"We are met here in his memory. Last Armistice Day I was one of a little group of citizens who marched through the streets of Washington to hear his last address in public.

"When we came to the Wilson home the Boy Scouts were there; the Boy Scouts whom Wilson loved, whom all this Nation loves as being a real contribution to the health of our Nation. They were there and with their poles were pushing back the multitude and making a space. They placed a little group of Legion men in front of the door. Woodrow Wilson was helped out by two servants and he stood there a moment wavering.

TEARS BORN OF CHARACTER.

"And I heard him ask some one near him who these men immediately in front of him were. And some one told him that they were Legion men, and I saw out of that set face a rare thing in Woodrow Wilson. I saw him cry. And I said to myself, 'Why those tears? Are they born of weakness? Yes, in part. Are they born of sentiment? Yes, in part. But they are born of something else. They are born not wholly because of sentiment, not wholly because of his physical weakness, but because of his character.' When Horace Greeley was dying he said to those about him: 'Fame is a vapor. Popularity an accident; riches take wings. Those who bless to-day will curse to-morrow. Only one thing endures, character.'

"And what was Woodrow Wilson's character? We can only know that by studying the man and we can only know the man by taking up, one at a time, three of his attributes—his mind, his heart, and his soul.

"What was his mind? When Woodrow Wilson graduated from Princeton, he went to Atlanta, Ga., and took up the practice of law. He failed. His was not a lawyer's mind. His was a legislator's mind. A lawyer applies the law as it exists to the fact. The legislator applies the fact to a proposed change in law. When he failed in law, Woodrow Wilson did the natural thing. He began to delve into the parliamentary systems of the world. He studied in particular the English system. He wrote extensively on it. He studied the American system.

CHANGED LAWS OF STATE.

"He was elected Governor of New Jersey. Immediately he began to change the laws. He succeeded in having enacted a direct primary in this State, one of the most conservative States in the Union. He touched on the great trust question, the problem of corporation laws in New Jersey.

"Eventually he became President. Almost immediately upon his taking the President's chair, he began to drive his mind along the line of its former bent. He stood for and drove through the reserve act, the new antitrust acts, and many other great pieces of legislation.

"And then came Mexico. I saw Diaz personally, the year of the revolution. He was a magnificent old Indian, but an autocrat, and during his long régime that which takes place with all governments had taken place in Mexico to excess. The land had gravitated into the hands of a few. Diaz fled and Madero became President of Mexico. He was most foully murdered. Huerta took the government. It was up to Woodrow Wilson to recognize Huerta and he would not do it. He had no compromise with murder. There was a long, tedious period of watchful waiting. The war in Europe raged.

"Now, Woodrow Wilson, in my opinion, never had in the beginning but one thought so far as we were concerned toward that war. He made up his mind that we must stay out of it. Next, why? I will tell you why I think he thought we should stay out, and when I do so I conclude with a treatment of his mind and come into another attribute, Woodrow Wilson's heart. This was why:

LOVED HIS BOY FRIENDS.

"Woodrow Wilson's grandfather was an Irish immigrant and all the Wilson boys were printers at Steubenville, Ohio, except Woodrow's father, Joseph Wilson, and he went into the ministry. Joseph took his wife, the daughter of a man by the name of Woodrow, who was also a Scotch Presbyterian, and they traveled all over the southeastern part of the United States. They were poor, life was scant, and living meager. Mighty few folks know it, but Woodrow Wilson did not have the early advantages of Jack Abbot, there, and myself. He was 14 years old before he entered school. He was a barefoot boy, passing from town to town, playing with other boys, going swimming with the dog, riding horses bareback, stubbing his toe, going to bed without washing his feet at night, and doing everything that a boy of that age in that part of the country does. He loved his boy friends. They were everything to him, because he was marked in a singular way by destiny to love young men.

"His folks finally landed in North Carolina, and by scraping and saving and scrimping they got him through Princeton. He failed at the law. He wrote all these books. He reached the post of teacher in a girls' school in Pennsylvania. A little later he became a professor in an academy in Connecticut and eventually he became president of Princeton. And what happened?

"All his old memories, all his old camaraderies with the boys in his travels, all his love of youth met a tremendous affront. Princeton had been called by a former President the college of rich men's sons. There were 11 exclusive clubs at Princeton, to which admission was possible only to the boys of the third and fourth years; boys of the first and second years could not get in and boys without money were handicapped.

"Wilson fought the system. He fought it because he loved youth and he hated to see the son of any American suffer humiliation. He fought it because he was a great Democrat, because he loved his country. He established a similar club for boys of the first and second years, but it was not much of a victory. Finally the institution needed money to develop its post-graduate courses. Some one came along and offered

\$300,000, but with conditions. Wilson fought it and won. Some one came along and offered a million dollars with the same idea, and Wilson, for the youth of America, fought it and won. And some one offered \$3,000,000 for the same purpose, and Woodrow Wilson fought it and lost.

WAS AGAINST AUTOCRACY.

"Herein was his love of democracy. Herein was his love of the very sinew of that democracy, the youth of the land. He was for equality and against aristocracy and its thin American shadow, snobbery in the rich and in the powerful. Wilson loved youth. Wilson wanted to keep the boys that he had known down South, the boys that he had known in the schools, out of the war. He knew the miseries of war and he knew the splendid brotherhood of the battle field. He was widely, deeply read. He knew the story of the half-caste Gunga Dhin and the tribute that the British soldier paid to him:

"He lifted up my head,
He plugged me where I bled.
He gave me half a pint of water, green;
It was crawling, and it stunk;
But of all the drinks I've drunk
I am gratefullest to the one of Gunga Dhin."

"Woodrow Wilson knew what war was. He knew its terrors, its miseries. And he made up his mind to keep this Nation out of that war. Wilson said in that period as he stood there and looked out those back windows of the White House across the Potomac, 'Oh, men come here and say, "You must keep me out of the war," and the same men say, "But you must protect the national honor."' And he turned to the window as Lincoln had turned, and he said, 'Oh, if the hour comes when I can no longer do both!' And the hour came.

WILSON SPEAKS THE WORD.

"Unrestricted submarine warfare was declared, and Germany held that an armed American on an American merchant vessel was a pirate and subject to the laws applicable to pirates. And Wilson spoke the word and we were in.

"He watched you Legion men in camp. He watched you sternly. He watched you embark and he watched you disembark. He watched your progress through France to the front sternly. And then when America, represented by its youth, with the flushed cheek of daring, 3,000 miles from its base, with the English falling back, the French war weary, the Italians distraught, the Russians collapsed; when the American boys struck the enemy on the point of the chin and sent him reeling back, Wilson, with his nation, rejoiced. And then came the thought, ah, what of the dead! What of the weeping mother at home!

"In Kansas and in Georgia, in North Carolina and Virginia? What about the anxious father; what about the stricken sister? What of the boy lying there who won this victory, the boy cold in death? Did he do this to make the world safe for democracy? Oh, yes. Did he do this to save civilization? Oh, yes. Did he do this to end this war? Oh, yes. But it was not enough; and, as through the being of Moses of old and Elijah, God that moment flashed a vision through the soul of Woodrow Wilson, and he cried, 'He died to end all war!' And Woodrow Wilson led the world to that vision. He followed his early bent of giving it a parliamentary form. He went to the nations of this world with an idea that divinely came 2,000 years ago, and he led them through the wilderness, and, like Moses to the children of Israel, he pointed out to them the sight of the promised land.

VISION LIVES; PROPHET IS DEAD.

"The vision lives. The prophet is dead. Does Woodrow Wilson live? Well, choose you between the Persian and the Christian. Hear Omar Khayyam, who compared life to the passing of a caravan over the desert from treeless horizon to treeless horizon:

A moment's halt, a momentary taste
Of Being from the will amidst the waste,
And lo! the phantom caravan has reached
The Nothing it set out from! Oh—make haste.

"And now listen to the Christian Paul amid the brass and marbles of Rome, with his feet in the blood of martyrs: 'Behold, I show you a mystery. We shall not all die, but we shall be changed in the twinkling of an eye at the last trump. For this corruptible must put on the incorruptible. This mortality must put on immortality. As in Adam all men die, even so in Christ are all men made alive.'

"The vision lives. Woodrow Wilson lives. Your comrades left behind in France live. His life, their lives, shine bright on the past, but brighter on the future. He and they were great among the living. They are glorified among the dead."

RECESS.

Mr. GREEN of Iowa. Mr. Speaker, I ask unanimous consent that the House now stand in recess until 7 o'clock and 30 minutes p. m.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Accordingly (at 6 o'clock and 2 minutes p. m.) the House stood in recess until 7 o'clock and 30 minutes p. m.

AFTER RECESS.

The recess having expired, the House was called to order by Mr. TILSON as Speaker pro tempore.

REVENUE ACT OF 1924.

Mr. GREEN of Iowa. 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 revenue bill.

The SPEAKER pro tempore. The gentleman from Iowa moves that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the revenue bill. The question is on agreeing to that motion.

The motion was agreed to.

The SPEAKER pro tempore. The gentleman from Illinois [Mr. GRAHAM] will take the chair.

Accordingly 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. 6715) to reduce and equalize taxation, to provide revenue, and for other purposes, with Mr. GRAHAM of Illinois 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 revenue bill, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 6715) to reduce and equalize taxation, to provide revenue, and for other purposes.

The CHAIRMAN. The gentleman from Mississippi [Mr. COLLIER] is recognized.

Mr. COLLIER. Mr. Chairman, I yield 15 minutes to the gentleman from Kentucky [Mr. VINSON].

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

Mr. VINSON of Kentucky. Mr. Chairman and gentlemen of the committee, the Nation in which we profess our pride was constructed in the original mold of representative government. By and through the Members of this House great districts and their greater people express their viewpoint upon the vital issues and give voice to their choice in the legislation presented.

Representing a good people, a great district which, with the whole of our country, has suffered and yet suffers the unfair discriminations in our tax problem, I am constrained, though a new Member of but few days' service, to speak a word in their behalf.

Upon yesterday the distinguished gentleman from Connecticut [Mr. TILSON] who, as a member of the Committee on Ways and Means, reported this bill as presented to them by the Secretary of the Treasury, divided the persons paying income tax into two distinct classes. The first class, though created by him, will be designated by me as the "ultrarich"; the other class, always the last class, will be referred to as "the people." The ultrarich are those who will benefit under the Mellon plan, those who, saving sums that stagger the imagination, would be in position to reinvest these savings and thereby create more wealth for themselves and their posterity. The people are those benefiting more under the Garner bill, and the gentleman from Connecticut [Mr. TILSON] has the temerity to dub them "squawkers."

Mr. Chairman, let me say that, back in Kentucky, the emblem under which the Democracy of that Commonwealth exercise their right of suffrage, is "A game cock in the act of crowing," and under that emblem the good people of Kentucky voted last November in such numbers as to give Hon. W. J. Fields, our Democratic candidate for governor—seven terms an honored member of your body—a majority of more than 50,000. [Applause.] That splendid vote of faith in Mr. Fields was accentuated and augmented through the failure of the Republican State and national administrations to keep the faith with the people.

A "squawker," according to Mr. TILSON, is a person who benefits more under the Garner plan than under the Mellon plan. Permit me to say that in the entire State of Kentucky, casting more than 900,000 votes in the past presidential race, there are only 45 persons who are not "squawkers." In the numbers paying income taxes in Kentucky there are 69,451 more persons that will benefit by the adoption of the Garner plan, whereas there are 45 antisquawkers benefiting under the Mellon plan. And though Kentucky is a close State politically, if the national administration will continue their reactionary work in the interest of "big money," all of the good Republicans in Kentucky will be squawking under the "rooster."

The gentleman from Connecticut [Mr. TILSON] does not seem to like "squawking," but if they do not give heed to the cries of the real people of our country there will be "weeping, wail-

ing, and gnashing of teeth," all of which will avail them not. Even in the gentleman's own State—Connecticut—there are 123,096 squawkers, that many persons receiving more benefit under the Garner plan than under the Andrew Mellon plan, and only 173 persons in that State receiving more benefit under the Mellon bill.

And remember there are 6,641,262 squawkers in America who will benefit more under the Garner bill as compared to 9,433 who will not benefit their purses thereunder.

Seriously, gentlemen, the Andrew Gump Mellon plan reminds me of the Andy and Min of the cartoons, and particularly to their status when financial straits are struck, and when the sunshine of prosperity, sponsored by Uncle Bim, shines down upon them. This series of cartoons contains the philosophy in life that reaches us all if we are honest enough to admit it.

We see Andy Gump in financial difficulties. He is humble, crestfallen, beseeching a word of favor from the wife of his bosom, Min. But let riches return to him and we see the arrogant Czar of the home, proud of his business acumen, dominant in all matters, asking no quarter.

The Andrew of the Treasury may be likened to the Andrew of the cartoons in his attitude toward Congress and the country. When the bonus bill was up for passage in the last Congress, according to the Secretary, the Treasury was depleted, the country was on the rocks, and Andrew of the Treasury begged Congress to save the country and the Treasury, and not pass the bonus bill. A short time intervenes—a tax bill to reduce the taxes of the ultrarich is pending, and now the magician of the Treasury waves his wand, and it is full to overflowing. No longer does he beseech; no longer does he petition; no longer is he subservient to his country, but he commands, he asserts the leadership of the country, he breathes out defiance, and insists that the country swallow his program, bait, hook, line, and sinker.

Using the gentleman from New York [Mr. MILLS] as his spokesman, he proclaims that the ultra rich will not obey the laws of the land in the payment of their taxes under the Garner law, even though in rate they are lower than the rates now existing as a part of the organic law of the land. Were a lesser light to use such language, were such statements to come from a man representing the real people of America, the distinguished gentleman from New York would jump to his feet and be the first to cry out, "Treason!"

It may be that some would say, "Well, Andy Gump was 100 per cent for the people," all of which was true of him as a candidate. Mr. Mellon would have been 100 per cent for the people before election, but after the election he would have forgotten his pledges, just like some of my good friends upon that side of the Chamber will have forgotten their promises if they vote for the Mellon plan.

One hundred per cent for the people. Yes; but after induction into office it is so easy to cut up figures; people are so careless with large sums of money—\$25,000, \$68,000—that can be confused in the minds of some to be six and eight cows; \$100,000 carried down in an old satchel; a note for \$100,000 with name torn off. It occurs to me that of the 100 per cent for the people possibly possessed by the gentleman from Pennsylvania, the financial wizard of all time, that in his splendid art of legerdemain a cipher may have been dropped from these figures and added to the right side of the column of the ultrarich when the excess-profits taxes were repealed, and lo and behold to-day we have the spectacle of seeing him want to take the other cipher off and give it to his rich friends, in which event he would stand in his true light of being 1 per cent for the common people of America.

The gentleman from Connecticut [Mr. TILSON] presented a chart yesterday setting forth the income, tax, net yield, and rate of interest derived from an investment of \$100,000 at rates running from 6 per cent to 11 per cent per annum, and sought to prove that the reason big business bought tax-exempt securities was because of the high surtax rate.

He was asked by me what a conservative rate of income was in the East, and he stated that we might consider 8 per cent yield a conservative investment. That is radically different from our section of the country. Six per cent per annum is a conservative yield. But we will consider the figures of the gentleman upon that basis. This is under the Mellon plan.

Amount invested	\$100,000
Rate	per cent—8
Income	\$8,000
Tax	\$2,480
Net yield	\$5,520
Rate	per cent—5.52

Upon its face it shows that you can buy tax exempts that will pay you as much as a yield of 8 per cent with the Mellon taxes deducted, and after you have paid your property tax—

take your own State and figure it—the actual net yield will be less than that rendered by any tax-exempt securities.

Which chart and figures actually demolish their argument in respect of the larger income purchasing tax exempts to save paying surtax rates; they buy these securities for safe investment.

That is, taking 8 per cent as a conservative yield, which I think is high, you pay your income tax under the Mellon plan and it makes a yield of 5.52 per cent per annum. The security is a taxable one; it is a security upon which you have to pay other taxes unless you evade taxation. If it is invested in real estate, you have several kinds of taxes to pay on it; the tax that you pay to your city, county, and State; now deduct the other taxes from 5.52 per cent and you will have less than the tax-exempt securities will pay. Take the table of the gentleman from Connecticut, which will be found on page 2521 of the CONGRESSIONAL RECORD of February 15, 1924, and I think if you will study this table it will prove to you that the ultrarich do not invest in tax-exempt securities except because of their safety as an investment.

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

Mr. VINSON of Kentucky. I do.

Mr. MORGAN. Is not the gentleman aware of the fact that the majority portion of investments in nontaxable securities by the rich referred to is to escape the high surtaxes and keep out of the high surtax rates? Or, in other words, those who invest in nontaxable securities are very largely those who would come within the higher brackets and therefore would escape the 58 per cent?

Mr. VINSON of Kentucky. My opinion on that would be simply my guess. It may be that the larger amounts of the tax exempts are owned by the persons in the higher brackets. But I submit to you when you take the yield of 8 per cent, on the illustration of the gentleman from Connecticut, on \$100,000—and you can follow it on down to \$5,000,000, if you want to—the same rate of yield will obtain.

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

Mr. VINSON of Kentucky. May I have five minutes more?

Mr. COLLIER. I yield to the gentleman five minutes more.

The CHAIRMAN. The gentleman from Kentucky is recognized for five minutes more.

Mr. VINSON of Kentucky. You take \$100,000 at 8 per cent yield, and deduct your income tax, and take your rate, and it will be 5.52 per cent per annum. If you do not evade paying the other taxes it will be down to less than 4½ per cent, the interest rate of the Federal tax exempts at the present time.

Mr. TILSON. Mr. Chairman, will the gentleman yield there?

Mr. VINSON of Kentucky. Yes.

Mr. TILSON. Do you pay any tax on stock dividends received in your State?

Mr. VINSON of Kentucky. No, sir.

Mr. TILSON. So that if the 8 per cent investment was in a domestic stock, the property tax would not apply?

Mr. VINSON of Kentucky. No, sir; but the tax on your corporation that issued this dividend, unless they evade the taxes, would go into the treasury of the State. And unless they can evade their income tax, a fair portion of that earning will go into the Treasury of the United States.

Mr. TILSON. But if the stockholder had an 8 per cent dividend, and he paid no tax on the stock—

Mr. VINSON of Kentucky. If you are dealing with it as a domestic proposition you would be paying a high rate. What is a fair rate of return upon a real-estate investment in your State? Ten per cent gross?

Mr. TILSON. Ten per cent gross.

Mr. VINSON of Kentucky. Then deduct your insurance, depreciation, repairs, city, county, and State taxes, and see where you will be on that basis.

Mr. TILSON. It is figured that 10 per cent is required to produce a 6 per cent return on your investment.

Mr. VINSON of Kentucky. It has been repeatedly stated that the higher surtax rates paid by the ultra rich are merely passed on to the ultimate consumer. If this be the case, why do they worry about the payment of these taxes?

It occurs to me that the reduction in the surtax in the upper brackets—the ultrarich—would create this condition. Prices would not be reduced to any appreciable extent. They would simply pocket the difference; it is human nature for them to do it. It would result in the same thing that happened in the anthracite coal regions, so vividly portrayed by the gentleman from Pennsylvania [Mr. CASEY], who upon the floor of this House charged that the Coal Trust has added 10 cents per ton of every ton of coal mined in those regions for the purpose of paying for the protection under the workmen's compensation act, when, in point of fact, according to the

statement of the gentleman—no contradiction having been interposed—the actual cost of this protection was 3 cents per ton; by this subterfuge the Coal Trust puts \$5,000,000 per annum of the people's money into their own pocket.

I trust that you will not think me presumptuous in making an attack upon the infallible Mr. Mellon. But you know the story of David and Goliath, and while I do not expect the stone to strike our Secretary in the temple and topple him over, I am inclined to the idea that he can be shown to be vulnerable at least.

Pursuant to a request made, Mr. Mellon submitted a report, which is copied in full upon page 85 of the report of the committee in respect of this bill. It purports to show what loss to the country will be sustained under the Garner bill, and also that loss under the Mellon plan.

Dealing with the normal tax, we find in this report that 21 persons are in the bracket above \$1,000,000 and that the loss under the Garner plan is stated to be \$468,636, whereas under the Mellon plan, with these same 21 persons, the loss will be \$124,663, the difference, according to this report, being the sum of \$343,973. This is given as the loss in normal tax. This is inaccurate. The basic difference in the normal tax between the two plans is \$80, and when you reach the \$1,000,000 bracket the tax—normal tax—under the Garner plan is only \$80 less than that paid under the Mellon plan. Take out the tables and see with your own eyes.

Amount.	Mellon, normal tax.	Garner, normal tax.
\$1,000,000.....	\$50,760	\$50,680
\$2,000,000.....	119,760	119,680
\$3,000,000.....	179,760	179,680
\$4,000,000.....	239,760	239,680
\$5,000,000.....	299,760	299,680

In any sum in this bracket there can only be a difference of \$80 in the normal tax of that person; and there can only be 21 persons, therefore, as we used to say in mathematics, \$80 multiplied by 21 persons will give us \$1,680. Q. E. D. The difference in the normal tax among the 21 persons paying it can only be \$1,680.

Now, gentlemen, I have prepared a table showing the savings of all taxpayers in the sums stipulated: Those with incomes less than \$54,000 per annum under the Democratic bill, using the case of a married person without a dependent; and also a table showing those with an income of more than \$54,000 under the Mellon bill. It is between incomes of \$54,000 and \$55,000 per annum and those larger than \$55,000 per annum that the ultrarich pay more taxes under the Mellon plan than under the Garner plan.

The CHAIRMAN. The time of the gentleman from Kentucky has again expired.

Mr. VINSON of Kentucky. These are the tables:

Extra taxes paid by those having an income of more than \$55,000 under the Democratic bill.

(Married person without dependents.)

Income.	Normal tax (less).	Surtax.	Extra tax.
\$55,000.....	\$80	\$90	\$10
\$56,000.....	80	140	60
\$57,000.....	80	200	120
\$58,000.....	80	260	180
\$59,000.....	80	320	240
\$60,000.....	80	380	300
\$70,000.....	80	1,430	1,350
\$80,000.....	80	2,800	2,720
\$90,000.....	80	4,690	4,610
\$100,000.....	80	6,710	6,630
\$200,000.....	80	25,710	25,630
\$500,000.....	80	82,710	82,630
\$1,000,000.....	80	177,710	177,630
\$2,000,000.....	80	367,710	367,630
\$3,000,000.....	80	557,710	557,630
\$4,000,000.....	80	747,710	747,630
\$5,000,000.....	80	937,710	937,630

Savings of all taxpayers with income less than \$54,000 per annum under Democratic bill.

(Married person without dependents.)

Income.	Normal tax.	Surtax.	Total.
\$3,000.....	\$15	.....	\$15
\$4,000.....	25	.....	25
\$5,000.....	35	.....	35
\$6,000.....	40	.....	40
\$7,000.....	60	.....	60

Savings of all taxpayers with income less than \$54,000 per annum under Democratic bill—Continued.

Income.	Normal tax.	Surtax.	Total.
\$8,000.....	\$80	.....	\$80
\$9,000.....	80	.....	80
\$10,000.....	80	.....	80
\$11,000.....	80	\$10	90
\$12,000.....	80	20	100
\$13,000.....	80	30	110
\$14,000.....	80	40	120
\$15,000.....	80	50	130
\$16,000.....	80	60	140
\$17,000.....	80	70	150
\$18,000.....	80	80	160
\$19,000.....	80	90	170
\$20,000.....	80	100	180
\$25,000.....	80	150	230
\$30,000.....	80	200	280
\$40,000.....	80	280	360
\$50,000.....	80	120	200
\$51,000.....	80	80	160
\$52,000.....	80	40	120
\$53,000.....	80	.....	80
\$54,000.....	80	140	40

¹ Less.

It is the self-same, time-honored, worn-out arguments, dressed up a trifle differently, which are expounded to support the Mellon plan. It is the same argument that you heard in the fight against the income tax law in its inception; it is the same argument that you listened to in their fight against the reserve banking system; it is the same line of logic spluttered forth in the tax-exempt securities debate; it is the same argument that the "ultrarich," "big money," "special privilege" always use to save unto themselves large sums of money.

The question submitted to each representative can be boiled down to one sentence. It is "Whom will you represent in your vote?" Will it be the "ultrarich," "big money," "special privilege," or will it be "the people"? For me, the answer is easy—it is a pleasure for me to vote for the people. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I yield five minutes to the gentleman from Pennsylvania [Mr. PHILLIPS].

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

Mr. PHILLIPS. Mr. Chairman and gentlemen of the committee, my colleague from New York [Mr. LaGUARDIA] stated a pertinent fact when he said high surtax legislation is social legislation.

If income tax laws are enacted solely for the purpose of securing revenue on an equitable basis for the legitimate needs of the Government, then there is no justification for a graduated or progressive surtax. If the primary or secondary purpose of taxation is to penalize the thrifty and pardon the spendthrift, to diminish enterprise and increase indolence, to condemn capitalism and condone communism, to replace individualism with socialism, then a graduated income tax is logical, but to be consistent we should also advocate a graduated property tax. If the principle involved in the graduated surtax is correct, it should be extended so that the farm of 100 acres will bear more than twice as much taxes for local and State purposes as the farm of 50 acres of the same value per acre, and the \$25,000 house should be taxed more than five times as much as the \$5,000 house.

The Government should resort to graduated surtaxes only temporarily and during times of great emergency, because they can not be justified economically or ethically and are not in accord with the teachings of the Master as elaborated in the parables of the pounds and the talents. Before going into a far country the master delivered to each of his 10 servants 1 pound, and when he had returned he called his servants to demand an accounting and inquired what each had gained by trading. The first said, "Lord, Thy pound hath gained 10 pounds," and he said because "thou has been faithful in a very little have thou authority over 10 cities." And to the second, likewise who had gained 5 pounds, "Be thou over five cities." On the other hand, from the man who had made no effort to increase that which was intrusted to him the pound which he had been given was taken away and given to the man that gained 10 pounds. It would seem that lest at some future time this parable might be considered an unduly paradoxical doctrine or might be ascribed to an interpolation or misrepresentation the Great Teacher also gave us a similar parable, the parable of the talents.

And to one he gave 5 talents, to another 2, and to another 1. The man with 5 talents traded and made 5 other talents, and he who had been given 2 talents made also other 2, but he

who had received 1 talent hid his lord's money. To the man who had gained 5 talents and likewise to the man who had gained 2 talents he said: "Thou has been faithful over a few things. I will make thee ruler over many things. Enter thou into the joy of thy Lord." But to the man who had hid his talent he said: "Thou wicked and slothful servant," and he took his 1 talent and gave it to him who had 10 talents.

There are but a small percentage of our citizens, some three and a half million out of more than a hundred million, that pay an income tax, and for many of them the direct taxes are so small that they are a joke. The tax paid by a married man having an income of \$3,000 amounts to \$20, or 0.6 of 1 per cent. The man with an income of \$8,000 pays a tax of \$340, or 4.2 per cent. But the indirect taxes paid through purchases amount to probably 25 per cent, or \$750, in the one case, and \$2,000 in the other. The income surtax payers comprise such a small minority of the voters, there being approximately 500,000 surtax payers in a voting population of 45,000,000, or a little over 1 per cent, that it virtually amounts to taxation without representation.

The income taxpayers are exploited by those whose acts are directed by political expediency and their rights therefore receive but little consideration. The power to tax is the power to destroy, and if we persist in our present course taxation within a few generations will absorb all income, destroy the value of capital, prevent all expansion, and substitute for our form of government a paternalistic, socialistic, communistic, or soviet form of government.

Only a small percentage of the people, perhaps less than 5 per cent, certainly not more than 10 per cent, have the ability or the desire to spend less than they receive. To this small percentage we owe much, perhaps most of what we are proud to call our civilization, for these savers, these conservers of wealth have made possible our banks and business houses, our transportation systems and public utilities, our industrial establishments and institutions of learning, our hospitals and homes for the aged. These frugal and conservative people should not be condemned, for, largely through worthy and commendable motives, they increase the wealth of the world, add comforts, open new doors of opportunity, expand the horizon of human endeavor, and encourage enterprise by making it possible to reward industry and ingenuity.

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

Mr. PHILLIPS. Can I have a few minutes more?

Mr. GREEN of Iowa. I yield to the gentleman two minutes more.

The CHAIRMAN. The gentleman from Pennsylvania is recognized for two minutes more.

Mr. PHILLIPS. It is for us to decide whether we wish to follow the constructive precepts of Christ or the destructive dogma of Lenin. The former will make the miserable more comfortable, while the latter can do no more than make the comfortable miserable.

Obviously, I am for the Mellon plan because it provides for a greater reduction of taxes than any other plan that might be seriously considered at this time. However, in my opinion, it is a mistake to differentiate between earned and so-called unearned income. Such discrimination will have a bad psychological effect, since many will imply that the incorrectly termed unearned income is an illegal, illegitimate income and should be confiscated. The man who saves and invests and thus provides for his old age and his dependents is entitled to benefit from income thus derived to the same extent that he is entitled to benefit from income secured earlier in life through the application of his earning capacity in any vocation or profession. The very fact that the proposed law is so drastic that its advocates fear it will discourage and prevent the accumulation and laying aside of earnings is a most severe arraignment and condemnation of the high surtax system of taxation.

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

Mr. PHILLIPS. Yes.

Mr. KVALE. Did I understand the gentleman to cite the parable of the talents in favor of the Mellon plan?

Mr. PHILLIPS. I recited the parable of the talents to commend the man who saves and accumulates, instead of the man who is a spendthrift. [Applause.]

Mr. KVALE. I would suggest that the gentleman read the other addresses and sermons by Jesus of Nazareth. It is the most remarkable exegesis I have ever heard of. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I yield 10 minutes to the gentleman from North Dakota [Mr. Young].

The CHAIRMAN. The gentleman from North Dakota is recognized for 10 minutes.

Mr. YOUNG. Mr. Chairman, there have been a number of provisions in this bill which have been severely criticized during this long debate, and quite a number of the provisions have not been referred to at all. There are a number of admirable things in this bill, I think, even from the standpoint of the gentlemen across the aisle. One of those provisions is that which establishes a board of appeals.

Every taxpayer has the constitutional right to have his day in court, and it should be made inexpensive for him to do so. I want to quote a few words from Judge Story, the great constitutional lawyer, in that regard. He said, in the case of *Cary v. Curtis* (3 Howard, 236):

I know of no power, indeed, of which a free people ought to be more jealous than of that of levying taxes and duties, and yet if it is to rest with a mere executive functionary of the Government absolutely and finally to decide what taxes and duties are leviable under a particular act, without any power of appeal to any judicial tribunal, it seems to me that we have no security whatsoever for the rights of the citizens; and if Congress possesses a constitutional authority to vest such summary and final power of interpretation in an executive functionary, I know no other subject within the reach of legislation which may not be exclusively confided in the same way to an executive functionary; nay, to the Executive himself.

Dr. Frank J. Goodnow, in his *Principles of Constitutional Government*, says:

The sole function of the court in a tax case is to decide whether the tax has really been levied or not, whether the legislature has said the citizen before the court has been taxed at all or by the correct amount. To deprive the citizen of the right to have that issue sifted and tested before an independent judicial body, either by giving him no such appeal or by technicality or expensive procedure rendering such appeal, if nominally given, impracticable in use, is to deprive him of a right so fundamental—the right to show his governmental administrators have illegally taken his money—that without it constitutional liberty is indeed impossible.

The late President Wilson, in his *Constitutional Government* in the United States, sets forth admirably the constitutional right of the individual to a judicial review of the acts of Government officials. He said:

A man is not free through representative assemblies; he is free in his own action, in his own dealings with the persons and powers about him, or he is not free at all. There is no such thing as corporate liberty. Liberty belongs to the individual or it does not exist.

And so the instrumentalities through which individuals are afforded protection against the injustice or the unwarranted exactions of government are central to the whole structure of a constitutional system. From the very outset in modern constitutional history until now it has invariably been recognized as one of the essentials of constitutional government that the individual should be provided with some tribunal to which he could resort with the confident expectation that he should find justice there—not only justice as against other individuals who had disregarded his rights or sought to disregard them but also justice against the government itself, a perfect protection against all violations of law. Constitutional government is par excellence a government of law.

Now, it is true that under the present law it is possible to get a judicial review, but it is very slow and expensive. In order to get a judicial review under the law as it exists to-day a man must pay his tax and pay it under protest; then he must file a claim for refund; then the Government has six months within which to accept or reject it; then after that he must begin an action in the courts. Under the provision proposed in this bill the board of appeals will furnish a court where the taxpayers will have, first, a prompt trial; second, a trial at a minimum of expense where the procedure will be simplicity itself; and third, there will be uniformity of decisions. The latter is a very important thing because now it is almost impossible to get uniformity of decisions, at least, until these cases finally reach the Supreme Court, and that requires a long time. They begin in the district court, appeal to the court of appeals, and from there they go to the Supreme Court of the United States. The various United States district courts throughout the country, in the first instance, hold differently, so that there is no uniformity and there is not very much chance to get it without waiting until appeals reach the United States Supreme Court. Under the proposed system in this bill we will have one set of judges or members of this board of appeals which will result in uniformity in decisions, promptness, and all of this at a minimum of expense.

Now, another very important thing to which I want to call your attention is that this board of appeals, as finally provided for in this bill, is absolutely free from executive control. The

Secretary of the Treasury will have no more power or influence over the board than my friend from Wisconsin [Mr. NELSON] will have, or anybody else in the United States. It is to be an independent organization.

Mr. NELSON of Wisconsin. Will the gentleman yield?

Mr. YOUNG. Yes.

Mr. NELSON of Wisconsin. That was the work of the Ways and Means Committee, because under the Mellon plan this board was under the control of the Secretary of the Treasury, was it not?

Mr. YOUNG. I want to be perfectly fair, and I think if you will read over the original draft carefully you will come to the conclusion that it was designed that this board was to be an independent board, but the Ways and Means Committee thought it could be strengthened and be made more specific and certain, so there was some added language.

Mr. RAGON. May I ask the gentleman a question?

Mr. YOUNG. Yes, indeed.

Mr. RAGON. The gentleman may intend to cover this, but where do these boards of appeal meet?

Mr. YOUNG. They are to meet throughout the United States and their meeting places will be governed very largely by the number of cases in the various portions of the country. There will be 7 boards, there are 27 members to be provided, and there will be 3 members to a board.

Something was said a few days ago as to an unnecessarily large number of these men being appointed to office, the inference being that the offices were simply being created in order that some one might get a salary. At this time they have about 27 men doing this appellate work in the Treasury Department. The Government has no attorneys before these boards to represent the interests of the Government, and they sit as both judges and attorneys for the Government. Under the new law the Department of Justice will represent the interests of the Government of the United States, and the members of the board will act only as judges. The new procedure will take more time, but it will be a better proceeding and it will be a judicial proceeding.

But gentlemen can see that it will take very much more time. At present these 27 men have a procedure which is carried on in a very simple way, and when these cases are considered in a more formal way under the new procedure it is probable that the number of men provided for will not be sufficient to take care of the work.

Mr. RAGON. I do not think the number we have is enough, but I think we ought to bring these boards a little closer to the taxpayer, so that he will not have to come to Washington to settle his claim.

Mr. YOUNG. Undoubtedly.

Mr. RAGON. Is there any provision in this bill whereby an Arkansas taxpayer can have his case adjudicated a little closer to his home?

Mr. YOUNG. Yes; his case will be considered in his own State, without any doubt.

Mr. RAGON. How will this board or court get there?

Mr. YOUNG. The chairman of the board will make the assignments and the assignments will be made according to the business in the various portions of the country. Undoubtedly these boards will hold sittings in each State, at least one a year, and if there should be business requiring the holding of additional sittings, no doubt they would be held.

Mr. BROWNING. Will the gentleman yield?

Mr. YOUNG. Yes.

Mr. BROWNING. Will these hearings be public?

Mr. YOUNG. Oh, yes, indeed. There will be a court stenographer to take down the entire proceedings; the Government of the United States will be represented; the claimant will have the right to be represented if he desires it, or he can file his own statement, and a taxpayer might well do without an attorney in many cases.

Mr. Chairman, I think it is only fair to say that the present officials in charge of appeals in the Treasury Department are high-grade men. It is not better men we seek but better legal procedure. The office of the solicitor of internal revenue, under the direction of Mr. Hartson, is the best organized and most efficient I have had the pleasure of becoming acquainted with during my service here of 11 years, and this also reflects credit upon McKenzie Moss, Assistant Secretary of the Treasury, and Mr. Blair, Commissioner of Internal Revenue.

Mr. BROWNING. The records of these taxpayers who apply to this court will be made public; is that true?

Mr. YOUNG. Everything will be made public; yes. Of course, there will not be a transcript of the testimony unless they take an appeal, but the whole proceeding is the same as you would have in your own district court at home. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. COLLIER. Mr. Chairman, I yield 20 minutes to the gentleman from Missouri [Mr. LOZIER].

The CHAIRMAN. The gentleman from Missouri is recognized for 20 minutes.

Mr. LOZIER. Mr. Chairman and gentlemen of the committee, one of the fundamental principles in my political creed is that no Government, State or National, should collect more taxes than are needed to pay the expenses of the Government, honestly and economically administered. I therefore favor a reduction of Federal taxes, as does every Democrat and Republican Member of Congress, so far as I can ascertain. The disagreement comes, however, in deciding how the tax cut should be applied, whose taxes should be reduced, and the extent of this reduction.

Two plans have been proposed, to wit:

(a) The Mellon plan, which makes only slight reductions on small incomes but makes tremendously large reductions in the taxes on great incomes.

(b) The Garner or Democratic plan, which makes a larger reduction in taxes of persons having small incomes but leaves the taxes on great incomes higher than under the Mellon plan.

A careful analysis and comparison of these two plans will disclose some striking conditions:

First. On all incomes up to \$55,000 annually the Garner plan proposes a larger reduction than is proposed by the Mellon plan, and on all incomes over \$55,000 annually the Mellon plan proposes greater reductions than the Garner plan. There is not even one person in the second Missouri district, that I have the honor to represent, who has a net taxable income of \$55,000 or more annually. Therefore every income-tax payer in my district, be he Democrat or Republican, will get a larger reduction and pay less taxes under the Garner plan than under the Mellon plan. Why should I vote for the Mellon plan and against the Garner plan when by so doing I would increase the tax burden of every income-tax payer in my district? If a person's net taxable income is more than \$55,000 annually, he will probably prefer the Mellon plan, but if his net taxable income is less than \$55,000 annually, he should favor the Garner plan, because his taxes will be less under the Garner plan than under the Mellon plan.

Second. Six million six hundred and sixty-two thousand one hundred and seventy-six persons made income-tax returns in 1921. Of that number 6,652,833 will get a greater reduction in their taxes under the Garner plan than under the Mellon plan, and only 9,343 will receive a greater reduction in their taxes under the Mellon plan than under the Garner plan. These figures are from the latest available official, undoctored, uncolored, untainted statistics of the Treasury Department.

Third. In the State of Missouri there were 172,519 income-tax payers, of whom 172,350 will receive a greater reduction in their taxes under the Garner plan than under the Mellon plan and only 169 persons in Missouri will receive a greater reduction in their taxes under the Mellon plan than under the Garner plan. Why, then, should any Representative from Missouri vote for the Mellon bill?

Fourth. Of the 6,600,000 income-tax payers in America more than 6,000,000 of them have taxable incomes of \$10,000 or less, and every one of these 6,000,000 income-tax payers will get a smaller reduction under the Mellon plan than they would get under the Garner plan.

Fifth. Under the Garner plan the tax begins with incomes of \$2,000 for single persons and \$3,000 for married persons without dependents. By exempting incomes below these amounts, respectively, 2,400,000 single and married persons who are now compelled to make returns but pay no tax are relieved from making tax returns and 1,646,000 persons with incomes of \$1,000 to \$2,000 are relieved from paying taxes and making returns. Under the Garner plan the normal rates on incomes up to \$10,000 are cut in half. The Mellon plan proposes a reduction of only 25 per cent on normal rates.

Sixth. Under the Garner plan the surtax rates do not begin until \$12,000 income is reached. The Mellon plan begins surtax rates at \$10,000. Under the present law the surtax begins at \$6,000. So the small taxpayer (on all incomes up to \$55,000) gets more benefit under the Garner plan on both normal taxes and surtaxes than he would get under the Mellon plan.

Seventh. The Garner plan, while affording greater reductions to the 6,000,000 smaller taxpayers, does not deal unjustly with those who have exceedingly large incomes. The maximum surtax rate was reduced 15 per cent (from 65 per cent to 50 per cent) by the Sixty-seventh Congress, and now Mr. Mellon proposes to reduce it to 25 per cent, while the Garner plan fixes the highest surtax at 44 per cent. This is a fair adjust-

ment in view of the further fact that the last Congress also repealed the excess-profits tax, thereby saving those who had enormous incomes \$450,000,000.

Eighth. Both the Garner plan and the Mellon plan provide for substantial reductions in excise taxes, sales taxes, taxes on commodities and taxes on miscellaneous articles generally designated as "nuisance" taxes, and the Democrats in Congress will, I think, support most of the Mellon provisions relating to these taxes, but will probably, on motion to amend, urge greater reductions, because these taxes affect the greater mass of our people who are not sufficiently prosperous to have taxable incomes.

I may add that many people think that the Mellon plan, if enacted, will result in a general reduction of taxation. This is a mistake. The Mellon plan does not reach local, county, or State taxes, nor does it reduce tariff taxes, which constitute the largest tax burden and which exact several billion dollars annually from the people in the way of increased prices on commodities they buy. I am in favor of tax reduction, but I am not willing to grant enormous reductions to the owners of swollen fortunes acquired as a result of war profiteering unless there is a fair and just reduction of the taxes of the so-called common people, who constitute nine-tenths of our population.

May I say that a great many people who are voting in the Literary Digest and a great many people who are talking about the Mellon plan have never read the pending bill and have no comprehension of its provisions. They have an idea that the Mellon plan proposes to reduce taxation generally over the United States, when, as a matter of fact, it proposes nothing of the kind. There are two classes of taxpayers in the United States and a very limited number, a comparatively small number, have incomes bringing them within the income-tax paying class, and at least 90 per cent of the people in America do not come within the provisions of the income tax law, and consequently this measure provides no remedy of any kind or character for those persons.

I am in favor of a tax reduction, but I am not willing to reduce the tax burdens of the men of vast fortunes to the extent proposed by the pending measure. No one can study the financial history of this Nation before, during, or since the World War and say that wealth has paid its proportionate part of the expenses of that great conflict or for maintaining our institutions. On the other hand, I call your attention to the fact that for the last 75 years the wealth and the potential resources of this Nation have been exploited by the capitalistic classes. Have we forgotten that following the Civil War period our vast public domain, amounting to hundreds of millions of acres, was granted and given away, practically as a gift, to the Pacific railroad companies? Have we forgotten the fact that the heritage of your children and mine, so far as the public domain is concerned, was squandered recklessly at a time when the people were not aware of what Congress was doing?

No man can read the legislative and political history of this Nation, examine these great land grants, by which this priceless heritage, our great public domain, with all its potential wealth—wealth of farm, forest, field, mountain, mine, and plain—all that vast domain, a great empire, with the scratch of a pen was given away; and more than that, gentlemen, how the capitalistic classes, by the manipulation of the markets, by inducing people to invest in railroad securities, and then by spurious receiverships and foreclosure sales, destroyed the value of these securities, and in many other ways, from time to time, exploited the resources and people of this Nation.

There has never been a great national emergency when capital did not exploit this Nation and lay greedy hands on its resources.

You say the war is over and that we should get rid of war taxes. Let me tell you, gentlemen, the war is over so far as the marshaling of armies is concerned, so far as carnage and bloodshed are concerned, but war conditions and war indebtedness exist, and until that indebtedness is liquidated and those conditions remedied, there can be no permanent escape from the burden of taxation. Wealth must pay her proportionate part of the expenses of the war and her just part of the present expense of maintaining our institutions.

In 1920 there were 7,259,944 people who made income-tax returns. In 1921 the number had fallen off 597,768, dropping down to 6,662,000. In 1920 the personal incomes were \$1,075,053,686. In 1921 personal incomes had dropped to \$719,000,000, a falling off of \$255,666,586 in one year. Income and profit taxes in 1920 amounted to \$3,956,936,003, and in 1921 these taxes had fallen to \$3,228,137,673, and in 1922 they amounted to only \$2,086,918,465, or a falling off of \$1,870,017,538 in three years. The decline in the total internal-revenue taxes in the last four

years has been so great as to become alarming, as the following table will demonstrate:

Total internal revenue.	
1920	\$5,407,580,251
1921	4,595,357,062
1922	3,197,451,083
1923	2,621,745,227
A decrease in four years of	
	2,785,835,024

Something has been said about the income of the American people. I said the other day in an address that before the war our national income was about \$34,500,000,000. I said since the war it was about \$37,000,000,000, measured in dollars with the buying power they had in 1913. The very distinguished and able gentleman from Iowa [Mr. RAMSEYER], who addressed this House this morning and made an argument so logical, wholesome, and economically sound that it will be remembered when much that has been said in this debate is forgotten, stated that our national income was about \$56,000,000,000. I am quoting from memory. This is true, but when you reduce this amount to the terms of prices of 1913 and consider the purchasing power of the dollar now and then, the present national income based on the value of the dollar as it existed in 1913 is probably from \$37,000,000,000 to \$39,000,000,000 annually. From 1910 to 1919 the average national income was from thirty-four to forty billion dollars.

If the annual income in America is now about \$56,000,000,000, it is very evident nothing like the net incomes are being returned for taxation.

Obviously the swollen fortunes have not paid during or since the war their just proportionate part of the expenses of this Government. [Applause.]

But they say the Mellon plan is a scientific plan. Who determines whether or not it is in harmony with a scientific formula? Who is the judge as to whether or not 25 per cent surtax is a scientific basis? "Upon what meat doth this our Caesar [Mr. Mellon] feed that he is grown so great?" Is he the only man in America who can formulate a scientific system of taxation? They say he is a god in finance. I have heard some of his worshippers say that he is the greatest Secretary of the Treasury since Alexander Hamilton. Shades of that immortal man! They said the same thing about Fouquet, superintendent of finances under Louis XIV. He had the reputation of being the greatest financial wizard of the world. Yet when Louis XIV discarded him and installed Colbert, a man unknown to fame, the first year of the administration of that silent, resourceful, unostentatious financial genius he doubled the treasury receipts of France without increasing the tax schedules of the nation. On one occasion the King asked Fouquet for some money, and the latter replied: "Sire, there is none in Your Majesty's coffers, but Cardinal Mazarin will lend you some." So, when adjusted compensation is suggested, Mr. Mellon says there is no money, but he has no trouble finding all the money he needs for other purposes.

Mr. Mellon and his blind devotees claim that a maximum surtax rate of 25 per cent is scientific and that it is the only rate that is scientific, and that all other suggested rates are "political makeshifts." It follows, therefore, according to these gentlemen, that 24½ per cent or 25½ per cent would be unscientific. Three Republican members of the Ways and Means Committee, including Chairman GREEN, do not favor the 25 per cent and openly declare that they favor a maximum surtax rate of not less than 35 per cent. Will any gentleman on the other side of the House claim that 35 per cent or 44 per cent is less scientific than 25 per cent?

Practically all of the Republican Members of this House, including the party leaders and members of the steering committee, have abandoned and discarded the so-called "scientific Mellon rate" of 25 per cent and are declaring on the floor of the House that they will support a maximum surtax rate of 35 per cent; and it is no secret that the distinguished gentleman from Ohio, Mr. LONGWORTH, as party leader and in the name of his party, has made overtures to the Progressive Republicans for an agreement on the basis of a 37½ per cent maximum surtax. In other words, a large majority of the Republican Members of Congress have never favored and do not now favor the Mellon plan, because that plan can not be defended and because they know that it is neither just nor scientific. The Republican Members of this House are now running over each other to get to vote for a maximum surtax rate of 35 per cent or 37½ per cent, possibly 40 per cent, and they are deserting the Mellon plan just like rats desert a sinking ship.

If 25 per cent is a scientific basis, why not 26 per cent, why not 27 per cent, why not 28 per cent, why not 35 per cent, why

not 44 per cent? If 25 per cent is scientific, is not 35 per cent scientific? If you say 35 per cent is not scientific, then you Republicans confess you are voting for a system that you admit yourselves is not scientific. I assert that Mr. Mellon has no right to say his schedules are scientific and all others makeshifts.

But they say that the consumer pays the taxes ultimately. Gentlemen, why do these people who are now paying heavy surtaxes want the surtax rates reduced? Why their interest, why the propaganda, why all the argument? Do they want the amount reduced so they can distribute it to the people? If a man who makes carpets, who has grown immensely wealthy under the operation of Schedule K, and they have changed the name because it became infamous after the Taft speech at Minneapolis—this tariff schedule was so indefensible that when they wrote the next tariff bill they dropped the letters and numbered the schedules 1, 2, 3, and 4, and so forth, instead of A, B, C, D, and so forth, because they wanted to get away from the infamy of Schedule K—if a man that is making carpets, one of the most highly protected industries in the United States, should, as a result of this reduction of surtaxes at the end of the year have or save \$100,000, do you tell me he would distribute any of it to his customers? He wants the surtaxes reduced so he can save the money for his own selfish interest and not to distribute to his customers, not to let it filter down to the common people, but he wants it to put into his pocket. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. LOZIER. Mr. Chairman, under leave to extend and supplement my remarks in the RECORD, I desire to call attention to the attitude of two great agricultural organizations toward the pending measure, the Mellon tax bill. I refer to the National Grange and to the American Farm Bureau Federation. These organizations have a very large membership and are entitled to speak for and reflect the wishes of the agricultural classes, because it will be conceded that each of these organizations has rendered the American farmers a service, the extent of which can not be measured in dollars and cents.

I especially wish to remind the Representatives from agricultural districts that if they support the Mellon plan they will thereby ignore the wishes of a large majority of their constituents, and they can not vote for the Mellon schedules and at the same time promote and conserve the interests and welfare of their constituents, because there is probably not one of their constituents who will receive as great a tax reduction under the Mellon plan as under the Garner plan.

In this connection I desire to quote from a letter received by me from the American Farm Bureau Federation, which reflects the attitude of that organization on the pending measure:

The direct saving to the farmers through lower surtaxes is almost a negligible amount, as only a very small percentage pay any surtaxes whatever. Further, there is no assurance that the reduction in the surtaxes to those who have to pay them will reduce the profits being taken by those who are in a position to do so. The normal tax rate is not excessive or burdensome and therefore should not be reduced at all.

The proposal to reduce surtaxes to 25 per cent is contrary to the best information available to us in securing the desired result, namely, adequate revenue, and we earnestly protest that it be fixed not below 40 per cent.

However, I can not accept the proposal that there should be no reduction in the normal tax rate. I believe that the normal tax rate should be reduced, because it imposes a tremendous burden on millions of the persons having small or moderate incomes, who are already struggling under a very heavy burden of taxation, municipal, State, and Federal.

The National Grange, in its fifty-seventh annual session, held in Pittsburgh recently, went on record in opposition to the Mellon plan, and adopted the following resolution:

Whereas the Secretary of the Treasury has proposed lowering the higher schedule of the Federal income tax: Therefore be it

Resolved, That we are opposed to any such reduction, and favor applying any surplus on our debts.

The National Grange also declared its hostility to a sales tax law. The hostility of the National Grange to the Mellon plan, a sales tax, and tax-exempt securities was brought to the attention of Chairman GREEN, of the Ways and Means Committee, by a letter from T. C. Atkeson, Washington representative of the National Grange, which letter was published in this month's issue of the official organ of the National Grange.

Personally, I hold Mr. GREEN in very high esteem, and I am sure that deep down in his heart he has no love for the

surtax provisions in the pending measure, which he, no doubt, feels he should support because of party expediency or, rather, because the Republican Representatives from the New England and Middle Atlantic States are in the saddle and are controlling and directing the policies of the Republican Party.

Sooner or later the American farmer will realize—

First. That he is the victim of class legislation by which the manufacturers and other special-privilege classes enjoy unearned and undeserved bounties.

Second. That the interests of the agricultural West have been ignored by the Republicans in the East, who dominate the Republican Party organization, dictate its policies, and force their will on the Representatives from the agricultural States, thereby enriching the manufacturer at the expense of the farmer.

Third. That no substantial relief can be expected from the Republican Party, because that party is now dominated by the representatives of the special-privilege classes, who have done nothing to relieve the farmer of the economic handicap under which he has labored so long. I can not understand why the Republican farmers in the West will permit a few representatives of special privilege to take charge of the party organization and dictate its policies, especially when those policies are driving the American farmer rapidly toward a state of insolvency. I am hoping that the rank and file of the Republican Party in the great agricultural States will assert their rights, throw off the yoke fastened on their necks by the manufacturers and other special-privilege classes. The Republican farmer has nothing to say in determining the policies and legislative program of his party. The manufacturers and capitalistic classes are in complete control of the party machinery of the Republican Party, and the only interest they have in the Republican farmer is to get his vote and support so that they can continue to legislate for a favored few and at the expense of the great agricultural interests of this Nation.

I have the greatest respect for the men and women who constitute both the Republican and Democratic Parties. There is no difference between the rank and file of the Republican Party and the rank and file of the Democratic Party. The masses, without regard to party affiliation, constitute the bone and the sinew of this Nation. The individual membership of both parties are always patriotic, sincere, honest, and desirous of promoting the best interests of our land and Nation. But too often the individual members of a party have nothing to say when it comes to writing platforms and formulating legislative policies. Too often party organizations are controlled by a favored few who override the will of the masses and prostitute the party organization for the accomplishment of their selfish and sinister purposes.

Mr. COLLIER. Mr. Chairman, I yield 15 minutes to the gentleman from West Virginia [Mr. ALLEN].

Mr. ALLEN. Mr. Chairman, when the income-tax law was first enacted it created more fear than any other law that was ever put on the statute books. Many taxpayers were so intimidated that they presented their entire income for taxation without claiming exemption or deduction in order that they might be free of any suspicion or trouble that might arise. I have known many a taxpayer to pay a tax when he was not required to do so simply to show his patriotism.

The system for ascertaining and determining the tax which is to be paid is very complex and technical. The tax return and instruction sheet present a conglomerated, incomprehensible set of demands that can not be explained by experts or specialists, to say nothing of the ordinary man. The tax should be simplified so that all persons could pay their tax with pleasure instead of fear. I say fear, because those who pay a tax are not and can not be assured that they have discharged their duty satisfactorily; they must live in constant fear that they will be notified of an additional assessment, or have a distraint warrant served on them, or be placed under arrest. Such laws are not in keeping with the free spirit of the American Government. One thing we must do when we pass this tax law, and that is to make it so clear and comprehensible that it will not be misunderstood. We must make provisions so that people can be sure that they have discharged all obligations when they have paid their tax; then there will be no fear, and every taxpayer will pay, and pay with pleasure, and will feel that he has done his duty as an American citizen.

Mr. Chairman, the world has problems too great for any one nation to solve; it will take the most harmonious cooperation of the strongest nations to work out these solutions. However, most men are not concerned so much about world problems as they are about their own individual problems, and the most serious question for the head of a family is the provision of

food and clothing for his family. He may deny them education and pleasure, but he must provide food.

The most essential factor in our Government and all other governments is taxes. It may do without war implements, national parks, and pleasure resorts, but it can not continue to exist without taxes. Revenue is the great problem of this Nation and all other nations; it is a demand that every man has to meet in some form. The time to give up a portion of your income arrives as regularly as the Fourth of July, Christmas, or your birthday. Instead of a pleasure it is a worry; those who have it and can pay, hate to pay; those who are willing to pay, don't have it to pay. The roads do not cross, but run into each other; those who have to pay try to force their burden on the less fortunate, and those who do not have to pay insist that those who have the wealth should bear the burden, and justly so.

In this problem the same difficulty confronts our Government that confronted the founders of the Declaration of Independence and the builders of the Constitution—the danger of granting special privilege to some and forcing heavy burdens on others.

We may not have sufficient ground to stand on, and no place of privilege except the "big road." We may not have a penny in the bank or a dollar in our pocket; we may not even own the pick and shovel which we use in the ditch. However, we pay taxes just the same as if we owned houses and lands, securities and bonds, fields and factories, or automobiles and diamonds.

To sustain life we must all eat. If the grocer's landlord pays higher taxes, the grocer pays higher rent, and the consumer pays higher prices for his food. There is another requirement for a contented mind and a strong body, and that is sleep. The man who owns the house that shelters us has his taxes increased, and we have our rent increased, and thus we pay the tax.

If the railroads are taxed higher, we pay more for our tickets, more for our fuel, and more for our parcel post. To be sure, "Jones pays the freight." Higher tax on gas, electric, street-car, auto-bus companies means that we must pay higher tax for these privileges.

It is plain enough how this principle works in a direct way, but the indirect way is more secluded and not so easily understood. It is like a merchant's trade-mark, not for everyone to know.

Higher taxes on financial institutions mean higher interest on loans and mortgages, which is added to the rent we pay or the cost of the house we buy. It has been estimated that every time we pay \$1 to the railroad we pay 5 cents for taxes. It makes no particular difference who pays the taxes directly to the collector—the railroad, the landlord, or the grocer—we all pay our share indirectly whether we own taxable property or earn taxable income.

It has been stated—and is undisputed—that out of every \$8 of our national income \$1 goes for taxes, Federal, State, or local. The child that costs its parents \$8 per month for school maintenance costs an extra dollar for taxes; the parent who sends his child away to college and pays \$24 for room, pays \$3 for taxes; and the Congressman who pays \$150 per month for an apartment or house, pays \$18 for taxes. He pays this and he can not shift the burden to anyone else—it has already been shifted to him.

The present noneconomic and unjust system of taxation should be replaced by one which will encourage right living and eliminate waste. You all know how your people as well as my people are clamoring for relief, and only by the whole-hearted cooperative efforts of every Member of this House will we be able to work out a tax system that will check the wave of discontent that threatens this Government.

A large part of the discontent is due to the fact that the people do not understand the principle of taxation or how the taxes are used. If we economize in Government expenditures and reduce taxes just as low as we possibly can and educate people so that they know just why they are taxed and how the money is expended, then we will have no complaint on the tax question. It is most desirable at all times to keep that system in operation which will be most satisfactory and acceptable to the people, and the most ideal form which can exist is that plan which will raise the most money with the least amount of harm.

One form of taxation which has been particularly obnoxious to the people of the country is the so-called nuisance tax. More grumbling and discontent has been heard about the nuisance taxes than about any other one tax. They have been a nuisance

in every sense of the word, and now that they are no longer necessary the people ought not to be worried by them any more, and I am in favor of removing this cause of dissatisfaction immediately.

There are many phases of this bill which should be amended and others which should be totally repealed. My people are demanding that the tax on replacement of automobile accessories be repealed, and I expect to do my best to have it repealed. As I have said, I expect to work for the repeal of the tax on candy and the other nuisance taxes. I also favor the reduction of the tax on shells and cartridges that are to be used solely for hunting purposes. I favor the increase of tax on estates, which will create more tax with the least amount of harm.

There should be a reduction of all taxes, and I am heartily in favor of and will support the plan that is going to bring the greatest relief to the largest number of people. It is now generally conceded that the Garner plan will benefit a larger number of people than the Mellon plan. It is inevitable that changes will be made in both plans, and I expect to use all my ability and the knowledge gained by six years' experience with the Revenue Department in working out and securing passage of amendments that will finally make a law that is acceptable to the majority of the people. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I yield 40 minutes to the gentleman from Wisconsin [Mr. BERGER].

Mr. BERGER. Mr. Chairman and gentlemen of the committee, when last I had the honor to address this House—about five years ago—every seat was taken. The galleries were packed. The occasion was that I was to be lynched. And I was lynched. At that time I promised this House that I would come back.

I said au revoir! And here I am to fulfill my promise. I came back. [Laughter.]

Now, gentlemen, in having myself reelected and reelected again I did as much of a service to the old parties as to my own. The day will come—and the day will come soon—when the so-called radicals will be in the majority in our American Congress. By vindicating representative government I have also protected the conservatives—and even the reactionaries—against any such outrage as was committed against me. My continuous reelection was genuine democracy at work.

I hope no House will ever try to exclude a man who was regularly and legally elected—no matter what opinions he may represent—and this House was wise indeed when it seated me without a dissenting vote.

On this occasion, gentlemen, I also want to express my admiration for the fifth district of Wisconsin, which made this vindication possible, by adhering so nobly and so persistently to the idea of representative government—and to me personally. I hope, if the occasion should occur again—and democracy thus endangered again—the next man will find a district as loyal and as enlightened as the fifth district of Wisconsin, which, in my opinion, comprises the highest average intelligence of a highly intelligent State. I am proud of my State, the foremost State in this Union in more than one respect.

Mr. MANSFIELD. The gentleman has never been in Texas. [Laughter.]

Mr. BERGER. Oh, yes; I have been in Texas, and I may have something to tell about Texas later. You know what the man said he would do if he owned Texas and the other hot place.

The State of Wisconsin, however, is not only noted for its beautiful scenery and the great variety of its products; it is also known to fame because Wisconsin has sent 10 Progressives and 1 Socialist to Congress. We can also claim the leader of the Progressives, Senator ROBERT MARION LA FOLLETTE. This proves we have a thinking population.

Mr. Chairman, what I am going to say to-night, however, may not be liked by either side—not even by my Progressive friends—I am afraid.

A MINORITY OF ONE SPEAKING FOR MORE THAN A MILLION.

In this House I am a party all to myself. It was said that when I want to have a caucus I could have one in a telephone booth.

But remember, gentlemen, while I am alone in this Congress, I am the sole representative of more than a million voters, who would be entitled to more than 20 Members if we had proportional representation. And it is a pity that I am alone, because all kinds of political and economic ideas ought to be strongly expressed in this House.

And especially the Socialist Party should be more numerously represented.

Whatever remarks I may make to-night, I hope it will be understood that I make them "with good will to all and ill will to none," to use an expression of Abraham Lincoln.

I shall not say very much about the Mellon tax bill, however.

We have had this income tax bill up for discussion for three days and one night.

NINE-TENTHS OF PEOPLE NEED NOT FILE INCOME-TAX REPORTS.

There is one phase of the tax bill, however, that has not been discussed at all. One speaker only, the gentleman from Missouri, merely mentioned the fact that just 4,300,000 persons of our great country are really concerned in the Mellon bill or in any Federal income tax bill now before the House, because only that number is paying the Federal income tax.

Since nobody has spoken for the other 19,000,000 households—for the people who are creating the wealth of the Nation and are the genuine taxpayers—it is natural that I should speak for them. These people do not have their names on the Federal income returns, because they earn less than \$2,000 a year, but they number more than four-fifths, and probably nine-tenths, of our population.

They do all of the hard and useful work that is being done in this country. Without their work our civilization would be impossible and our country could not exist. But Congress does not lose any time on them. They pay neither income tax nor surtax.

Still, they pay it all in the end. They pay all kinds of taxes. They pay, especially, indirect taxes whenever they buy a pair of shoes or even a loaf of bread. Congress, however, does not bother its 532 heads much about them. We are chiefly concerned with the welfare or the troubles of that tenth part of our population whose names appear on the Federal income-tax returns.

Those are the "dear peepul"—and only those.

There are 4,361,435 persons, according to the official report—based on the tax returns of 1921—that will pay an income tax.

Of that number 83 per cent pay on incomes of less than \$5,000. About 300 persons pay on a yearly income of more than \$300,000 and 21 pay on a yearly income of over \$1,000,000.

What is this country coming to, gentlemen?

There are more than 19,000,000 families in this country that must live on less than \$2,000 a year. According to statisticians it takes a minimum of \$1,980 for a family of five to live ever so modestly, considering the present prices of necessities. This means that about 19,000,000 families are always on the border of pauperism. They are in danger of starvation whenever the head of the family is out of work for any length of time, unless the wife and the minor children find employment.

MAJORITY OF NATION INSECURE IN OLD AGE.

I have listened carefully to the discussion of the Mellon bill and I have made up my mind how to vote. But instead of bickering about lowering the surtax—if we did our duty rightly—we ought to consider ways and means to combat the danger which is threatening the 19,000,000 and their dependents—not the jealousies of the 4,300,000 about an exact division of the spoils.

An old-age pension for workingmen, an efficient child labor law, a solution of the housing problem for the working people, a modification of the Volstead Act, precautions against mass unemployment at the next industrial crisis, and remedies against the pauperization of the farmers are each and every one of them of greater importance than the Mellon bill or any variety of it.

Many workingmen and working women have to go to the poorhouse when they get to be 60 years old—after they have worked all of their lives—or be dependent on the charity of their children. Under the present circumstances the working people can not, as a rule, save enough for their old age. The poorhouse is very often their "haven of refuge." We have crowded poorhouses everywhere, even in Wisconsin. This is a disgrace to our civilization.

WE ARE SHORT A MILLION HOUSES.

We ought, also, to take care of the housing of the working people, especially in the cities. I understand we are short about 1,000,000 houses, and instead of discussing the woes of the individuals who have an income of more than \$300,000 annually, as to whether these fine ladies and gentlemen are to pay 25 per cent or 50 per cent surtax, why not use some of the surplus to take care of the housing of the workers?

Admittedly, this housing shortage was caused by the war, for which the Federal Government is responsible, not the States. The Federal Government ought, therefore, assist in solving the question. Other national governments do so, not only France and Belgium, but many other countries. It is being done in England at the present time.

CHILD LABOR HAS INCREASED 20 PER CENT IN THREE YEARS.

Child labor has increased immensely since 1920. In 1920 we had 1,061,000 children at work. I understand that during the last three years that number has increased about 20 per cent, mainly because the child labor act has been declared unconstitutional. Oh, yes; we have won the war to make the world safe for democracy.

The Volstead Act ought to be amended. It was insane and criminal legislation.

All law must be based upon the habits of a people. European nations, of which the American people are the offspring, have used alcoholic beverages as a drink for thousands of years. These inherited habits can not change overnight. Thousands are killed by poison moonshine and other concoctions which are the deplorable result of the foolish Volstead law. Under that law it has become fashionable to be a lawbreaker, and rich and poor alike are "fashionable" in this respect.

The Volstead law must be changed in a sensible way so as to take care of the many millions who are accustomed to light wines and beer that do not intoxicate, but who now indulge in alcoholic poisons that not only intoxicate but kill.

PREPARING FOR THE COMING STORM—OF UNEMPLOYMENT.

Another thing is even more important. We are going to have an industrial crisis in a few years. I can not tell exactly when the "panic" will come, but under the capitalistic profit system—where we always must produce more than the people can buy with their wages—we are bound to have industrial crises—so-called "panics"—about every 15 or 20 years. There was a mild "panic" in 1907, which threatened a repetition in 1914, when the World War came and used up the surplus.

The "panic" of 1921 was artificial—it was a case of "deflation" dictated by "high finance."

But within five years we shall have a real crisis. Why not prepare for that? This is not socialism. I am not one of those who believe that we can have full-fledged socialism—a cooperative commonwealth—within a year or within one generation. I would not want full-fledged socialism within a generation. We saw how Marxism worked in Russia. Nevertheless the next phase of civilization must be some kind of a socialist civilization if civilization is to survive. The violent Russian experiment was the result of violent Czarism, of a rotten government breaking down before the economic conditions were ripe for a change. Our rotten plutocracy—in no way more intelligent than the Czar's autocracy—ought to profit by the example.

There were some strong men in Russia to take care of their opportunity, and they got hold of the Government and used it for their experiment.

By the way, I knew Nikolai Lenin personally. Of all the prominent men that I knew in the Socialist movement, Lenin would have been probably the last that I would have expected to do the things that he has done. I took him to be a fanatical and impractical theorist—a writer of books and pamphlets but not a man of action. Yet when opportunity offered itself Lenin developed wonderfully.

Well, so was Robespierre a theorist. I gave Lenin six months' time for his experiment when he took control in November, 1917, but it has lasted six years, and it may last another sixty.

CREATING 22,000,000 LANDOWNERS IN RUSSIA.

There is one side of Lenin's experiment which is not at all communistic—which is really anticommunistic—but where he has succeeded beyond his own expectation. And there his work will not be undone in a hurry. He learned that one thing probably from the French Revolution.

Lenin created a new class of owning farmers. He created 22,000,000 owners of land in Russia, where there were less than 2,000,000 before. In other words, he confiscated the big estates from the Russian nobles and the Russian capitalists and gave these lands for little or no money to the peasantry. And there is no power on earth—and England, France, and the United States have tried it—that can put a Czar and the old conditions back into Russia. Those 22,000,000 new owners of land will resist to the bitter end, and the gates of hell can not prevail against them.

Of course, Lenin's communism will not last; of that I am sure. As a matter of fact, Lenin himself had given up most of it and his successors will be compelled to give up the rest. But the former owners will never get back their property.

The new system which will develop will undoubtedly be superior to the old system, which was an anomaly in the twentieth century. To have made a clean slate of it—that will be considered Lenin's great contribution to the world's civilization. I am not a communist and have never agreed with Lenin, but

he has proved to be the greatest man of our generation, even though he started out to establish a giant communist commonwealth and has established 22,000,000 individualistic farm owners instead.

THE BRITISH WAY OF DOING THINGS.

There is one other country that is now very much in the eyes of the civilized world—Great Britain.

There they have a socialist government of the type that I would have if the socialists could get control of this country at the present time. The English Labor Party has a program which is probably a little more radical than the immediate demands of the American socialists. For instance, the English Labor Party has a capital levy on its program. We do not ask for that this year nor next year, and I believe the English party will be slow to put it in force.

Mr. NELSON of Wisconsin. Will the gentleman explain why they have dropped that in their program to-day?

Mr. BERGER. They have dropped it for two or three reasons. The first reason is that they could not carry it out, and that is undoubtedly a very good reason. The English Labor Party is only a minority in Parliament. The laborites have about 30 per cent of the seats. They have 192 members out of some 615.

The second reason is that they have also learned a thing or two from the example of Russia. Reactionaries never learn, while socialists always do. In order to build well one can not build too fast. And they would rather take a hundred years to build a new commonwealth, a new economic system that will last, than try to do it in a hundred days and fail. That is really the English method.

OUR AIM IS PEACEABLE EVOLUTION, NOT BLOODY REVOLUTION.

Moreover, I would rather use a hundred years to bring about a new world, a better world, by evolution, with all the blessings of civilization, than bring it about by a bloody revolution, as they have in Russia, by shooting down about 30,000 men and women. I have not the exact figures—probably no one has—but I think that it was something in the neighborhood of that number—very few when compared with the number the various Czars killed in peace and war in any given year. And even that violent upheaval was only due to the fact that in Russia the autocracy was stupid, ignorant, and corrupt. In Russia the ruling class looked upon government and public trust as nothing but huge sources of profits and plunder.

This is also a warning for other countries where the ruling class is ignorant, more or less stupid, and corrupt; where there is constant profiteering, based upon bribery, direct or indirect, by hiring ex-Cabinet members as "attorneys" for big corporations.

In America also we shall soon have to decide the question whether the English or the Russian method is to be followed. What is it to be—a MacDonald or a MacLenin?

A revolution in this country would be very vicious—the American Legion and the Ku-Klux Klan are great schools for violence and mob rule.

TO MAKE SURE OF PROPERTY RIGHTS MAKE SURE THAT EVERYBODY HAS PROPERTY.

As I view the situation, our main fight, Mr. Chairman and gentlemen, ought to be an earnest and ceaseless fight against poverty.

If you want to defend property and make sure of property rights—and that, gentlemen, seems to be your chief aim—see to it that everybody in our country gets property.

The moment that everybody has property, property rights will be safe. So long, however, as only a few people have sufficient property, or when but a few people have the overwhelming share of all property, you can not guarantee its possession to the owners, even if you do pay a bonus occasionally to the chosen Praetorian Guard.

That is why ancient Rome went down before a handful of German barbarians. That is why feudalism broke down in France, although Louis XVI had a heroic Swiss guard to defend him.

In France before the French Revolution nearly one-third of all the land was owned by the King. Another third was owned by the church and the nobility. The last third only was owned by the 25,000,000 Frenchmen—the rest of the people. You know what happened. Frenchmen were bound to own France. They beheaded their King, many princes and more than 2,000 nobles, one archbishop, a dozen bishops, and 700 priests, but when the thing was all over the 25,000,000 Frenchmen owned France. There are 6,000,000 peasant owners in France now.

POVERTY IS THE MOTHER OF MISERY AND GRANDMOTHER OF REVOLUTION.

Again I say, then, gentlemen, our main fight ought to be to combat poverty. Poverty is a curse. Poverty is the mother

of ignorance, of crime, of disease. Poverty is dangerous to everybody but it is especially dangerous to the ruling class.

Tax figures are of minor importance, in my opinion, when compared with this great social question.

There is another important matter that we must consider—we must try to eradicate corruption.

Mr. Chairman, if I were a politician—which I am not—I would say, "This Teapot Dome scandal is politically just the thing to favor the growth of the Socialist Party. These scandals go to show how rotten capitalist government really is. Our capitalistic rulers are crooks! Politics is simply a business with them, in which bribery and 'pull' are capitalized at millions upon millions." The public plunderers contribute to the election expenses of both parties and dictate the appointments. Especially since the Democrats are as much involved in it as the Republicans. Even the New York World conjugates the name of the leading Democratic candidate: "McAdoo, McAdid, McAdone." [Laughter.]

If I were just a common American politician I would glory in these oil explosions and graft exposures. The Democrats were gloating when they believed that only prominent Republicans were concerned. At first some great speeches were made by certain Democrats. They are silent now.

From the beginning I considered these revelations a tragedy. I look further. I know that the Teapot Dome affair is not an ordinary scandal. I suspect that there are a hundred other teapots boiling in the country that we have not heard of. Bribery is everywhere at work. The poison is infecting every part of our body politic—and even our big private business is mostly crooked.

If we could wipe that out just by sending Mr. Fall to prison, or by punishing Mr. Doheny, or by locking up Mr. Sinclair, that would be the thing to do.

But we can not do it.

There are too many cases to be punished.

During the war one hundred times as much money was stolen and wasted as is involved in the Teapot Dome. Why did not Mr. Daugherty, or why did not the Republican Party, prosecute? And why did they not show up the Democratic Party, or rather the Woodrow Wilson administration? I will tell you why. There were too many prominent Republican business men concerned in that public plunder.

THE TRACKS GOT TOO HOT.

A witty Republican told me in the cloakroom:

"It is like the situation out West, where I live, when a man went hunting bear. The hunter told how he had followed the bear until 4 o'clock in the afternoon and then came home. When asked, 'Why did you not go farther?' he answered: 'Well, to tell the truth, the tracks got too hot.'"

It was the same story when the Republicans were hunting the Democratic war profiteers—the tracks got too hot; there were big Republican tracks.

And now we see the same thing happening to the Democrats hunting Republican bear. Whenever they find they have a real gusher to besmirch the Republican Party it also spills its contents of oil over the Democratic organization. There you are.

Still more deplorable is another fact.

America is the only country where the working class, too, has been reached by the general corruption. The organized workers also have their venal bosses, especially in the large cities. The virus evidently has infected the broad mass of our common people. That is not the case in Europe, except in France.

WORKING CLASS IS HONEST IN EUROPE.

The working class, as such, is honest in Great Britain, Germany, the Scandinavian countries, Holland, Switzerland, and the Slavic countries, including Russia. Ours is really the only civilized white country where leaders of the working class will sell out, where they often use their positions for graft, as has been shown in New York, Chicago, San Francisco, and other places. That is the greatest tragedy. For this reason: If we want to have a better world and a better civilization, the great mass of the people must remain untainted, because that is where a nation must rejuvenate itself. Every new society must come up from below, must emerge from the mass.

Well, certain working-class leaders evidently have learned the crooked business from the employers, especially from the contractors, with whom they are continuously in touch. That will explain the condition, but not excuse it, of course.

In Europe working-class leadership may sometimes be wrong; it often is wrong. It may be fanatical; it often is fanatical. These leaders often do things they should not; but on the whole they are honest. That rule holds good for the labor leaders of all the countries that I have mentioned.

All the world has the greatest respect for men like J. Ramsay MacDonald, Philip Snowden, Arthur Henderson, E. D. Morel, or Tom Shaw; and everybody who knows them esteems the leaders of the German working class very highly. The same may be said of Russian leaders. They may have been wrong at times, but in the main they are absolutely honest.

This is the case everywhere in Europe, except in France, where occasionally one reads of cases of corruption.

That the moral fiber of our people has deteriorated is plainly shown by the questionable reaction of the common people to the latest revelation of bribery and corruption.

THE UPSHOT OF THE AMBITION OF THE "GO-GETTERS."

When this Teapot Dome scandal came out, what kind of conversation could you overhear in the street cars and in public places? People would say, "Well, all of them are thieves, of course. They make the 'big fellows divvy up.' But why not? If I were there, I would do the same thing."

Or you would hear: "I wish I had the chance. I would make them come across with more."

Gentlemen, this is the result of the morals of business success. It is the upshot of making the dollar the god of the country. The effect of the ambition of the "go getter," of the Rotary Club, the Kiwanis, the Lions, and so forth.

It means: Get money, my son; get it honestly if you can, but get it anyhow.

On the Mellon bill both parties are playing politics. That is clear.

DEMOCRATS SIX AND ONE-HALF PER CENT BETTER POLITICIANS THAN REPUBLICANS THIS TIME.

The difference between the various propositions is really slight, except as to the amount of surtax. The original Mellon bill proposes 25 per cent—they have already come up to 37½ per cent—while the Democrats want 44 per cent as the maximum figure.

The Democrats are for the "dear peepul" this time. They are playing "good politics" this time—6½ per cent better politics than the Republicans. But how many persons in the average southern district pay any Federal income tax at all?

Moreover, the Republicans had bad luck. They had their "Fall" in midwinter.

Nevertheless the Republicans made a master stroke when they proposed a 25 per cent reduction on the 1923 taxes. I do not know who proposed it, but probably the gentleman from Iowa [Mr. GREEN].

It will be a pleasant surprise to the American taxpayers to have money returned. The gentleman is evidently a statesman, although not according to the definition of Czar Reed. Czar Reed's definition of a statesman was "a successful politician dead." Well, the Democrats being beaten to it, ought to demand a reduction of 50 per cent for 1923. These 4,300,000 Federal taxpayers would like that still better.

We are told all of these immense sums—direct income taxes and the many indirect taxes—are necessary as the result of the war. And, therefore, I will say a few words about the war.

To begin with, I am fully in accord with those of my progressive friends who are making an honest effort to make those of our big patriots, who put the "pay" into the word "patriot," pay taxes. Let them pay. They made the war pay in war time, now let them pay for the war in peace time.

The trouble is only that we will soon find that we can not get much out of them. They did not profiteer and steal in order to pay it back to Uncle Sam.

HAVE NEVER RETRACTED A WORD OF WHAT I SAID ABOUT OUR PARTICIPATION IN THE WAR.

As for the war itself, I was excluded from Congress because I was opposed to the war and said so openly in speeches and articles. And now, gentlemen, permit me to tell you a great secret: I am still opposed to war and more so than ever.

I have never retracted a word of anything I have said about the war and against our participation in that hellish conflict. I have never taken back a sentence of all the hundreds and hundreds of articles I have written in my paper about the war and against our participation in that war. It almost cost me my life. A sentence of 20 years in the penitentiary at my age is worse than a death sentence. Nevertheless, if I had to do it over again, I would do it all over again as sure as my name is VICTOR BERGER. I would do so with more vim and more energy than ever, because now I know more positively than ever that my position was right.

WORLD WAR WAS THE GREATEST CRIME IN HISTORY.

I will not go into details now. I will simply state that everything I have predicted as a result of the war has happened. Everything has come true and more has come true than I had predicted—I am sorry to say.

That war was the greatest crime against the white race in the history of the world, and our participation in that crime was as stupid as it was criminal—and it was brought about by the most thorough propaganda ever known.

ENGLISH STATESMEN WISH NOW WE HAD NEVER ENTERED.

But some English statesmen, who for years used every means that they could find to lure us into the war, say now: "The world, and especially England, would have been much better off if America had stayed out. The war would have ended in a draw with neither side a victor. Every country would have gone back to work."

That is the English opinion to-day. They have to combat French militarism and French imperialism to-day, which is a hundred times worse and more dangerous than German militarism and imperialism ever was.

MANY MEMBERS IN PARLIAMENT WHO WERE IN PRISON DURING THE WAR.

But the leaders of the England of to-day were under a cloud during the war. Men like Macdonald were practically fugitives in 1917 and 1918, and for some time before. Macdonald was defeated in 1918, and the Labor Party at that time elected very few members to Parliament, while to-day it has 192. There are 23 members in the English Parliament to-day who were in prison for being opposed to the war. The world has changed in five years, has it not?

Thinking people the world over now agree that the war was a capitalistic war and an imperialistic war, and that it was based on a million lies. And these lies are still at work. The profiteers and thieves are still at work inventing patriotic legends to excuse and justify the horrible crime.

All of my male relatives of military age were in the war; two volunteered from my table, and one of my nephews paid the supreme price. Neither of them enlisted, however, because he believed in the justice of the war; they simply enlisted because they knew they would otherwise be drafted.

WHAT WE GOT OUT OF THIS WAR.

And what did we get out of the war? One hundred and twenty-three thousand dead; over 200,000 cripples, \$40,000,000,000 of costs; besides losing most of our traditions as to liberty and freedom. We gained 23,000 new millionaires. These millionaires represent the only visible asset—invisible, however, in many cases when the tax assessor comes around.

But I am not going to discuss the war to-night. I will only say that I am proud of the fact that the socialists and the radicals opposed the war.

After all, there is so little difference between the socialists and the progressives, and the so-called radicals of every description, that I can not understand why they do not get together.

SOME REASONS WHY THE SOCIALIST MOVEMENT HAS MADE SLOW HEADWAY IN THIS COUNTRY.

But it is claimed that the radical movement is making slow progress in this country because our Constitution is so wonderful, because our economic conditions are so satisfactory. Moreover, certain professors claim that there is so much liberty here that no radical movement can take root. Palmer and Daugherty must smile when they read such stuff.

The socialist movement made little headway so far because until recently we had colonial conditions in the United States. A handful of people came here 250 years ago, found one of the richest continents on the earth—and it cost them nothing except a few bullets with which to kill the Indians. Of course, in some cases these newcomers did pay a ridiculously small sum, as, for instance, a few gallons of whisky for Manhattan Island. But practically they got this big continent for nothing.

Now, remember, gentlemen, when I say America had "colonial conditions," I mean to convey the idea that land was free and plentiful—some of the best land on earth.

Moreover, from that time on we had a tremendous white immigration. We had very cheap and very efficient labor for the asking. For 250 years this labor came in continuously. You got Englishmen, Irishmen, Germans, Hollanders, Jews, Italians, Poles, Russians, and all the other nationalities. You got the most efficient and most intelligent workmen and working women—raised to manhood and womanhood in other countries—to come here at their own expense to work for you at long hours and low wages—because this was doing better than they could do in their own over-populated countries.

But the older settler could develop his business, sell land to the newcomer and get ahead upon the shoulders of the man who came later. This rule held good until lately. When I came to Wisconsin some 45 years ago, the northern half of the State had immense pine woods—a primeval forest. Germans and Scandinavians came there and bought the land very cheaply; that is, they got the cut-over land after some of

our wealthy American lumbermen had denuded the land—and made lots of money out of selling the pine—wasting four-fifths of the timber. They would sell the cut-over land to these Germans and Scandinavians on time payments and at a low price—and any man who was willing to work very hard clearing the stumps and making a farm—could do so. And many hundreds of thousands of them did so.

If you go there now, you will find one of the foremost Commonwealths in the country, unequaled in many ways by any other not only as to farm houses and barns but also as to schools, roads, cooperative creameries, and so forth. They got the land cheap, yet it was their labor, together with the opportunity to labor, that did it.

BUT COLONIAL CONDITIONS HAVE DISAPPEARED—NO MORE FRONTIER.

But these opportunities no longer exist. You can not repeat that. There is no other Wisconsin. There is no other Minnesota. There is not even another Iowa or Kansas. Conditions have changed. There is no "frontier" in our country left any more. The chances we had 100 years ago, or even 40 years ago, to become independent are not here to-day.

This is the reason, gentlemen, why we were so successful in this country. We had plenty of land and plenty of intelligent and efficient—yet cheap—immigrant labor. Those two elements were undoubtedly the corner stones of our prosperity.

It was not on account of the sacrosanct Constitution that this country made such headway. I believe we would have made as good headway, or even better headway, if we had had no written Constitution.

England has no written constitution. Anything the Parliament does in England is constitutional. It was said that the English Parliament can do anything except make a man out of a woman. They can make any law that can get a majority in Parliament.

In our country it is different.

OUR STATESMEN STILL THINK IN THE TERMS OF THEIR GRANDFATHERS.

Our statesmen take a great deal of pride in telling you that they have inherited their ideas from their fathers and grandfathers. The average Democrat is a Democrat because his father was a Democrat. The same with the Republicans, many of them. They are Republicans because their fathers were Republicans or their grandfathers. There is probably the additional reason that their grandfathers fought in the war to preserve the Union. And, by the way, that was one of the few wars where they really fought to free somebody—to free a race—although that was not the intention when the war began.

Otherwise both parties, or the spokesmen of both parties, use the same language and the same slogans that have been in use for 100 years or 120 years. The world has gone on, but the political and economic ideas of our country have stood still.

One hundred and twenty years ago we did not have any railroad, any telegraph or telephone; steam and electric power were unknown, not to mention automobiles, airplanes, and radios. At that time a corporation meant a city; but we are still using the terms of that time, or at least our lawmakers are.

You can tell that by listening to the debate during the last three days. And with all due respect to the gentlemen of the House, there were really only three or four speeches made, and the rest of them simply repeated with more or less emphasis what the other gentlemen said. I do not mean to be impolite; I am simply stating a fact.

Mr. KVALE. And rubbing it in.

Mr. BERGER. Unfortunately that is true, but you will have a chance to rub it into me.

BOTH OLD PARTIES THE TOOLS OF WALL STREET.

Well, both the Republican and the Democratic Parties are simply capitalistic political organizations, representing well-defined economic interests. The Republican Party represents mainly the manufacturing and banking interests of the country, while the Democrats represent such odds and ends as they can get. And both of the old parties are the tools of Wall Street whenever Wall Street wants to use them.

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

Mr. GREEN of Iowa. Mr. Chairman, in view of the compliment that the gentleman has paid us I yield the gentleman 10 minutes more. [Laughter.]

Mr. BERGER. It must be pleasant for both parties to hear the truth for once. Moreover, it must be admitted in all candor that the Republican Party is usually the favorite party of Wall Street; on the whole it is more up to date.

Mr. GREEN of Iowa rose.

Mr. BERGER. I will gladly yield when I am through with my remarks.

Mr. GREEN of Iowa. I was just going to ask about the progressives.

Mr. BERGER. I shall reach them pretty soon. [Laughter.] During the war the Wall Street group of financiers dealing in international securities preferred the Democratic Party. You see, Pierpont Morgan and his crowd own the Republican Party; that is true. But Wilson happened to be President; and having a chance to use the Democratic Party also, why should they not use it? I think the fiscal agents of the Allies showed a great deal of wisdom by associating themselves with the Democratic Party and thus making the "patriotism" of that time unanimous.

WALL STREET IS BI-PARTISAN.

Our capitalistic friends support both parties. All big corporations pay into the funds of both parties. Nobody will deny that. Sinclair stated it on the stand some months ago, and the information did not create the slightest ripple.

Wall Street is bi-partisan. Our oil magnates—or our trust magnates—will buy a Cabinet officer whether he be Democrat or Republican. It simply depends which party is in power. They will buy the son-in-law of the President and send him to Mexico to overawe the Mexican Government. A Roosevelt and a McAdoo look alike to them.

OIL MAGNATES HIRE AND FIRE CABINET MEMBERS OF BOTH PARTIES.

They will hire as many as four or five Democratic ex-members of the Cabinet—hire them and fire them. And they will hire and fire Republican Cabinet members. These statesmen are lawyers. They want big fees. It is their life's ambition to be hired by the biggest corporation. And it is also their business to be fired, although the latter is "bad business."

There is no difference between the two old parties, except that one crowd is in and the other crowd wants to get in. And they have played this game of "ins" and "outs" very successfully for many years. It is a sham battle, which the leaders recognize as such.

MR. MANN ANSWERING A QUESTION.

The following happened here some 13 years ago. I got to be on good terms with Mr. James R. Mann, a gentleman almost too good to be a Republican leader. But he was a Republican and a partisan Republican. I took a personal liking to him, and used to sit near him.

After I had been in the House for some time I spoke up one day: "Jim, you know that I attend the sessions pretty regularly." He answered, "Yes." Then I said, "Will you do me a favor and explain one thing?" He said, "I will if I can." Whereupon I asked him, "Please tell me the difference between the Republican and Democratic Parties." He looked at me seriously for a while and then said earnestly, "Victor, there is none."

And there is none.

THE CLEFTAGE IS WITHIN THE OLD PARTIES, NOT BETWEEN THEM.

There are some differences within the old parties. There is much more difference between my friend and colleague from Wisconsin [Mr. NELSON] and the gentleman from Iowa [Mr. GREEN] than there is between that gentleman and most of the conservative gentleman on the Democratic side; or between the gentleman from New York [Mr. MILLS] and many of the venerable gentlemen on the Democratic side.

There are serious differences within the Republican and within the Democratic Parties, and therefore there ought to be a new alignment.

THE LITTLE TAIL TRYING TO WAG BIG TWO-HEADED ANIMAL.

The party emblems of the two old parties are an elephant for the Republican Party and a donkey for the Democratic Party. These two animals have evidently amalgamated and have become one. It is a mythical animal with one body and two heads—one is the Republican elephant head with the big trunk; the other head with the long ears came from the donkey. But the most remarkable part is the wiggling tail—the progressive faction. [Laughter.]

And that thin tail is trying to wag the big, fat animal. It is a hopeless undertaking. It can not be done—neither in the House nor in the Senate. All the tail can accomplish is "to get sore," and thus make trouble for the animal, because the tail is part of its anatomy. However, whenever the animal moves the tail goes with it. [Laughter.]

I would like to ask my progressive friends—and, as I say, I shall probably vote with them on many questions because there is not much difference between honest progressives and the socialists—except that the socialists go further in their program. However, as far as the progressives go at all they march on socialist lines. In Wisconsin—the native State of progressivism—they have adopted some planks of our platform, trying to do the best they can with them. But a progressive is naturally timid—he is afraid of being called a Bolshevik—and thus they have not made much headway at all with these sound and solid planks. There is virtually no rea-

son why honest progressives should stay out of the Socialist Party.

Moreover, as long as they stay in the old parties they are not only fooling themselves, but they really form a big stumbling block in the way of real progress.

THE GREAT "VICTORY" OF THE PROGRESSIVES IN CHANGING THE RULES.

It was a great "victory," you will remember, which we won about five weeks ago. After a wordy battle of three weeks, my illustrious friend and colleague from Wisconsin, the leader of the progressives [Mr. NELSON], won the victory. He fought like a hero, and he conquered.

The victory was won with the help of the Democrats and could not have been won without them. Did the Democrats help in order to help "free speech" in the House? Oh, no! It was a Democratic rule that had to be repealed. They did it in order to worry the Republicans. And what did the victory accomplish? With 150 Members signed to a petition a bill can be taken away from a committee and brought before the House to be voted upon.

Just imagine! How wonderful! If 150 Members sign a petition, the bill may be brought before the House; and if the House votes to take it up, then the matter can be taken up in the House. Great guns! Some accomplishment, I must admit! [Laughter.] I would not give a cheese sandwich for the accomplishment. How often will my progressive friends have the chance to take a bill away from a committee and bring it up here for a vote? Not unless the Democrats also want the bill.

REPUBLICAN AND DEMOCRATIC PARTIES CHARACTERIZED.

I have edited a daily paper for many years; I have written editorials for many years; I have studied political conditions and economics for many years. There is no difference in principle between the Republican Party and the Democratic Party.

The Republican Party is the conservative party of capitalism—ultraconservative; it is bound to lead the country into trouble because, unlike the Tories in England, our Republican Party does not know how to yield and when to yield.

But the Democratic Party is even worse, because the Democratic Party is reactionary.

The Republican Party would like to keep up the capitalistic system as it is, and the Democratic Party, at times at least, would like to go back to antebellum conditions.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. GREEN of Iowa. Mr. Chairman, I yield five minutes more to the gentleman.

Mr. BERGER. I do not know that it is worth while, after all. I feel that both parties are paralyzed and blinded by complacency. Both old parties—whenever they do not represent the big capitalist interests—are identified with a middle class that thinks only in terms of property and can think no other way.

THIS IS THE GEOLOGICAL PERIOD OF MR. BABBITT.

I know that I do not convince anybody here.

We live in the geological period of Mr. Babbitt.

Mr. Babbitt is Congressman; Mr. Babbitt is a member of the Cabinet; and Mr. Babbitt is our Chief Executive, for that matter. Only the United States Treasury is in charge of Mr. Astoribilt.

THE PRESENT AND ULTIMATE AIMS OF THE SOCIALIST PARTY.

Mr. NELSON of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. BERGER. Gladly.

Mr. NELSON of Wisconsin. Will the gentleman please tell us what the Socialist Party really stands for—give us something of an outline of the party's principles?

Mr. BERGER. I can state them in very few sentences. The Socialist Party stands for the collective ownership and democratic management of all of the social means of production and distribution.

We will start with the national ownership of the country's natural resources, such as mines, oil wells, forests, and so forth. With this must go the national ownership of the means of transportation and communication—railroads, telegraphs, telephones. Furthermore, we must carry out everywhere the principle of public ownership of public utilities.

Our country has made a good start in the reserving of some national forests, only the start came somewhat late.

The socialists would go further after these things have been accomplished, but this would do for some time. Our aim is finally to get hold of all of the trusts. The national ownership and democratic management of the trusts is the end of the road, as far as I can see it.

What will happen after that I am not bothering my head about, because that is a pretty large program. There I have given it to you in a few words.

Mr. NELSON of Wisconsin. Will the gentleman please answer this objection that is made to the socialistic theory—that it really leads to autocracy, where a few will control and prescribe the conditions for the many.

WE WANT SOCIALISM, NOT COMMUNISM.

Mr. BERGER. It should not, because our aim is a social democracy, not communism. And as far as my experience in the Socialist Party goes, it is all the other way. There is too much democracy, so much that at times the management of the party has a tendency to become inefficient.

As for autocracy, I might answer the gentleman that we could not easily get any more autocracy than we have to-day. To-day the profiteers prescribe for us how much we have to pay for everything.

The vast wealth produced annually by the people is an inexhaustible source of plunder, which never ceases and about which we have nothing to say. We are plundered from the day when we are born—when they sell the cradle we use—and they keep on fleecing us all of the time wherever we turn until we die. And then we are plundered when we have to buy a coffin from the coffin trust.

There is autocracy for you.

I am absolutely opposed to communism, however, which presupposes autocracy and despotism.

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

Mr. BERGER. Certainly.

Mr. BOYCE. You would have the state and not the people the supreme power?

Mr. BERGER. It depends upon what you call the state. I do not want the capitalistic state supreme. The state is much too supreme for me now.

Mr. BOYCE. Would the gentleman be willing to destroy the individualistic character of the American Government in order to make the state supreme?

AMERICAN GOVERNMENT IS PATERNAL TO THE BIG CAPITALISTS—NOT INDIVIDUALISTIC.

Mr. BERGER. The American Government has no individualistic character. It is paternal to the big capitalists. Thomas Jefferson wanted individualism—but Jefferson did not write the Constitution. Those that wrote it were capitalists or the attorneys of the capitalist class of that time. Our Government has no individualistic character.

Mr. BOYCE. It was so founded.

Mr. BERGER. Not much so in the beginning and not at all now. The American Constitution was written by men like James Madison, Gouverneur Morris, and others of the same type. A more reactionary charter is not in existence to-day than our American Constitution, which was bitterly assailed even 130 years ago by Thomas Jefferson and his friends.

Mr. BOYCE. The gentleman is a well-informed, enlightened man.

Mr. BERGER. I thank the gentleman for his good opinion.

Mr. BOYCE. Is he not aware that the things he suggests predominated in ancient Greece and had the effect to destroy the government?

THERE WERE ALL SORTS OF GOVERNMENT IN GREECE—IT WAS A COUNTRY OF CITY STATES.

Mr. BERGER. Ancient Greece was made up of city republics and had a dozen different constitutions. Aristotle, the Greek philosopher, in his well-known book, *Politia*, praised especially the constitutions of three cities. He praised the constitutions of Carthage, of Crete, and the name of the third I do not remember. He liked the constitution of Carthage best, for the reason that it could be changed so readily. He disliked the constitutions of Sparta and Athens, because they were so hard to change. And he would dislike ours for the same reason.

Socialism was never practiced in Greece. Socialism is a modern theory based upon the use of machinery and the control over forces of nature, like steam, electricity, and so forth; unknown to antiquity. The ancients practiced Communism, however, in some instances.

Mr. BOYCE. Is the gentleman aware that the word which we use so freely to-day, "idiot," which is so well known, and which applies to a mental disorder, was applied to the citizenry of ancient Greece who did not believe in the state of Greece? Would you have it so here?

Mr. BERGER. The people living in the vicinity of the mountain of Ida were supposed to be particularly stupid. Our idiots, however, are usually native and 100 per cent American. There was no state of Greece. There were many towns, cities,

and islands forming independent, semi-independent, and dependent states. There was never a state of Greece until the days of Alexander the Great, who conquered all of Greece. The first man who tried to unite all of Greece under his rule was Philip of Macedonia, the father of Alexander the Great. He succeeded in defeating Athens and was admitted to the Amphictyonic Council. His son, Alexander, destroyed Thebes and defeated the Spartans, and was really the first man to unite all of Greece.

Mr. BOYCE. The gentleman has already suggested in the course of his remarks or rather alluded to corruption existing in America.

Mr. BERGER. I have not told one-half of what I ought to say.

Mr. BOYCE. The gentleman stated that it is reaching down among the masses.

Mr. BERGER. Yes.

Mr. BOYCE. Particularly those who undertake to control the masses. The men who are in charge, I believe I understood the gentleman to say.

GREATEST MENACE TO AMERICA IS THE AUTOCRACY OF THE PLUTOCRAT.

Mr. BERGER. Yes; the gentleman is right. Certain leaders of labor organizations are dangerous because they can be bribed and bought. But the greatest danger is the growing political power of corrupt wealth. The greatest menace to America is the autocracy of the plutocrat.

MEMORANDA.

A.

Here is a list of the parliamentary bodies in which the socialists are represented and the size of the socialist delegations:

The British Labor Party has 192 members in Parliament, or 30.9 per cent of the total.

German socialists hold 173 seats in the Reichstag, or 37.7 per cent.

Austrian socialists have 67 members in the Reichsrat, or 40.2 per cent.

Belgium, 68 members, or 36.6 per cent.

Denmark, 48, or 32 per cent.

Estonia, 20, or 20 per cent.

France, 50, or 8.6 per cent.

Finland, 53, or 26.5 per cent.

Italy, 41, or 7.7 per cent.

Hungary, 25, or 10.2 per cent.

Holland, 20, or 20 per cent.

Latvia, 37, or 37 per cent.

Lithuania, 11, or 15.1 per cent.

Norway, 8, or 5.3 per cent.

Poland, 41, or 9.9 per cent.

Rumania, 1.

Sweden, 93, or 40.4 per cent.

Switzerland, 43, or 21.7 per cent.

Czechoslovakia, 82, or 28 per cent.

Yugoslavia, 3, or 1 per cent.

B.

The following is the official report as to the income-tax figures; it is taken from the committee's report:

Estimated individual income upon the base of 1921 returns.

Income-tax brackets:	Number paying tax in each bracket.
Under \$5,000	3,589,985
\$5,000 to \$10,000	525,606
Income-tax brackets:	Number paying tax in each bracket.
\$10,000 to \$20,000	172,359
\$20,000 to \$50,000	58,115
\$50,000 to \$100,000	11,069
\$100,000 to \$150,000	2,352
\$150,000 to \$200,000	985
\$200,000 to \$300,000	535
\$300,000 to \$500,000	246
\$500,000 to \$1,000,000	84
Over \$1,000,000	21
Total	4,361,351

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. COLLIER. Mr. Chairman, I yield 10 minutes to the gentleman from Mississippi [Mr. LOWREY].

Mr. LOWREY. Mr. Chairman and gentlemen, I can hardly begin in 10 minutes to say what I have prepared. I used to have a distinguished old friend in Chicago—I have had a good many distinguished friends, for that matter, but not a great many of them hailing from Chicago. But this old gentleman by reason of his long residence in the Windy City had a good opportunity to study along a certain line, and so he went onto

the lyceum platform with a lecture on fools, and he printed his admission tickets in this way: "Lecture on Fools. Admit one." [Laughter.]

Now, I should be willing to admit a good many more Members to the House than are here to-night. I should have been willing to admit all of them, from the majority leader up to the minority leader, I believe; and I think I can hardly be expected to confine myself to the subject of this debate and discuss the Mellon plan, with all of its propaganda and agitation, and still steer entirely clear of the subject of my old friend's lyceum lecture. I may trespass upon his subject a little.

Some of you remember the old rhyme—

Of fools the world has such a store
That he who would not meet an ass
Must stay at home and bolt his door
And break his looking-glass.

[Laughter.]

A lawyer down in the eighth congressional district of Mississippi, the district represented by my friend Mr. COLLIER, lost his mind. Now, that is a catastrophe that can not possibly happen to some of the lawyers in that district. But this one had a mind and lost it, and came up into the fourth district, which is represented by my friend Mr. BUSBY, looking around for some congenial association, and he said to a citizen of the fourth district, pathetically, "My friend, I have lost my mind. I am crazy." The citizen said, "You are? I am sorry for you, my friend. Where are you from and what do you do?" "I am from Jackson," replied the unfortunate, "and I try to make an honest living practicing law." "Well, my friend," said the citizen, "If you have been trying a thing of that sort you are not crazy; you are just an ordinary darn fool." [Laughter.]

Now, I regret to expose the weakness of a kind-hearted colleague, but my good friend from Texas [Mr. GARNER] has shown a grade of intelligence that is scarcely above the intelligence of Editor Bok. Mr. Bok was so fond and foolish as to suppose that he had a legal right, if not a moral right, to encourage the American people to think on the question of world peace and the rehabilitation of Europe and to express their thoughts on that subject. The gentleman from Texas has presumed that he may with impunity lead the people to think and to speak out on the question of the kind and the amount of taxation under which they are to be placed, a question on which our Revolutionary fathers once dared to think in spite of high officials.

Why does not the bold Texan have prudence enough to quit when the horn blows, and to step over on the side where the propaganda is full and free and financially supported? In proof of this last phrase, let me show you four full pages of advertisements on the Mellon plan that appeared in one issue of one paper in Cleveland, Ohio.

Mr. LOZIER. Mr. Chairman, will the gentleman yield for a suggestion right there?

Mr. LOWREY. Yes.

Mr. LOZIER. I wrote to the publisher of that paper and asked him what his rates were for advertisements for a page. I have his answer, in which he said it was \$640. It cost about \$2,500. Who paid for it?

Mr. LOWREY. Mr. Chairman, in the beginning of this Government there were two theories put forward. One was that the national existence could best be safeguarded by making the Federal Government a partner of big business. "We are in a very bad way, financially," reasoned Alexander Hamilton, "and we must have money if we are to establish ourselves among the nations of the world. Certain men among us do have money, and if we can ally their interests so closely with the interests of the Government as to force them to support the Government in self protection, then we shall be strong." But Thomas Jefferson reasoned: "This Government is nothing if it does not seek first the interest of the average citizen, and if it does not have its chief support in the affections of its people rather than in the pocketbooks of its plutocrats." Up to this day these two theories have been in conflict, our friend, the socialist, to the contrary notwithstanding.

Twelve years ago Woodrow Wilson declared that the record of the Republican Party in control of the Government has been a record of pandering to the selfish interests of big business. He rededicated his party to the principles of Jefferson.

The record of the Republican Party during the last three years since its return to power indicates that Wilson was right. For eight years the Democrats were in control of the executive branch of the Government, and for six of those eight years they had a responsible majority in Congress. During those eight years the Republican Party constituted the

opposition, whose duty it was to keep watch lest the party in power should give itself over to corruption and betray the best interests of the people. Finally, by combining those dissatisfied elements which inevitably come out of periods of great national stress, the Republicans came back into power. Now for three years they have been in power.

During their eight years of responsible minorityship and their three years of responsible majorityship, with all their hue and cry, they have failed to uncover any really corrupt betrayal of the best interests of the people by the Democratic administration which guided this country from 1913 to 1921. And so they have had to resort to the assertion that Woodrow Wilson and his aids, though honest, were mistaken.

I rose, Mr. Chairman, not to dwell on the corruption of any administration. Corruption in administration is bad enough, but that does not threaten irreparably our national welfare. That can be found out and exposed and punished, because at heart the people are honest, and if there be any in high position that are dishonest, they can not, for policy's sake, defend their fellows who have been uncovered in iniquity.

But misgovernment may be under the law as well as against the law. The law itself may be made the embodiment of evil and the instrument of injustice.

The Republican Party, as we have indicated, is founded on the principle that the masses of the people can best be served indirectly through the classes. This doctrine of indirect benefit to the multitudes is one of the strangest things in all political philosophy, and one of the oldest. It is the original excuse by which the oppressor sought to justify his oppression.

We are told, for instance, that the wage earner and the salaried man can best be benefited by our enacting tariff laws which will enable the manufacturer to charge higher prices for the things they must buy, and, charging higher prices, in turn to pay higher wages.

Curious doctrine that. We will take more money away from you in order to be able to pay you more money, but, of course, we keep our share as it passes through. And this other thing they will tell us—by adding tax to you and taking tax away from us we will be able to pay you more money with which to pay your tax. In other words, let us pay our taxes indirectly through you and neither of us will feel it as much. We will not, at any rate.

These men are blind, Mr. Chairman. The indirection is in the other direction. By guaranteeing prosperity to the average man we guarantee it to the man above, for the man above is dependent on the average man, not the reverse.

Let us examine this Mellon bill. The Constitution, which we all so anxiously protect, plainly provides that—

The Congress shall have power to lay and collect taxes, duties, imposts, and excises to pay debts and provide for the common defense and general welfare of the United States, etc.

It says nothing about the duty of Congress to frame its revenue measures at the direction of the Executive. In truth, that is the chief thing it does not say. That is the thing against which the Anglo-Saxon people have rebelled repeatedly. So long as a representative assembly holds the purse strings of the Nation the people are safe. Once a representative assembly relaxes its hold on those purse strings in favor of the Executive, the people and their best interests are in jeopardy. That has been demonstrated over and over from the time of Henry VII to the time of Andrew Mellon.

I do not object to the principle of placing a great business man in a great business position in the executive branch of the Government, so long as we can find great business men who will endeavor faithfully to carry out the will of the people as expressed through the Congress. Thomas Jefferson did that, and called one of the greatest business men this country has seen to be his Secretary of the Treasury; but Albert Gallatin recognized that it was his task to execute the dictates of Congress, not to dictate to Congress.

No matter how honest a man of great wealth may be, and many of them are honest, it is exceedingly difficult for such a man to understand humanity and its needs. It is perfectly natural, it is almost inevitable, that he shall become a disciple of the indirect doctrine of government. To him the interest of his own class becomes paramount. The best interests of the Nation, and hence the best interests of the common man, become dependent on the best interests of his class. Unless we prosper, he reasons, there can be no real prosperity, and hence the best thing to do is to contribute directly to our prosperity, and prosperity will through us come indirectly to everybody.

And so we come to Mr. Mellon's frank assertion that the best way to reduce taxes is to reduce at the top; that his con-

cern is chiefly with those who pay high surtaxes. His whole course of thought has been directed by his point of view.

There are two questions here. The first is one of abstract fairness to the individual who is taxed. The second, one of best results from the standpoint of the whole community.

As for the first, it is probable that no tax has ever been levied which seemed perfectly fair in all its aspects to the individual who paid it. Smith thinks that as compared with Jones he pays more than his due, and Jones thinks that he himself is the one who pays too much. Two per cent as under the proposed Democratic measure, or 3 per cent as under the Mellon measure, or 4 per cent as under the present measure, is too much to exact from a man who is already paying directly or indirectly to tax purposes \$1 out of every \$7 he spends, when he has a total income of less than \$5,000, if there is any way out of it. And 50 per cent as under the present law, or 44 per cent as under the Garner measure, or 25 per cent as under the Mellon measure is too much to exact from a man who has an income of \$200,000, if there is any way out of it. But there is no way out of it. We have the national burden, and it has to be carried. It is simply a question as to how it can most equitably be distributed.

I submit that it is less burden for a man who has an income of \$200,000 to pay half of it as tax than for a man who has an income of less than \$5,000 to pay 4 per cent as tax. To say the least, there are few of us who would hesitate between the incomes, with their respective burdens, if a choice were offered us. I submit further—and if this be socialism, make the most of it—that the man who has an income of \$5,000 generally earns it by the direct expenditure of his own energy and by an actual personal contribution of its equivalent to society, while the man who has the great income less often comes into it as a reward for his actual personal contribution. Fortune, society, and government, through the very nature of things, are allied with the man of large means, and it often seems that they are allied against the man of small means. If we must have taxation, that taxation ought in some measure to equalize this inevitable condition. Even Secretary Mellon confesses that when he proposes 3 per cent on the small income as against 25 per cent on the large income.

The question then is simply one as to what rates will give the best results to the whole community.

Here Secretary Mellon throws emphasis on what he asserts is the dwindling of large taxable incomes. He says that these taxable incomes have been forced into tax-exempt securities. From the propaganda that has been reaching some of us on this point it is evident that more recently such incomes have been diverted into lobbying funds. I doubt whether ever in our history such a concerted effort has been made by the great interests of the country to mislead the people and the Congress and to magnify a thing that on close examination shrink into insignificance. There are certain facts about tax-exempt securities that are obvious to anybody who takes the trouble to note them.

The first of these is that the sum total of tax-exempt securities in the country now seems pretty well stabilized. During the war and immediately thereafter we had a great flood of such securities. Now we are retrenching everywhere—in National, State, and municipal governments.

As rapidly as possible we will pay off and take up these securities. Nothing but another great war could cause any large increase in them. And the money which is now invested in them can not be taken out. If persons now holding such securities are induced by any means to sell them, other persons must buy them, and the amount of money tied up in nontaxable paper and thereby held out of private industry is not changed. Mr. Mellon seeks to make it appear that by a simple twist of the wrist Congress can take all this investment which is now escaping taxation and turn it into taxable industry. I think it would be a reflection on Mr. Mellon's proven intelligence to say that he really believes such a thing possible.

Again, Mr. Mellon seeks to make the impression that a rich man seeking to escape taxation simply has to call his broker and tax-exempt securities issued for his especial benefit will be forthcoming. That, as I have just shown, is not true. Tax-exempt investments can not be had for the asking, but only as our various governments issue them, and the sum total of them does not seem now to be on the increase.

There is another proposition which is obvious. Tax-exempt securities go on the market in competition with taxable securities, and they form only about one-tenth of the total security investment of the country. In competition of this sort they are forced to absorb value to account for their exemption. Having an investment to make, and seeking a given income, if the bond I am about to buy is taxable I pay only

99 for it; if it is nontaxable, I pay 101 for it. Competition forces me to do that. Hence, the tax exemption does not amount to so much after all, and the administration has given us a second tempest in a teapot.

The gentleman from Arkansas [Mr. OLDFIELD] said some things along this line Thursday which I presume to quote:

Every week since the 1st day of January there has been over \$100,000,000 of new capital put into the corporations of the country. That is at the rate of \$6,000,000,000 a year in new capital. And yet they say we must let the rich off from paying these higher surtaxes so that they will have money to lend these institutions in order that they may run their business.

Now, my friends, I do not see how any man can take any stock in that sort of an argument, because it can not be true, and it is impossible for it to be true.

They talked the other day about tax-exempt securities. They jumped us up here and we licked them, and that thing is dead for all time to come. It never should have been brought here, and will never be brought here any more. But you take a \$10,000,000 investment in 5 per cent tax-exempt securities; that is \$500,000 a year; then you take a \$10,000,000 investment in Steel Corporation stock or in stock that pays 10 per cent; that is \$1,000,000, and the surtax on that is \$470,000.

You make \$30,000 by having your money invested in the 10 per cent corporation stock, as compared with a 5 per cent tax-exempt security, and that is on a \$10,000,000 investment. It is more favorable to the stocks the lower down you go. Therefore, when they come here and tell the people of this country and tell this House that they can not get money in competition with tax-exempt securities they are telling you something that if they would study the question they would know was not true, and especially does that apply when you say it is necessary to reduce the surtaxes.

President Coolidge calls attention to the breakdown in large incomes as reported by the Treasury Department. He is greatly disturbed because 206 men paid tax on incomes of more than a million dollars in 1916 and only 21 paid such tax in 1921. He is afraid that this presages national disaster. The only way he can account for this situation is by presuming that these incomes have taken refuge in tax-exempt securities. But the President made that speech on Tuesday night. Perhaps he knows better now, if he has troubled himself to read Senator RALSTON's great speech in the Senate on Wednesday, as I hope he has. It may pay the President to follow anything the Senator has to say these days rather closely. Among other things, the Senator shows rather conclusively that large incomes have not sought tax-exempt refuge to the extent that those who have these large incomes and those who serve them would have us believe. I quote the following from the Senator:

If these statements were well founded they would indeed be serious, but they do not seem to be supported by the Secretary's figures. The figures show that in 1920 (Report, p. 382) with total net income returned of \$23,735,629,183 the deduction on account of tax-exempt bonds was only \$61,549,572, or about one-fourth of 1 per cent of the incomes. But in 1921 the exemption on this account dropped to \$46,994,406 (Statistics of Income, p. 41). A decrease in one year of \$14,555,162, or almost one-fourth of the total similar exemption in 1920, on account of tax-exempt bonds, can not be seriously considered as indicating any growing peril to national revenues or any alarming tendency of large income-tax payers to flee to tax-exempt bonds for refuge.

At page 5 of his report the Secretary calls attention to tax-exempt bonds in decedents' estates, and says:

"These cases are remarkable for the way they show how men noted for their business ability and initiative have withdrawn their capital from productive business and placed it in municipal and other tax-free bonds."

Now, what is shown by the figures as to these decedents' estates, which will be found at page 28 of the Statistics of Income? They show that 12,203 decedents, whose estates were valued at \$2,879,372,168, had \$220,668,586 of tax-exempt or partially tax-exempt bonds. In other words, tax-exempt bonds constituted less than 8 per cent of these estates. But the figures also show that these same estates had \$207,206,795 of taxable bonds and \$968,434,511 of capital stock of private corporations. On what basis can it be said that these figures show that these decedents had "withdrawn their capital from productive business and placed it in municipal and other tax-free bonds"? In reality a comparison of the percentage of estates in various forms of investments shows a similarity in all classes that is very striking and that completely negatives the Secretary's proposition.

Somehow I do not find myself able to become greatly excited about the breaking up of these huge incomes. On the whole I regard it as a good sign. I am more concerned by the breakdown in small incomes, as shown by the Secretary of the Treasury's report. It seems that 360,000 persons who had taxable incomes of less than \$5,000 in 1920 did not have taxable incomes

at all in 1921. This seems to me to be a serious situation, unless the Secretary and the President can explain that they, too, hid their wealth in tax-exempt securities.

Before closing this argument let me refer briefly to one other matter discussed in the President's Lincoln's Birthday speech. He says, wisely:

The necessary observance of these principles requires, at the present time, that a large amount of attention should be given to agriculture. This is an interest on which it is estimated that more than 40,000,000 of our people are directly or indirectly dependent. It represents an investment several times as large as that of all the railroads of the country. It has an aggregate production of over \$8,000,000,000 each year. Yet with all these vast resources of production and consumption, and the vast purchasing power for the products of the farm, which is represented by the prosperity of our industry and commerce, with here and there an exception, agriculture as a whole languishes.

And again:

When there is a difficulty which affects so large a population, so large an area, and so important an interest as that of agriculture, it is distinctly a national question. It scarcely needs to be pointed out that agriculture is of vital importance to our country. It is the primary source of sustenance, enterprise, industry, and wealth. Everyone ought to know that it is basic and fundamental. Without a healthy, productive, and prosperous agriculture there can be no real national prosperity. It is perfectly obvious that there is something radically wrong when agriculture is found in its present state of depression at a time when manufacturing, transportation, and commerce are on the whole in a remarkable state of prosperity.

And still again—

Most of all, the farmer suffers from the effect of this high price level. In what he buys he meets domestic costs of high taxes and the high price level. In what he sells he meets world competition with a low price level.

And finally—

What I am most anxious to impress upon the prosperous part of our country is the utmost necessity that they should be willing to make sacrifices for the assistance of the unsuccessful part.

I confess that all this is entirely beyond my comprehension. Our President is called a silent man. He must also be a man void of any sense of humor and incapable of appreciating the ridiculous. Otherwise how could he say these things with a straight face and still lead or, rather, follow his party in their policies, as shown by this tax bill and by the still worse iniquity of the Fordney-McCumber tariff?

The plain truth of the matter, Mr. Chairman, is that the Republican Party is serving its old master. It is owned lock, stock, and barrel by big business. That part of it which is corruptible big business has not scrupled to corrupt. Ends which can not be reached through direct corruption—and this House as a whole is personally incorruptible—have been sought indirectly. This Mellon measure is not a measure to relieve the people or to encourage legitimate business. Under a great "indirect benefit" smoke screen, financed by the lords and masters of the Republican Party, who have held back at nothing, from buying newspapers to buying public officials, they have sought to influence and intimidate this Congress by every means known to the game. Their deliberate intent has been to load the burden on the fellow lower down. They will do well to remember that one may fool all the people part of the time, and part of the people all of the time, but not all of the people all of the time. And they will do well to accomplish what they can while they may, for verily their days are numbered.

Mr. COLLIER. Mr. Chairman, I yield 12 minutes to the gentleman from Ohio [Mr. UNDERWOOD].

The CHAIRMAN. The gentleman from Ohio is recognized for 12 minutes.

Mr. UNDERWOOD. Mr. Chairman and gentlemen of the House, I have been listening to arguments here for days. The arguments have been sharp, pointed, and illuminating. As I listened this thought came—how time-old and historical the tax problem is. It has always been burdensome. It bore down upon the parents of the Savior when they had to make the annual journey by the motor power of a mule to pay their taxes; it bore heavily in the days of the Revolution; and, gentlemen, it bears heavily to-day.

Society and government can not stand without taxation. We have greater privileges to-day, therefore greater taxes; but, gentlemen, I say that it is the grave duty of this Congress to advance a plan of relief which will equalize taxes as far as possible. Atlas, with the world on his shoulders, had a burden

light as air in comparison with some of the unjust taxes the small taxpayer shoulders to-day.

It has been quite interesting to me, and I suppose to many other Members, to listen to the arguments for and against the Mellon plan; likewise the Garner or substitute plan. I have carefully studied both plans. Taxes are paid by all of us alike, both Democrats and Republicans. We must all bear our share of the expense and burden of our Government.

It is not a question whether the Members of this House are in favor of tax reduction. I believe everyone here is willing to reduce taxes as much as possible. The question is, which class of taxpayers shall receive the greatest reduction?

I am going to vote against the Mellon plan of personal income tax and vote for the Garner plan. These are my reasons: The last Congress reduced the taxes on big incomes from 65 per cent to 50 per cent. Mellon now proposes to reduce it to 25 per cent. The last Congress also reduced their taxes \$500,000,000. The Mellon rates on personal income would give a reduction of 50 per cent in the taxes on big incomes and a 25 per cent reduction in the taxes on small incomes. If we are legislating for all classes, why not balance the scales and give a little relief on the side of the small fellow? The Democratic or Garner rates on personal incomes will do this. They will relieve millions of small income-tax payers who are now compelled to make returns but pay no taxes from making returns. They will relieve millions of small income-tax payers from paying taxes.

The so-called small income-tax payer received very little relief from the last Congress. I believe that this Congress should relieve the small taxpayer—the farmer, merchant, and laboring man—who is now overburdened not only with the income tax but with state, county, and municipal taxes. Gentlemen, my plea is for fair relief to all, and it can be done. It must be done. I favor tax reduction, but I am not willing to reduce the taxes of those having big incomes to the extent proposed by Mellon. There is no question but that the Garner plan brings relief to a greater number of taxpayers than the so-called Mellon plan. I do not believe it was the purpose of those who drafted our income tax law to place the hand of the tax-gatherer into the pockets of the small home owner and wage earners of this country. Why hamper the man "whose brow is wet with honest sweat, who earns what'er he can"? He needs all his small income to clothe, educate, and support his family.

I believe that the taxes on personal incomes should be increasingly heavy as the income increases in amount. The man who has a personal income of \$100,000 to \$5,000,000 a year can pay a heavier income tax more easily than the one who makes less. Under the Mellon plan the big taxpayer would get the "melon," while the small taxpayer would receive the "rind."

In 1921 there were 6,662,176 income-tax payers in the United States who made income-tax returns; 6,652,833 of these taxpayers will receive a greater reduction in their taxes under the Democratic plan than under the Mellon plan, while on the other hand only 9,343 wealthy income-tax payers will receive a big reduction in their taxes under the Mellon plan. Mellon proposes to relieve 21 big income-tax payers to the extent of \$11,500,000 per annum. He will save about \$1,000,000 in his income tax per annum under his bill.

In the State of Ohio in the same year there were 307,096 persons who made Federal income-tax returns; 366,657 of these taxpayers will receive a greater reduction in their taxes under the Garner plan than under the Mellon plan, while 439 wealthy Federal income-tax payers of my State will receive a greater reduction under the Mellon plan than under the Democratic or Garner plan. Every person in my State and district, be he Democrat or Republican, whose income is \$55,000 or less will be benefited more under the Democratic rates. These figures prove beyond the shadow of a doubt which plan will benefit the greatest number of taxpayers.

The Mellon plan does not change the existing law as to exemptions. In the case of a single person the exemption is \$1,000, as under the present law; in the case of a married person or the head of a family, the exemption is the same, as provided by present law—\$2,000—unless the net income is under \$5,000. In such case the exemption for the head of a family, or married person living with husband or wife, is \$2,500.

The Democratic or Garner plan carries a provision for personal exemption in the case of a single person of \$2,000, instead of \$1,000, as provided by the Mellon plan. In the case of the head of the family or married person the personal exemption is \$3,000, instead of \$2,000, if the income is over \$5,000, and \$2,500 if the income is under \$5,000. The exemption of \$400 for each dependent remains the same under both plans, as now provided by existing law.

The Mellon plan proposes to reduce the normal tax of 4 per cent on the first \$4,000 of net income to 3 per cent. Also,

it provides that the normal tax on incomes over \$4,000 shall be reduced from 8 per cent to 6 per cent.

The Democratic or Garner plan proposes to reduce the normal tax of 4 per cent on the first \$4,000 of net income to 2 per cent on the first \$5,000 of net income, and that the normal tax on incomes over \$5,000 and not in excess of \$8,000 shall be reduced from 8 per cent to 4 per cent, and that the normal tax on all incomes over \$8,000 shall be reduced to 6 per cent.

Under the present law the surtax begins on all incomes in excess of \$6,000 and on all incomes in excess of \$10,000 under the Mellon plan, while under the Democratic or Garner plan the surtax begins on all incomes in excess of \$12,000.

Mellon says the millionaires are dodging their taxes. He says they will not pay a high surtax on their large incomes; that we should reduce surtax rates on incomes over \$100,000 from 50 per cent to 25 per cent, then they will be honest and settle up. If the tax-dodging millionaires will not pay a 50 per cent surtax, would it make them honest or help their consciences to reduce their taxes one-half, or to 25 per cent? If they are now evading their taxes, we should stop up the loopholes and put teeth in our income laws. They should obey the law the same as any other man. Another reason given by Mellon for the big reduction is that the capitalists need the money for new enterprises. If this is a good reason, why not grant the same relief to the farmer and small business man? I have carefully studied the reasons advanced by Mellon for the big reduction in the surtax rate on large incomes but do not believe they are just or fair. I do not believe there is any easy or logical means of passing on to the public taxes which our Government collects upon personal income.

The huge fortunes which have been made and are being created in this country are made possible by our tremendous natural resources with which God Almighty endowed the land. Those resources have been exploited and have piled up many great fortunes that to a large extent do not represent so much creative genius as the ability to translate natural wealth into money. Wealth is necessary to conduct and maintain our business structure, but I believe that the big fortunes, which were made possible by the exploitation of the natural resources of the American people, ought to pay a generous share for the conduct of the Government, which makes them possible and which keeps them in existence.

The big business interests and the war-made millionaires want more than a reduction of their taxes. They know that the World War placed a tax burden on this country that it will take a generation to pay. In time of war we conscript the youth of our land. I do not believe that property is more sacred than blood. If necessary, we should conscript wealth to help pay our country's debts. Wealth paid smaller taxes in this country during the war than it did in any other country under the sun. The rich are now endeavoring to shift the burden of our war debt almost entirely to the backs of the people. Unless we stop it, big business will not rest until the common people are forced to pay every penny of the cost of the war. I am going to vote for an increase in the estate-tax rates and the institution of a gift tax to make those rates effective, as I believe all fortunes over \$50,000, many of them amounting to millions of dollars, should pay a generous share for the conduct of our Government.

Mr. Chairman and gentlemen, you can not deceive the American people. You can not deceive the ex-service man. The Mellon bill would sandbag adjusted compensation and untax the rich. This agitation for lowering surtaxes to 25 per cent comes from the same old crowd of war profiteers and peace profiteers who made billions in profits while the mothers and fathers of the land "gave until it hurt" and the common sons of common men gave their lives and their service in the camps and on the battle field. These great fortunes were protected by our noble boys, who bared their breasts to the bullets of the enemy and slept in the vermin-infested trenches in France.

It is from the same old crowd who were active in having the Government adjust the compensation of the railroads to the tune of \$764,271,000. They were again overjoyed when the war contractors received adjusted compensation to the extent of \$700,000,000.

The same selfish interests threaten the welfare of this Republic in the widespread propaganda by the big wealth of this country attempting to coerce, browbeat, and intimidate this Congress into passing the Mellon bill. Wall Street and the moneyed interests of this country have spent thousands of dollars in propaganda, in sending circular letters to Members of Congress, for pages of paid advertising carried in the big newspapers, trying to pass the Mellon bill without the slightest change. It has been estimated that the postage alone to carry on the poll made by the Literary Digest cost over \$400,000. Who furnished this money? It was not the small income-tax

payer, who receives little relief under the Mellon bill. I am sure the great majority of the people have not read one page of the 242 pages of the so-called Mellon plan, but by such propaganda as I have mentioned the idea was carried to the people that the Mellon plan meant tax reduction, and as a drowning man grasps at a straw so the now overburdened taxpayers grasped at the Mellon plan without investigating its provisions. The good people back home not only want common honesty in Government but they also desire tax reduction that will be fair to all taxpayers.

I am going to vote for the reduction or removal of the war, excise, or nuisance taxes on automobiles, tires, tubes, and accessories. The automobile is a necessity, but it is overtaxed to-day. In Ohio we have 1,074,000 automobile owners who would benefit by the reduction or the removal of this tax. They are now paying three taxes: First, the Federal tax; second, a State license tax; and, third, a personal property tax. It is time they were given some relief. No relief is given in the Mellon bill to the 15,000,000 automobile owners of America. We can not give relief to the heavy local taxes which the people are bearing, but we can relieve 90 per cent of the people of our country by repealing or reducing many of the war, excise, and nuisance taxes. I trust we can do this.

The people want relief from the high cost of living. A revision of the high and unfair freight rates by this Congress would help the people of my district and the entire country more than a reduction of their Federal income taxes. The consumers of the country want relief and a lower cost of the necessities of life. I will have more to say on these questions at a later date.

Gentlemen, I trust that by proper amendments offered on the floor of this House the people of this country will be given honest, equitable, and fair tax reduction. I trust that we can pass a tax bill that will avoid the extreme views of any class. I favor a reduction in the taxes of those of small incomes to the lowest possible point. I oppose a big reduction in the taxes on large personal incomes.

The people are earnestly demanding and appealing for lower taxes and for further efforts toward a more simple, honest, and economical administration of our Government. I shall earnestly try to perform my duty to the people. I have tried at all times to square my vote with my conscience and my best judgment. A congressional honor and mantle becomes one of dishonor and shame when purchased at the price of the sacrifice and surrender of independent political thought and manly self-respect. I do not oppose the wealth of our country. It is necessary to conduct and maintain our business structure. I would not destroy the incentive to accumulate, but wealth must bear its share of the cost and expense of our Government. It should not ask special privilege at our hands. I do hope that when we finish considering this tax bill that this Congress may say to the country that substantial relief has been given to all classes of taxpayers and that our act will stand the test of analysis, the test of honesty, the test of equality, and that it will do justice to all taxpayers. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker pro tempore having resumed the chair, Mr. GRAHAM of Illinois, 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. 6715, and had come to no resolution thereon.

HOUR OF MEETING MONDAY.

Mr. GREEN of Iowa. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock Monday next.

Mr. SEARS of Florida. Mr. Speaker, reserving the right to object, I read a statement in the paper made by the majority leader to the effect that unless the debate stopped we would have to have night sessions. I was wondering why that statement was given out, because it seems to me the talk is about equally divided. Can the chairman of the committee tell us when this debate will close?

Mr. GREEN of Iowa. Will the gentleman repeat who made such a statement?

Mr. SEARS of Florida. The majority leader.

Mr. GREEN of Iowa. I do not think the majority leader made any such statement.

Mr. GRAHAM of Illinois. I think that statement was alleged to have been made before the House agreed on the rule to close debate Monday afternoon at 4 o'clock.

Mr. SEARS of Florida. That was my impression, Mr. Speaker, and I withdraw my objection.

The SPEAKER pro tempore. The gentleman from Iowa asks unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock Monday next. Is there objection?

There was no objection.

ADJOURNMENT.

Mr. GREEN of Iowa. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; and accordingly (at 10 o'clock and 9 minutes p. m.), under the order heretofore made, the House adjourned until Monday, February 18, 1924, at 11 o'clock a. m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

362. Letter from the Secretary of War, transmitting a list of leases granted by the Secretary of War under authority of the act of July 28, 1892, during the calendar year 1923; to the Committee on Expenditures in the War Department.

363. Communication from the President of the United States, transmitting a supplemental estimate of appropriation for the Department of the Interior for the fiscal year 1924, pertaining to the Indian Service, amounting to \$300,000; to the Committee on Appropriations and ordered to be printed.

364. Communication from the President of the United States, transmitting a supplemental estimate of appropriation for the District of Columbia for the employment of special legal services for the Public Utilities Commission for the fiscal year ending June 30, 1924, \$4,500; to the Committee on Appropriations and ordered to be printed.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H. R. 4874) granting a pension to Mary L. Bender, and the same was referred to the Committee on Invalid Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. LEAVITT: A bill (H. R. 7030) providing that time spent in a hospital by vocational trainee shall not be considered as time spent in training; to the Committee on World War Veterans' Legislation.

By Mr. KAHN: A bill (H. R. 7031) to authorize the Secretary of Commerce and the Secretary of War to exchange the Long Point, N. C., lighthouse reservation and a portion of the War Department reservation at Coinjock, N. C.; to the Committee on Military Affairs.

By Mr. FUNK: A bill (H. R. 7032) to provide for the purchase of a site and the erection of a public building at Fairbury, Ill.; to the Committee on Public Buildings and Grounds.

By Mr. KINDRED: A bill (H. R. 7033) for the purchase of a site for the erection thereon of a public building at Jamaica, N. Y.; to the Committee on Public Buildings and Grounds.

By Mr. WINSLOW: A bill (H. R. 7034) to establish in the Bureau of Foreign and Domestic Commerce of the Department of Commerce a foreign commerce service of the United States, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. LEAVITT: A bill (H. R. 7035) to designate the time and places of holding terms of the United States District Court for the District of Montana; to the Committee on the Judiciary.

By Mr. HOWARD of Oklahoma: A bill (H. R. 7036) conferring jurisdiction upon the Court of Claims to hear, examine, consider, and adjudicate claims which the Seneca and Cayuga Indians may have against the United States, and for other purposes; to the Committee on Indian Affairs.

By Mr. LOGAN: A bill (H. R. 7037) to authorize any member of the bar of the Supreme Court of the United States to practice in any United States court without further qualifications; to the Committee on the Judiciary.

By Mr. HULL of Iowa: A bill (H. R. 7038) to amend in certain particulars the national defense act of June 3, 1916, as amended; to the Committee on Military Affairs.

By Mr. McKEOWN: A bill (H. R. 7039) to amend section 72 of chapter 23, printing act, approved January 12, 1895; to the Committee on Printing.

By Mr. WOLFF: A bill (H. R. 7040) to authorize the coinage of Roosevelt, Harding, and Wilson 2½-cent memorial coins; to the Committee on Coinage, Weights, and Measures.

By Mr. VAILE: A bill (H. R. 7041) to amend an act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," approved September 7, 1916; to the Committee on the Judiciary.

By Mr. WILLIAMSON: A bill (H. R. 7042) to authorize pro rata distribution of certain funds to the Rosebud Sioux Indians; to the Committee on Indian Affairs.

By Mr. VAILE: A bill (H. R. 7043) to amend section 1 of the act entitled "An act to readjust the pay and allowances of the commissioned and enlisted personnel of the Army, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, and Public Health Service," approved June 10, 1922; to the Committee on Military Affairs.

By Mr. MADDEN: A bill (H. R. 7044) to provide for the diversion or withdrawal of water from Lake Michigan by the Sanitary District of Chicago, and fixing the maximum amount of such diversion or withdrawal, and to provide for the preservation of and compensation for diminishing levels of Lakes Michigan, Huron, Erie, and Ontario, due to such diversion or withdrawal; to the Committee on Rivers and Harbors.

By Mr. BOYCE: A bill (H. R. 7045) to authorize the Secretary of War to surrender, release, and quitclaim, by deed, to the Commissioners of Lewes, Del., certain land in the county of Sussex, State of Delaware; to the Committee on Military Affairs.

By Mr. HAUGEN: Joint resolution (H. J. Res. 189) authorizing the President to extend invitations for foreign governments to participate in a world's poultry congress; to the Committee on Agriculture.

By Mr. McLEOD: Joint resolution (H. J. Res. 190) to amend section 3 of the joint resolution entitled "Joint resolution for the purpose of promoting efficiency for the utilization of the resources and industries of the United States, and so forth," approved February 8, 1918; to the Committee on Patents.

By Mr. BLANTON: Resolution (H. Res. 182) requesting and directing the Commissioners of the District of Columbia to cause forthwith a survey of housing and rental conditions in the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. THOMAS of Oklahoma: Memorial of the Legislature of the State of Oklahoma, urging Congress to grant relief to postal employees; to the Committee on the Post Office and Post Roads.

Also, memorial of the Legislature of the State of Oklahoma, urging Congress to defeat Senate bill 2065, which proposes to repeal section 5 of the act of Congress approved March 3, 1921, relating to gross-production tax on oil; to the Committee on Ways and Means.

By Mr. ANDREW: Memorial of the Legislature of the State of Massachusetts, opposing the Johnson immigration bill; to the Committee on Immigration and Naturalization.

By Mr. HASTINGS: Memorial of the Legislature of the State of Oklahoma, petitioning Congress to make a per capita payment to the Choctaw and Chickasaw Indians; to the Committee on Indian Affairs.

Also, memorial of the Legislature of the State of Oklahoma, petitioning Members of Congress from Oklahoma to introduce a bill providing for a survey to determine feasibility and cost of impounding flood waters of Oklahoma to prevent floods and using such waters for irrigation purposes; to the Committee on Irrigation and Reclamation.

Also, memorial of the Legislature of the State of Oklahoma, favoring the making of a per capita payment to the Choctaw and Chickasaw Indians; to the Committee on Indian Affairs.

Also, memorial of the Legislature of the State of Oklahoma, favoring the passage of legislation by Congress providing for a survey to determine the feasibility and cost of impounding flood waters of Oklahoma to prevent flood and using such waters for irrigation purposes; to the Committee on Irrigation and Reclamation.

Also, memorial of the Legislature of the State of Oklahoma, petitioning the Congress of the United States as to its policy relative to the Officers' Reserve Corps; to the Committee on Military Affairs.

Also, memorial of the Legislature of the State of Oklahoma, favoring the defeat of H. R. 2065, which provides for the repeal of 1 per cent gross-production tax on royalties received by the Osage Indians from oil and gas produced in Osage County, Okla.; to the Committee on Ways and Means.

Also, memorial of the Legislature of the State of Oklahoma, favoring an increase of compensation being granted to postal employees; to the Committee on the Post Office and Post Roads.

Also, memorial of the Legislature of the State of Oklahoma, petitioning Congress and Director of Veterans' Bureau on sub-

ject of hospitalization of Oklahoma's disabled soldiers; to the Committee on World War Veterans' Legislation.

Also, memorial of the Legislature of the State of Oklahoma, petitioning Congress and Director of the Veterans' Bureau to acquire for the Federal Government the Oklahoma Soldiers' Hospital, at Muskogee, Okla.; to the Committee on World War Veterans' Legislation.

PRIVATE BILLS AND RESOLUTIONS.

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

By Mr. ARNOLD: A bill (H. R. 7046) granting a pension to Mary E. Goudy; to the Committee on Invalid Pensions.

By Mr. BEGG: A bill (H. R. 7047) granting a pension to Clara R. Stutsman; to the Committee on Invalid Pensions.

By Mr. BUCKLEY: A bill (H. R. 7048) granting a pension to R. H. Hendershot; to the Committee on Invalid Pensions.

By Mr. BULWINKLE: A bill (H. R. 7049) granting an increase of pension to Jane Allen; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7050) granting an increase of pension to Lovady Austin; to the Committee on Invalid Pensions.

By Mr. CURRY: A bill (H. R. 7051) for the relief of Emile Genereux; to the Committee on Military Affairs.

By Mr. ELLIOTT: A bill (H. R. 7052) for the relief of Geston P. Hunt; to the Committee on Claims.

By Mr. HAUGEN: A bill (H. R. 7053) for the relief of the Pitt River Power Co.; to the Committee on Agriculture.

By Mr. HICKEY: A bill (H. R. 7054) granting a pension to Lodenia Speelman; to the Committee on Invalid Pensions.

By Mr. JOHNSON of Kentucky: A bill (H. R. 7055) granting an increase of pension to Albert Long; to the Committee on Pensions.

By Mr. KING: A bill (H. R. 7056) granting a pension to Charles Diesron; to the Committee on Pensions.

Also, a bill (H. R. 7057) granting an increase of pension to Joseph J. Johnson; to the Committee on Invalid Pensions.

By Mr. SHREVE: A bill (H. R. 7058) granting a pension to Maude A. Norman; to the Committee on Invalid Pensions.

By Mr. THOMAS of Oklahoma: A bill (H. R. 7059) for the relief of James F. Rowell; to the Committee on Indian Affairs.

Also, a bill (H. R. 7060) granting an increase of pension to Carrie Baker; to the Committee on Invalid Pensions.

By Mr. WASON: A bill (H. R. 7061) granting a pension to Sarah W. Cameron; to the Committee on Invalid Pensions.

PETITIONS, ETC.

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

1112. By the SPEAKER (by request): Petition of the United States Tariff Commission, transmitting a petition favoring the creation of an agricultural export commission to handle farm commodities; to the Committee on Agriculture.

1113. Also (by request), petition of sundry citizens of Polson and Lake County, Mont., requesting that the adjusted compensation bill be enacted into law; to the Committee on Ways and Means.

1114. By Mr. ALDRICH: Petition of the Miriam Hospital Association, of Providence, R. I., opposing passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1115. Also, petition of Loggia Partenope, No. 453, Order Sons of Italy, Peace Dale, R. I., protesting against passage of Johnson immigration bill; to the Committee on Immigration and Naturalization.

1116. By Mr. CONNERY: Petition of the city council of the city of Lawrence, Mass., opposing the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1117. Also, petition of the Massachusetts Fish and Game Protective Association, urging the enactment into law of House bill 745; to the Committee on Agriculture.

1118. Also, petition of a mass meeting representing the Jewish community of seventh congressional district of Massachusetts, opposing the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1119. By Mr. COOK: Petition of the First Presbyterian Church, the First Christian Church, the Church of God, the First United Brethren Church, the First Methodist Church, all of Huntington, Ind.; the Church of Christ and the Methodist Episcopal Church, both of Andrews, Ind., for enforcement of the eighteenth amendment; to the Committee on the Judiciary.

1120. By Mr. CURRY: Petition of sundry citizens of Vallejo, Calif., indorsing House bill 2702, providing for the more ex-

tensive use of Government owned and operated establishments; to the Committee on Naval Affairs.

1121. By Mr. DEAL: Petition of 42 citizens of Portsmouth, Va., urging that legislation similar to Senate bill 742 and House bill 2702 be enacted into law; to the Committee on Naval Affairs.

1122. By Mr. FENN: Petition of the Avoda Club, of Hartford, Conn., against the passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1123. Also, petition of Hartford Camp, No. 50, Connecticut Division, Sons of Veterans, Hartford, Conn., favoring increases in the pensions of veterans of the Civil War and their widows; to the Committee on Invalid Pensions.

1124. Also, petitions of the Archimede Political Club, of New Britain, Conn.; sundry citizens of Southington, Conn.; and sundry citizens of Hartford, Conn., all protesting against the passage of the so-called Johnson immigration bill; to the Committee on Immigration and Naturalization.

1125. By Mr. GALLIVAN: Petition of Howes Bros. Co., Boston, Mass., recommending early and favorable consideration of House bill 4517, designed to put the foreign service of the Department of Commerce on a permanent basis; to the Committee on Interstate and Foreign Commerce.

1126. Also, petition of Mosquito Fleet Yacht Club, E. L. Hopkins, commodore, urging elimination of tax on boats; to the Committee on Ways and Means.

1127. Also, petition of William H. K. Burke, Boston, Mass., recommending early and favorable consideration of the proposed child-labor amendment to the Constitution; to the Committee on the Judiciary.

1128. By Mr. KAHN: Petition of the San Francisco Chamber of Commerce and citizens of San Francisco, and other districts of California, urging passage of the Mellon tax bill; to the Committee on Ways and Means.

1129. By Mr. KING: Petition of Michael O'Meara and 30 other citizens of Geneseo, Ill., asking that the present railroad transportation act shall not be amended but remain as it is; to the Committee on Interstate and Foreign Commerce.

1130. By Mr. KVALE: Petition of Bennel G. Samstad Post, No. 375, Atwater, Minn., unanimously urging the enactment of an adjusted compensation measure; to the Committee on Ways and Means.

1131. Also, petition of Otto I. Ronningen, Madison, Minn., and other citizens of Madison, Dawson, Appleton, and Ortonville Minn., opposing the Mellon tax-reduction program and urging the enactment of bonus legislation; to the Committee on Ways and Means.

1132. Also, petition of members of Norway Lake Ramrod Club, Kandiyohi County, Minn., favoring the establishment of public shooting grounds and game refuges as provided in H. R. 745; to the Committee on Agriculture.

1133. By Mr. LEATHERWOOD: Petition of Brigham Rotary Club, of Brigham City, Utah, opposing any change in the transportation act of 1920 at the present time; to the Committee on Interstate and Foreign Commerce.

1134. Also, petition of Richfield Chamber of Commerce, Richfield, Utah, opposing any material change in the transportation act of 1920 at this time; to the Committee on Interstate and Foreign Commerce.

1135. By Mr. LEAVITT: Petition of C. F. Coleman, secretary of the Trades and Labor Assembly at Lewistown, Mont., and 15 other members, urging the passage of H. R. 2702, a bill to relieve unemployment among civilian workers of the Government, to remove the financial incentives to war, to stabilize production in Federal industrial plants, to promote the economical and efficient operation of these plants, and for other purposes; to the Committee on Naval Affairs.

1136. By Mr. MACGREGOR: Petition of Buffalo Aerie, No. 46, Fraternal Order of Eagles, in reference to immigration restriction; to the Committee on Immigration and Naturalization.

1137. By Mr. O'CONNELL of Rhode Island: Petition of members of Loggia Partenope, No. 453, Order of Sons of Italy, of Peacedale, R. I., opposing the passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1138. Also, petition of members of the State committee of Polish-American citizens of Rhode Island, opposing the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1139. By Mr. YOUNG: Petitions of John A. Beck and 29 other citizens of McClusky, N. Dak.; N. J. Krebsbach and 36 other citizens of Kongsberg, N. Dak.; K. W. Haviland and 19 other citizens of Hope, N. Dak.; J. Edgar Wagar and 20 other citizens of Rantry, N. Dak.; S. O. Bidne and 31 other citizens of Oberon, N. Dak., urging an increase in the tariff on wheat from 30 to 60 cents per bushel, the repeal of the drawback provision, and

the milling-in-bond provision of the Fordney-McCumber law; also urging the passage of the Wallace plan for the marketing of wheat; to the Committee on Ways and Means.

1140. Also, petitions of Mr. Andrew Tingelstad and 84 other citizens of St. John, N. Dak., and E. S. Stone and 61 other citizens of Leeds, N. Dak., urging a reduction in the tax on alcohol; to the Committee on Ways and Means.

1141. Also petitions of Gilbert B. Rice and 25 other citizens of Esmond, N. Dak.; Christ Hagedorn and other citizens of Russell, N. Dak.; Fred J. Woodrow and other citizens of Rock Lake, N. Dak.; Henry Pfau and other citizens of Upham, N. Dak.; Peter Dickson and other citizens of Sables, N. Dak.; Mrs. J. P. Parkinson and other citizens of Willow City, N. Dak.; Jens Myhre and other citizens of New Rockford, N. Dak.; Elias Nelson and other citizens of Milton, N. Dak.; A. C. Johnson and A. O. Brager, of Leeds, N. Dak.; H. H. Olson and other citizens of New Rockford, N. Dak.; F. A. Kruger and other citizens of Drake, N. Dak.; R. S. Conklin and others of New Leipzig, N. Dak.; Charles Gran and others of Crete, N. Dak.; Anna Melin and other citizens of Sheyenne, N. Dak., all urging the passage of the Norris-Sinclair bill; to the Committee on Agriculture.

SENATE.

MONDAY, February 18, 1924.

(Legislative day of Saturday, February 16, 1924.)

The Senate met in open executive session at 12 o'clock meridian, on the expiration of the recess.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Secretary will call the roll.

The principal legislative clerk called the roll, and the following Senators answered to their names:

Adams	Ernst	Ladd	Reed, Pa.
Ashurst	Ferris	La Follette	Robinson
Bayard	Fletcher	Lenroot	Sheppard
Borah	Frazier	Lodge	Shields
Brandeggee	George	McKellar	Shipstead
Brookhart	Gerry	McKinley	Shortridge
Broussard	Glass	McNary	Simmons
Bruce	Gooding	Mayfield	Smith
Bursum	Hale	Moses	Snoot
Cameron	Harrel	Neely	Spencer
Capper	Harris	Norbeck	Stanley
Caraway	Harrison	Norris	Stephens
Couzens	Heflin	Oddie	Swanson
Cummins	Howell	Overman	Tamm
Curtis	Johnson, Minn.	Owen	Wadsworth
Dale	Jones, N. Mex.	Pepper	Watson
Dial	Jones, Wash.	Phipps	Weller
Dill	Kendrick	Pittman	Willis
Edge	Keyes	Ransdell	
Edwards	King	Reed, Mo.	

The PRESIDENT pro tempore. Seventy-eight Senators have answered to their names. There is a quorum present.

NOMINATION OF OWEN J. ROBERTS AS SPECIAL COUNSEL.

The Senate in open executive session, pursuant to its order, proceeded to consider the nomination of Owen J. Roberts, of Pennsylvania, to be special counsel in the prosecution of litigation in connection with certain leases of oil lands and incidental contracts, as provided in Senate Joint Resolution 54, approved February 8, 1924.

The PRESIDENT pro tempore. The question is, Will the Senate advise and consent to the appointment of Owen J. Roberts, of Pennsylvania, as special counsel?

Mr. PEPPER. Mr. President, as I have known Owen J. Roberts intimately for many years, I desire to bear witness to what seem to me his eminent qualifications for the task to which he has been called by the President. For 25 years he has been engaged in the active practice of his profession at a bar which is not without men of ability. He has emerged from the struggles of the forum with a character unimpaired, a reputation unsmirched. He has stood the fire test of professional life. He is recognized by his entire community as a gentleman of integrity and honor.

Senators, the man is in the prime of life. He is 49 years of age and a tower of physical strength. He is a ceaseless and tireless worker. When he is not in court he will be found in his office early and late. He has recognized that the law is a jealous mistress and has given but little time to activities outside the scope of the profession.

There was a time, Mr. President, when it was doubtful which of two courses his life would take. He began as a student and teacher of the law, and for a while he seemed destined to academic work; but essentially the man is a fighting Welshman, and he broke from the law school and entered the active life of