HOUSE OF REPRESENTATIVES.

SATURDAY, *March 8, 1924.*

The House met at 12 o'clock noon.

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

Who is like unto Thee, O Lord? Thou art the author of life, death, and immortality. Lift us to the height of our noblest love and our finest convictions. Clothe us with great decision of character that gives vital guidance and without which human strength is weakness and human wisdom a perplexity. Deliver us from the power and strife of sin. Let us know Him who said "I am the truth," and thus find a solution for all the spiritual problems of life. Persuade us that peace of mind and rest of soul come with the "Prince of Peace." This season set apart for reflection, meditation, and prayer—may it be helpful to all and direct us to look into our lives and feel deeply the necessity of redeeming and preserving grace. In the name of Jesus. Amen.

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

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Craven, its Chief Clerk, announced that the Senate had passed, with amendments, the bill (H. R. 6349) making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1925, and for other purposes, in which the concurrence of the House of Representatives was requested.

MARBLE TABLET ON FRANCIS SCOTT KEY BRIDGE.

Mr. LUCE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table Senate Joint Resolution 91, to authorize the National Society United States Daughters of 1812 to place a marble tablet on the Francis Scott Key Bridge, and to consider the same at this time.

The SPEAKER. The gentleman from Massachusetts asks unanimous consent to take from the Speaker's table and consider at this time Senate Joint Resolution No. 91. Is there objection?

There was no objection.

The Clerk read the joint resolution, as follows:

Joint resolution (S. J. Res. 91) to authorize the National Society United States Daughters of 1812 to place a marble tablet on the Francis Scott Key Bridge.

Resolved, etc., That the National Society United States Daughters of 1812 is authorized to place on the Francis Scott Key Bridge across the Potomac River a marble tablet inscribed with the insignia of such society and with the last verse of The Star-Spangled Banner, after the plans and specifications for such tablet have been submitted to and approved by the Commission of Fine Arts on such plans and specifications.

SEC. 2. Such tablet shall be erected without expense to the Government of the United States.

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

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

ALLEGED CHARGES AGAINST TWO MEMBERS OF CONGRESS—REPLY OF THE ATTORNEY GENERAL.

The SPEAKER laid before the House the following communication:

DEPARTMENT OF JUSTICE,
OFFICE OF THE ATTORNEY GENERAL,
March 7, 1924.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: Resolution No. 211 of the House of Representatives of the United States passed March 6, 1924, directing me to transmit the names of the two Members of Congress mentioned in the report of the grand jury of the district court of the United States for the northern district of Illinois, eastern division, and the nature of the charges made against such Members of Congress can not be complied with by me for the reasons—

First. I am unwilling to make public the name of any man against whom any criminal charge has been made until the evidence in my possession convinces me that there is reasonable ground to believe that the person is guilty as charged and until proper legal steps shall have been taken to protect the public interests.

Second. To transmit to you the nature of the charges made against any persons under investigation in the Department of Justice is incompatible with the public interest and will tend to defeat the ends of justice.

If, however, the House of Representatives of the United States, acting within its constitutional power (under Article I) to punish its Members for disorderly behavior or to expel such Member, requests that all the evidence now in the possession of anyone connected with the Department of Justice shall be turned over to the House of Representatives to enable it to determine what action should be taken by the House in reference to the conduct of any of its Members, I will direct all such evidence, statements, and information obtainable to be immediately turned over to you or to such committee as may be designated by the House and will await the complete investigation of the facts of the House before continuing the investigation now being made by the Department of Justice. To have two tribunals attempting to act upon the same facts and to hear the same witnesses at the same time will result in confusion and embarrassment and will defeat the ends of justice.

Until I am requested by a resolution of the House of Representatives to submit these matters to the jurisdiction of the House the investigation now being conducted of the matters referred to in said resolution will continue in accordance with the usual rules of the department.

Respectfully, H. M. DAUGHERTY, *Attorney General.*

Mr. LONGWORTH. Mr. Speaker, I move that the communication of the Attorney General be referred to the Committee on the Judiciary, with instructions to report at the earliest possible moment its conclusions and such recommendations as it may see fit to make.

Mr. CLARK of Florida. Mr. Speaker, will the gentleman yield to me for five minutes?

Mr. LONGWORTH. I yield five minutes to the gentleman from Florida.

Mr. CLARK of Florida. Mr. Speaker, the day before yesterday this House passed a resolution directing, commanding I may say, the Department of Justice to report to this House the names of the two Members charged with the commission of crime, and the nature of the accusation against them. This reply of the Attorney General which has just been read is mere quibbling. It is an outrage upon the dignity of this House and upon the integrity of its membership for the Attorney General to say now that he can not give the names. [Applause.] I do not know whether the honored occupant of the chair of the Speakership of this House, the majority leader, the minority leader, or who may be under suspicion. We ought to know. This man, the Attorney General, who is a creature of ours, ought to be made to tell us who these suspected Members are and ought to be made to submit the evidence to this House so that we may purge ourselves if there are those among us who have been guilty of crime.

Mr. BYRNS of Tennessee. Mr. Speaker, will the gentleman yield?

Mr. CLARK of Florida. Yes.

Mr. BYRNS of Tennessee. Can the gentleman possibly imagine how it can interfere with the ends of justice if the names and the evidence and the nature of the offense charged be given us?

Mr. CLARK of Florida. I can not. No Member of this House will flee justice if his name be given. He could not do it; he could not get away. The processes of the Government could reach him. Why this secrecy? Why this casting of suspicion upon all the membership of the House of Representatives?

Mr. LINEBERGER. Mr. Speaker, will the gentleman yield?

Mr. CLARK of Florida. In a moment. Mr. Speaker, I have been here for 19 years, and I have seen this House gradually give away its prerogatives and its powers and privileges, gradually desert its ancient privileges, until now the press of the country, the bureaucrats in the departments, look upon us with contempt, and we ought to assert ourselves as one of the branches of the legislative departments of this Government, the main one, in fact, in the estimation of the framers of the Constitution, and let these creatures of ours understand that they can not malign all of us with impunity.

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

Mr. CLARK of Florida. Yes.

Mr. BLANTON. If we should pass a second resolution, as the Attorney General suggests, would it be any more compelling upon him than the one we have already passed?

Mr. CLARK of Florida. I am in favor of bringing the Attorney General before the bar of this House and punishing him for contempt because of his defiance of the order of this House. [Applause.]

That is where he ought to be brought, and I am not his enemy; but he ought to be brought here and made to answer to this House why he defies and refuses to obey a plain resolution of the House.

Mr. LINEBERGER. Will the gentleman yield?

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

Mr. CLARK of Florida. Yes.

Mr. LINEBERGER. Why should the Attorney General or his department give these names to the newspapers of the country and then refuse to give them to the House?

Mr. CLARK of Florida. The newspapers do not say that he gave them.

Mr. LINEBERGER. Where did they get them?

Mr. CLARK of Florida. I do not know, but floating out around this Capitol and over the Nation is the statement that two Members of this House have been guilty of violation of their oaths of office and accepting bribes. Let the Attorney General come here, our creature, and be made to answer, and if he does not answer, let us commit him for contempt of this House.

Mr. STEAGALL. Will the gentleman yield?

Mr. CLARK of Florida. I will.

Mr. STEAGALL. Does not the Attorney General say in his reply that he will submit the information to the House in response to a resolution if the House will permit him to dictate the resolutions? Is not that what his letter means?

Mr. CLARK of Florida. I think so; yes; but he can not dictate anything to the House of Representatives. Gentlemen, let us now stand here and assert our rights under the Constitution and make these people do what we say they ought to do. [Applause.]

The SPEAKER. The time of the gentleman has expired.

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

Mr. LONGWORTH. I will yield to the gentleman.

Mr. GARNER of Texas. My recollection is that the precedents, so far as Congress is concerned, are that when either House of the Congress directs a Cabinet officer to report certain facts and that officer finds it incompatible to the public interest to do so, the President sends such message to the Congress, and not the Cabinet officer. Now, I wonder why in this instance the Cabinet officer took upon himself the responsibility of saying to the Congress that it was incompatible with the public interest. That has been done by the President under the precedents for at least 100 years.

Mr. LONGWORTH. I will say frankly there are a number of doubts arising in my mind as to the precise effect of this message in reference to the rights of the House and the proprieties of the situation, and that is the reason I think it is the wise and safe thing to refer this matter to the Judiciary Committee for its report.

Mr. CLARK of Florida. If the gentleman will yield, will the gentleman accept an amendment to the resolution, and if so, I desire to offer an amendment, Mr. Speaker, that the Attorney General be required to appear before the bar of this House and submit the names of the Members and the nature of the charge against them.

Mr. LONGWORTH. Mr. Speaker, I will not yield to the gentleman for the purpose of offering an amendment.

Mr. CLARK of Florida. Mr. Speaker——

Mr. LONGWORTH. I hope the gentleman will not insist on going any further than a reference of this matter to the Committee on the Judiciary and let them consider this question.

Mr. CLARK of Florida. Then, if the gentleman will pardon me, are we all to remain under suspicion for weeks and maybe months.

Mr. LONGWORTH. I anticipate a report of the Committee on the Judiciary by Monday. I think it will come Monday or Tuesday at the latest.

Mr. DYER. If the gentleman will yield, I will state to the gentleman from Ohio that the chairman of the Committee on the Judiciary is not here to-day, but I am acting chairman and I will say that the committee will be called Monday morning to give consideration——

Mr. LONGWORTH. Could not the gentleman find it possible to get the committee together immediately? I think it would be wise to do so.

Mr. DYER. At the suggestion of the leader I will ask the clerk to call a meeting of the committee this afternoon.

Mr. CLARK of Florida. Will the gentleman yield for a moment?

Mr. LONGWORTH. For a question.

Mr. CLARK of Florida. Will the gentleman amend the resolution so as to require the Committee on the Judiciary to report instanter?

Mr. LONGWORTH. I used the words "at the earliest possible moment," and I think we can trust the Committee on the Judiciary to do everything that can be done.

Mr. DYER. Mr. Chairman, I will say to the gentleman from Florida that I will personally call the committee for 2.30 this afternoon to take up this matter.

Mr. LONGWORTH. So that we will have speedy action.

Mr. ZIHLMAN. Mr. Speaker, I ask for recognition. [Applause.]

Mr. LONGWORTH. I will yield the gentleman five minutes.

Mr. ZIHLMAN. Mr. Speaker and gentlemen of the House, you can well understand the humiliation that I have felt at the insinuations and defamations which have been made against my name and character. Those of you who have served here with me know that I am no master of eloquence, and it would be absolutely impossible for me to attempt to move you by an eloquent appeal, and, further, it is not my purpose to endeavor to do so at this time. But I want to make the statement that there is no reason given in the letter of the Attorney General of the United States in response to the resolution of this House refusing to disclose the names of the Members accused of wrongdoing, which is worthy of recognition by the House [applause], because I have it from reliable and authentic authority that immediately upon the arrival of Mr. Crim—formerly from Virginia, but who was appointed from New York—the special attorney in charge of the case in this city, he telephoned the name of another distinguished Member of Congress and myself all over the city.

I want to say that if this matter is taken up by a grand jury that I am prepared to waive my constitutional rights of immunity and submit myself to the fullest examination by Mr. Crim or by Mr. Daugherty, or by each and every member of the grand jury. [Applause.] I court the fullest investigation, and I have no fear but that I will be able to clear my name of every charge and every insinuation that has been made or is reported to have been made and which is claimed to be a part of the evidence laid before the Chicago grand jury. I want and ask the fullest investigation of every charge made, and I am confident that I can demonstrate to this House and to the country that I have been guilty of no wrongdoing [applause], and I here again, as I have elsewhere done, deny the imputations made against me, and with conscience clear I have abiding faith in my complete vindication.

Mr. LONGWORTH. Mr. Speaker, I yield one minute to the gentleman from Maryland [Mr. HILL].

The SPEAKER. The gentleman from Maryland is recognized for one minute.

Mr. HILL of Maryland. Mr. Speaker and gentlemen of the House, as a member of the Maryland delegation and a Member of this House, as one of you on whom all of these reflections and unwarranted assertions fall, I want to say that we in Maryland, having known our colleague for many years, feel that he is absolutely speaking with the utmost sincerity when he demands your immediate investigation, and that we have absolute confidence in him.

I want to say one more thing, Members of the House. For five years I was United States district attorney, and I can say to you that if all the baseless rumors, all the unfounded and untrue allegations against important people that were made in and out of the grand jury room had been published, there would have been very few of us in the city of Baltimore who would have escaped slander. [Applause.]

The SPEAKER. The time of the gentleman from Maryland has expired.

TREASURY AND POST OFFICE APPROPRIATION BILL.

Mr. MADDEN. Mr. Speaker, I ask unanimous consent that the bill H. R. 6349, the Treasury and Post Office appropriation bill, just messaged over from the Senate, be taken from the Speaker's table, the Senate amendments disagreed to, and the bill sent to conference.

The SPEAKER. The gentleman from Illinois asks unanimous consent that the Treasury and Post Office appropriation bill be taken from the Speaker's table, the Senate amendments disagreed to, and the bill sent to conference. The Clerk will report it.

The Clerk read as follows:

A bill (H. R. 6349) making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1925, and for other purposes.

The SPEAKER. Is there objection?

Mr. GARRETT of Tennessee. Reserving the right to object, Mr. Speaker, is that agreeable to the gentleman from Tennessee [Mr. BYRNS]?

Mr. MADDEN. Yes, indeed.

Mr. BLANTON. Reserving the right to object, Mr. Speaker, the gentleman will give us a right to pass on the additions of importance made by the Senate?

Mr. MADDEN. On anything that is subject to agreement under the rules of the House, of course, we are going to act as the representatives of the House.

Mr. BLANTON. Where the appropriations have been increased to a large amount, even where they do not violate the rules of order in the House, the gentleman would give us a right to pass upon them?

Mr. MADDEN. The gentleman would not want us to bring it back if we were going to cut it out?

Mr. BLANTON. No.

Mr. MADDEN. I think the gentleman can trust us to bring it back if it is important enough to warrant its being brought back.

The SPEAKER. Is there objection?

There was no objection.

ALLEGED CHARGES AGAINST TWO MEMBERS OF CONGRESS—REPLY OF THE ATTORNEY GENERAL.

Mr. LONGWORTH. Mr. Speaker, I yield five minutes to the gentleman from Tennessee [Mr. GARRETT].

The SPEAKER. The gentleman from Tennessee is recognized for five minutes.

Mr. GARRETT of Tennessee. Mr. Speaker, the Speaker of the House and the majority leader did me the courtesy of submitting the letter of the Attorney General just a few moments before the House met, and, as I understood it, as quickly after the receipt as they could get in touch with me, and there was a discussion as to what procedure ought to be taken under the terms of the reply. I confess that I was troubled in my own mind as to what should be done. None of us had time to think it over very much after its receipt, but I am of the opinion that probably the very best thing to be done is to adopt the motion of the gentleman from Ohio [Mr. LONGWORTH] and refer the matter to the Committee on the Judiciary of the House, which is the law committee, with the instruction contained in his motion, that they report their conclusions as promptly as is possible.

Therefore I am prepared to support the motion of the gentleman from Ohio, and I believe that all of us here had best support that proposition. [Applause.]

Mr. LONGWORTH. Mr. Speaker, I yield two minutes to the gentleman from Illinois [Mr. KING].

The SPEAKER. The gentleman from Illinois is recognized for two minutes.

Mr. KING. Mr. Speaker and gentlemen of the House——

Mr. HOWARD of Nebraska rose.

The SPEAKER. For what purpose does the gentleman from Nebraska rise?

Mr. HOWARD of Nebraska. For the purpose of saying something about this resolution.

Mr. KING. Mr. Speaker, I believe I have the floor.

Mr. HOWARD of Nebraska. I beg the gentleman's pardon.

Mr. KING. Mr. Speaker, I had not expected to say anything on this subject, but I have just heard our colleague from Maryland [Mr. ZIHLMAN], who has the respect of every man in the House, and I believe in the honesty of his statement, that this man Crim came from Chicago and immediately on his arrival in Washington telephoned this information about these two Members all over the city of Washington.

I believe this man Crim is a crook. This man Crim went to Chicago for the purpose of seeing if he could not dig up something. He knows that there is a resolution pending in this House pertaining to the Department of Justice and another department, and this man Crim is the man who sold out the Government's case against the harness grafters. [Applause.]

Do you know what he did after the evidence was secured by Mr. Crim in the suit and everything was in order? Those cases were taken up somewhere in West Virginia. It was a conspiracy case, a conspiracy between Army officers and civilians to graft money off the Government. What did this man do? He indicted the civilians, but failed to indict the Army officers. The result was that the Government's case fell to the ground and the Government was defeated. I say this man Crim is a crook. [Applause.]

Mr. HOWARD of Nebraska rose.

Mr. LONGWORTH. Does the gentleman desire some time?

Mr. HOWARD of Nebraska. Yes. I would be very grateful to the gentleman if he will grant me but a moment.

Mr. LONGWORTH. I will yield the gentleman two minutes.

Mr. HOWARD of Nebraska. The information I desire to convey to the gentleman, in the hope that it may induce him to make his resolution just a little bit stronger, is the fact that within 24 hours I heard the statement made by a Member of this House that an error had been made by this man Crim; that he had given the name of the wrong man; and that another Member of this House was intended to be named rather than one of the two who have been named. Now, under the circumstances, it would seem to me that instant action ought to be taken as to those supposed to have the true facts regarding these two names, and I sincerely trust the gentleman from Ohio, exercising that vast power which is his, and is so often beautifully exercised [laughter], will do something that will really put a cocklebur under the official tail of the Attorney General and make him obey the orders of this House. [Applause and laughter.]

The SPEAKER. The question is on the motion of the gentleman from Ohio.

The motion was agreed to.

REPORT OF SECRETARY OF NAVY RELATIVE TO NAVAL OIL LEASES.

Mr. BRITTEN. Mr. Speaker, I desire to make a unanimous-consent request. On March 3 a resolution was introduced into the House calling for certain information and facts from the Secretary of the Navy; that information and the facts have been presented to the Committee on Naval Affairs and the resolution has been unanimously reported to the House in proper form. I desire to make the unanimous request that the resolution and the reply thereto may be entered in the CONGRESSIONAL RECORD.

The SPEAKER. The gentleman from Illinois asks unanimous consent to extend his remarks in the RECORD for the purpose indicated. Is there objection?

There was no objection.

Mr. BRITTEN. Mr. Speaker, when I introduced the resolution, House Resolution 204, on last Tuesday I did so for the sole purpose of clarifying the atmosphere surrounding the oil scandals and to bring out the really good side of this national calamity which would surely destroy confidence in our present form of government unless counteracted.

The hearings before the Committee on Naval Affairs have convinced me that both Secretary Daniels and Secretary Denby were headed in the same direction for the protection of Navy oil, and the fact that Daniels and John Barton Payne, then Secretary of the Interior, leased without public advertisement the drilling of new wells in the naval petroleum reserves is the best evidence that this was then considered to be the only real method of conservation.

Mr. Speaker, complying with that resolution, Secretary Denby to-day presented to the Committee on Naval Affairs of the House a detailed reply to the 23 requests for facts and information concerning the leasing and drilling of Navy oil preserves.

Notwithstanding the oft-repeated statements of former Secretary Daniels that his principal desire was to preserve the Navy oil in the ground, it now develops that on August 16, 1920, John Barton Payne, then Secretary of the Interior, transmitted to Secretary Daniels copies of leases providing for the drilling of five new wells on the California naval reserve No. 2, and on August 21, 1920, Daniels approved these leases, and in a letter to Payne indicated that the Navy Department had been in conference with the Boston-Pacific Oil Co. for that specific purpose.

The new drilling was considered necessary because of drainage by owners of contiguous territory, and the royalty accruing to the Government under the lease was 25 per cent, while the Doheny lease of December, 1922, has provided an actual net royalty averaging more than 27 per cent—a more favorable rate.

It is noteworthy that the Daniels-Payne leases were negotiated without competition, but I am certain that they were made in the interest of Navy oil conservation.

On December 6, 1920, Secretary Payne wrote the President that—

> to offset the draining of the land by wells drilled upon adjoining tracts the Secretary of the Navy and myself are of the opinion that the company—Boston-Pacific Oil Co.—should be allowed to drill five additional wells, paying to the United States a royalty of 25 per cent of the value of all oil * * *, or, on demand, to turn over to the Government the percentage named of the products of the wells. If this suggestion meets with your approval, leases will be issued and delivered accordingly.

This letter is "approved December, 1920, Woodrow Wilson, President."

It is quite evident that all the Daniels and Denby oil leases were drawn in the very best interest of the Navy, and that the Government was protected in every possible manner.

Mr. Speaker, I present a favorable report from the Committee on Naval Affairs, together with a copy of the resolution and the reply to same by Secretary Denby:

AUTHORIZING AND DIRECTING THE SECRETARY OF THE NAVY TO FURNISH TO THE HOUSE OF REPRESENTATIVES CERTAIN INFORMATION RELATIVE TO CERTAIN OIL LEASES.

Mr. BRITTEN, from the Committee on Naval Affairs, submitted the following report (to accompany H. Res. 204):

The Committee on Naval Affairs of the House of Representatives, to whom was referred the resolution (H. Res. 204) authorizing the Secre-

tary of the Navy to furnish to the House of Representatives certain information relative to naval oil leases, having had the same under consideration, report the same back to the House without amendment and recommend that the resolution do pass.

House Resolution 204.

IN THE HOUSE OF REPRESENTATIVES,
March 3, 1924.

Mr. BRITTEN submitted the following resolution; which was referred to the Committee on Naval Affairs and ordered to be printed:

Resolved, That the Secretary of the Navy be, and he is hereby, authorized and directed, if not incompatible with the public interest, to furnish to the House of Representatives at the earliest date possible such data and information as he may have concerning the following questions:

1. Is it a fact that the then Secretary of the Navy, the Hon. Josephus Daniels, sent similar letters to the chairman of the Committee on Naval Affairs of the Senate and of the House of Representatives, dated, respectively, March 29, 1920, and March 5, 1920, stating:

(a) It therefore becomes imperative "when viewed from an economic standpoint only that machinery be provided whereby wells may be drilled for protection against drainage from adjacent lands, or to supply oil for the Government's needs."

(b) And that excess oil from protective wells may be sold or storage provided for excess oil if considered advisable.

2. Is it a fact that in the above-referred-to letters dated March 5, 1920, and March 29, 1920, Secretary Daniels suggested legislation as follows:

"That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become vested in the United States; to conserve, develop, use, and operate the same in his discretion, directly or by contract, lease, or otherwise, and to use, store, exchange, refine, sell, or otherwise dispose of the oil and gas products thereof and those from all royalty oil for the benefit of the United States."

3. Is it a fact that language practically as suggested by these two letters was enacted into law on June 4, 1920?

4. Is it a fact that had it been the policy of Secretary Daniels at the time these letters were written to retain the oil in the naval petroleum reserves in the ground no legislation of this character was necessary?

5. Is it a fact that Secretary Daniels approved the leasing without public advertisement by the Hon. John Barton Payne, then Secretary of the Interior, and drilling of new wells on naval oil reserves?

6. Is it a fact that it has been the practice for many years for one executive department to perform services for another executive department, and that this practice has been recognized by the Congress in the act of May 21, 1920, providing that the funds of one department for which the services are performed may be placed subject to the requisition of the department performing the service?

7. Is it a fact that at the time the "administration and conservation" of the naval oil reserves were transferred to the Interior Department that department had under lease or permit over 3,500,000 acres of public oil land, and has now under lease or permit over 17,500,000 acres of such land, while the total acreage of the naval oil reserves being operated is less than 52,000 acres?

8. Is it a fact that proposals from three companies were entertained for leasing the Teapot Dome reserve and that five companies were asked to bid on royalty oil from the California naval reserve?

9. Is it a fact that the Government received over $3,000,000 premium on its royalty oil from the Salt Creek district in 1923 as a result of the competition promoted by the leasing of Teapot Dome naval reserve?

10. Is it a fact that under its contract for the leasing of Teapot Dome naval reserve the Navy received, for the calendar year 1923, 41 cents more per barrel for its royalty oil than the selling price of all other producers in that district?

11. Is it a fact that had the production from the Teapot Dome naval reserve reached even the minimum of production anticipated the amount received by the Government on its royalty oil above the daily market price would have been more than $16,000,000 and would have exceeded by many millions of dollars all of the cash bonuses ever received from the sale of Government leases in the entire Salt Creek field?

12. Is it a fact that on the minimum production now anticipated the sum that will be received from the Teapot Dome naval reserve above the daily market price will exceed the cash bonuses received by the Government from the sale of all Salt Creek leases?

13. Is it a fact that royalties fixed in the Teapot Dome naval reserve lease exceed the ruling royalties for wells of the same size on other Government leases in the same direction?

14. Is it a fact that the Navy received a large bonus for the lease in the California reserve in the form of high royalties, free storage for its royalty oil, free pipe-line transportation, advance supply of fuel oil in storage, option to purchase at a discount all petroleum products, construction of storage facilities without profit, etc.?

15. Is it a fact that the average royalties so far accruing under the contract and lease of the Pan American Petroleum & Transport Co. on naval oil reserve No. 1 in California amount to over 28.50 per cent as compared to 18.14 per cent received under the leases in reserve No. 2, where the royalties were established in accordance with the general leasing act passed by the Congress?

16. Is it a fact that the leases and contracts on naval oil reserves Nos. 1, 2, and 3 with the Mammoth Oil Co. and the Pan American Petroleum & Transport Co. provide that oil shall remain in the ground in these reserves in the only large area under naval jurisdiction not subject to drainage?

17. Is it a fact that in May, 1922, before any development work was undertaken under the contracts with either the Mammoth Oil Co. or the Pan American Petroleum & Transport Co., Secretary Denby informed a committee of the Senate that such leases had been made, and of the transfer of the administration and conservation of the naval oil reserves to the Department of the Interior, and of the storage tanks to be built, so that the Congress had full authority to impose any restrictions or regulations desired before any work was undertaken under these contracts?

18. Is it a fact that by the leasing act of February 25, 1920, the Department of the Interior is charged with the leasing and administration of all then existing producing wells on naval oil reserves?

19. Is it a fact that there is now actually in the ground more oil in the naval petroleum reserves than there would have been had the leases above referred to not been negotiated?

20. Is it a fact that up to July 1, 1923, there has been turned into the Treasury from royalties received from the naval oil reserves more than $5,000,000?

21. Is it a fact that no officer of the Navy was retired or ordered away from his station of duty in Washington because of his disagreement with Secretary Denby's policy?

22. Is it a fact that none of the officers ever on duty in connection with the naval petroleum reserves had any prior training or experience in connection with the oil-production industry?

23. Is it a fact that important portions of the naval reserves never have been under the control of the Navy?

THE SECRETARY OF THE NAVY,
Washington, March 7, 1924.

The Hon. THOMAS S. BUTLER,
Chairman, Committee on Naval Affairs,
House of Representatives.

MY DEAR MR. CHAIRMAN: In compliance with House Resolution 204, forwarded with your letter of March 4, 1924, the information therein requested is, as follows:

"Question No. 1. Is it a fact that the then Secretary of the Navy, the Hon. Josephus Daniels, sent similar letters to the chairman of the Committee on Naval Affairs of the Senate and of the House of Representatives dated, respectively, March 29, 1920, and March 5, 1920, stating:

"'(a) It therefore becomes imperative "when viewed from an economic standpoint only that machinery be provided whereby wells may be drilled for protection against drainage from adjacent lands, *or to supply oil for the Government's needs*" (b) and that excess oil from protective wells may be sold *or storage provided* for excess oil if considered advisable.'"

Answer. Yes.

Copies of these letters dated, respectively, March 29, 1920, and March 5, 1920, are inclosed herewith. The letter dated March 5, 1920, to the chairman of the Committee on Naval Affairs may be found on pages 3119 and 3120 of the hearings before the Committee on Naval Affairs of the House of Representatives, appropriation bills subjects, 1920, volume 2.

"Question No. 2. Is it a fact that in the above-referred-to letters dated March 5, 1920, and March 29, 1920, Secretary Daniels suggested legislation, as follows:

"'That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become vested in the United States; to conserve, develop, use, and operate the same in his discretion, directly or by contract, lease, or otherwise, and to use, store, exchange, refine, sell, or otherwise dispose of the oil and gas products thereof and those from all royalty oil for the benefit of the United States.'"

Answer. Yes; this language is a verbatim quotation.

"Question No. 3. Is it a fact that language practically as suggested by these two letters was enacted into law on June 4, 1920?"

Answer. Yes.

The language of that part of the act of June 4, 1920 (41 Stat. 813–814, ch. 228), referring to naval petroleum reserves, reads as follows:

"*Provided*, That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become subject to the control and use by the United

States for naval purposes, and on which there are no pending claims or applications for permits or leases under the provisions of an act of Congress approved February 25, 1920, entitled 'An act to provide for the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain,' or pending applications for United States patent under any law; to conserve, develop, use, and operate the same in his discretion, directly or by contract, lease, or otherwise, and to use, store, exchange, or sell the oil and gas products thereof, and those from all royalty oil from lands in the naval reserves, for the benefit of the United States: *And provided further*, That the rights of any claimant under said act of February 25, 1920, are not affected adversely thereby: *And provided further*, That such sums as have been or may be turned into the Treasury of the United States from royalties on lands within the naval petroleum reserves prior to July 1, 1921, not to exceed $500,000, are hereby made available for this purpose until July 1, 1922: *Provided further*, That this appropriation shall be reimbursed from the proper appropriations on account of the oil and gas products from said properties used by the United States at such rate, not in excess of the market value of the oil, as the Secretary of the Navy may direct."

"Question No. 4. Is it a fact that had it been the policy of Secretary Daniels at the time these letters were written to retain the oil in the naval petroleum reserves in the ground, no legislation of this character was necessary?"

Answer. It is obvious from the language of the act that no legislation was necessary in order that the oil might be retained in the ground. The retention of oil in the ground is nowhere referred to in this act.

"Question No. 5. Is it a fact that Secretary Daniels approved the leasing without public advertisement by the Hon. John Barton Payne, then Secretary of the Interior, and drilling of new wells on naval oil reserves?"

Answer. Yes.

Under date of August 21, 1920, the then Secretary of the Navy informed the then Secretary of the Interior that the lease to the Boston-Pacific Oil Co. covering the drilling of five new wells on section 32 of naval petroleum reserve No. 2 was satisfactory to the Navy Department. The correspondence shows that the terms of this lease were agreed upon in conference between the representatives of the oil company and of the Navy Department and that such new drilling was considered necessary because of drainage by owners of contiguous territory. The royalty accruing to the Government under this lease was 25 per cent. Under the so-called Doheny lease of December 11, 1922, the royalty runs from 12½ per cent to 35 per cent, and the actual net royalty received has amounted to 27.14 per cent.

There are inclosed herewith photostatic copies of letter from the then Secretary of the Interior to the then Secretary of the Navy dated August 16, 1920, letter from the then Secretary of the Navy to the then Secretary of the Interior dated August 21, 1920, letter from the then Secretary of the Interior to the then President of the United States dated December 6, 1920, and the lease to the Boston-Pacific Oil Co. covering the drilling of the five new wells.

Under date of January 25, 1921, the then Secretary of the Navy indicated to the then Secretary of the Interior his willingness to lease 120 acres in the eastern part of section 28 of naval oil reserve No. 2 to the Consolidated Mutual Oil Co., and this land was leased without restriction to the number of wells that might be drilled. The correspondence shows that the reason for the leasing of this land was because of water conditions. The Government royalty provided under this lease was from 12½ per cent to 25 per cent, while the royalty provided by the so-called Doheny lease of December 11, 1922, on naval oil reserve No. 1 is from 12½ per cent to 35 per cent, and the actual net royalty so far received is 27.14 per cent.

There are forwarded herewith photostatic copies of letter of February 8, 1921, from the then Secretary of the Interior to the then President of the United States, letter dated February 16, 1921, from the then Secretary of the Interior to the President of the United States, and copy of lease of the 120 acres of land to the Consolidated Mutual Oil Co.

"Question 6. Is it a fact that it has been the practice for many years for one executive department to perform services for another executive department, and that this practice has been recognized by the Congress in the act of May 21, 1920, providing that the funds of one department for which the services are performed may be placed subject to the requisition of the department performing the service?"

Answer. Yes.

The Navy Department has for many years performed services for practically all other Government departments and independent offices and for both Houses of the Congress. It has built and repaired water craft for the Lighthouse Service, Coast and Geodetic Survey, and the Army Engineers. It has docked and repaired water craft for the War Department, Shipping Board, Coast Guard, Bureau of Fisheries, and the Interior Department. The Ordnance Department of the Navy constantly performs services for the Army, as the Ordnance Department of the Army performs similar services for the Navy. As an example of the magnitude of such services, in the year 1913 there was expended by the Navy Department on services performed for other Government departments $844,438.30, and in the year 1922 there was transferred by the Navy Department to other departments $1,952,557.38 for supplies and services furnished by such other departments. These figures represent only transfers through the Treasury Department and do not cover by any means all transactions of this character, for payment is oftentimes made by check for services performed by or for other departments.

The act of May 21, provides:

"That whenever any Government bureau or department procures by purchase or manufacture stores of any kind, *or performs any service for another bureau or department*, the funds of the bureau or department for which stores or materials are to be procured *or the service performed* may be placed subject to the requisition of the bureau or department making the procurement or *performing the service* for direct expenditure."

"Question No. 7. Is it a fact that at the time the 'administration and conservation' of the naval oil reserves were transferred to the Interior Department that department had under lease or permit over 3,500,000 acres of public oil land, and has now under lease or permit over 17,500,000 acres of such land, while the total acreage of the naval oil reserves being operated is less than 52,000 acres?"

Answer. Yes.

These figures are in accordance with the records of the Interior Department.

"Question No. 8. Is it a fact that proposals from three companies were entertained for leasing the Teapot Dome reserve and that five companies were asked to bid on royalty oil from the California naval reserve?"

Answer. (a) The Texas Oil Co. submitted a proposal to lease the Teapot Dome oil reserve (see testimony of Mr. Amos L. Beatty, president of the Texas Co., pp. 733 et seq., of the hearings before the Senate Committee on Public Lands and Surveys).

Mr. Doheny had an opportunity to bid (see p. 1944 of hearings above referred to).

Mr. Harry F. Sinclair was also invited to bid, and did submit a bid, which was accepted.

(b) Five companies were invited to bid on the royalty from naval petroleum reserve No. 1, namely, Standard Oil Co. of California, the Associated Oil Co., Pan American Petroleum & Transport Co., the General Petroleum Co., and the Pacific Oil Co. Three of these five companies submitted bids, namely, the Standard Oil Co., the Associated Oil Co., and the Pan American Petroleum & Transport Co. The bids of these three companies are on file in the Interior Department.

"Question No. 9. Is it a fact that the Government received over $3,000,000 premium on its royalty oil from the Salt Creek district in 1923 as a result of the competition promoted by the leasing of Teapot Dome naval reserve?"

Answer. Yes.

The records of the Department of the Interior show definitely that the excess so far received by the Government from its royalty oil in the Salt Creek district amounts to $3,003,709.74.

"Question No. 10. Is it a fact that under its contract for the leasing of Teapot Dome naval reserve the Navy received, for the calendar year 1923, 41 cents more per barrel for its royalty oil than the selling price of all other producers in that district?"

Answer. Yes.

Under its contract with the Mammoth Oil Co. the Navy received for its royalty oil midcontinent prices. Actual receipts were higher by 41 cents per barrel than the selling price of other producers in the Salt Creek district. Actual receipts were as shown on page 1082 of the hearings before the Senate investigating committee.

"Question No. 11. Is it a fact that had the production from the Teapot Dome naval reserve reached even the minimum of production anticipated the amount received by the Government on its royalty oil above the daily market price would have been more than $16,000,000, and would have exceeded by many millions of dollars all of the cash bonuses ever received from the sale of Government leases in the entire Salt Creek field?"

Answer. Yes.

At the time the Teapot Dome lease was executed it was conservatively estimated that the recoverable content from naval petroleum reserve No. 3 would be not less than 135,000,000 barrels. Had the wells been of the size anticipated the Navy would probably have received, under the terms of the lease, not less than 30 per cent royalty, which would have made the total royalty accruing to the Navy over 40,000,000 barrels of oil, which, at 41 cents,

would have exceeded a sum of $16,000,000 accruing to the Navy as an offset to any bonuses which might have been demanded in the making of this contract.

The records of the Department of the Interior show that the total amount received as bonuses from leases in the entire Salt Creek field is $1,687,000, obviously many millions less than $16,000,000.

"Question No. 12. Is it a fact that on the minimum production now anticipated the sum that will be received from the Teapot Dome naval reserve above the daily market price will exceed the cash bonuses received by the Government from the sale of all Salt Creek leases?"

Answer. Yes. The Senate Committee on Public Lands and Surveys has repeatedly used the figure of 25,000,000 barrels as the amount of oil that may ultimately be recovered from the Teapot Dome naval petroleum reserve. The average royalty actually received to date has been about 17 per cent. On this basis the Government can expect an ultimate royalty of 4,250,000 barrels. Applying the premium of 41 cents per barrel actually received to date, the excess amount the Government would receive will be $1,742,500, which exceeds the $1,687,000 total bonus thus far received from the Salt Creek district.

"Question No. 13. Is it a fact that royalties fixed in the Teapot Dome naval reserve lease exceed the ruling royalties for wells of the same size on other Government leases in the same district?"

Answer. The royalties fixed in the Teapot Dome naval reserve are on what is known as the sliding scale basis. That is to say, the royalty rate increases if wells of large production are obtained. If the wells are small a less royalty is paid. Had the average production of wells in Teapot Dome been as anticipated at the time the reserve was leased, royalties accruing to the Government under the terms of that lease would have been higher than the ordinary Government rate in the Salt Creek district; and the Teapot Dome royalty was obtained on territory, a large part of which was unproven.

"Question No. 14. Is it a fact that the Navy received a large bonus for the lease in the California reserve in the form of high royalties, free storage for its royalty oil, free pipe-line transportation, advance supply of fuel oil in storage, option to purchase at a discount all petroleum products, construction of storage facilities without profit, etc?"

Answer. Yes. The contracts made with the Pan American Petroleum & Transport Co. provide:

1. Build and deliver to the Government storage facilities in Hawaii for 4,200,000 barrels of fuel oil and other petroleum products at cost, without profit to the company.

2. Royalties of from 12½ to 35 per cent, as compared with royalties of 12½ to 25 per cent under the leasing act on other Government lands in that district.

3. That the royalty oil be accepted in the field, the company bearing all transportation charges to refinery.

4. The maintenance in storage on the west coast of 1,000,000 barrels of fuel oil belonging to the company for issue to the Navy at cost.

5. The supplying to the Navy of fuel oil and other products at 10 per cent less than the market price at the time of delivery.

6. The maintenance at various points on the Atlantic seaboard, upon demand of the Navy, of 3,000,000 barrels of fuel oil belonging to the company, available for issue to the Navy.

These considerations greatly exceed any cash bonus which might have been obtained at that time or could be reasonably expected in the future.

These contracts may be found in the printed hearings of the Senate committee on pages 296–298, inclusive; 356–361, inclusive; and 413–416, inclusive.

"Question No. 15. Is it a fact that the average royalties so far accruing under the contract and lease of the Pan American Petroleum & Transport Co. on naval oil reserve No. 1 in California amount to over 28.50 per cent, as compared to 18.14 per cent received under the leases in reserve No. 2, where the royalties were established in accordance with the general leasing act passed by the Congress?"

Answer. The actual figures up to December 1, 1923, show that the Navy has actually received as royalties under its contract of December 11, 1922, with the Doheny company 27.14 per cent, nearly 50 per cent greater than the Navy royalties on reserve No. 2, where the leases were made in accordance with the leasing act of February 25, 1920, which only average 18.4 per cent.

"Question No. 16. Is it a fact that the leases and contracts on naval oil reserves Nos. 1, 2, and 3 with the Mammoth Oil Co. and the Pan American Petroleum & Transport Co. provide that oil shall remain in the ground in these reserves in the only large area under naval jurisdiction not subject to drainage?"

Answer. Yes. The contracts with the Pan American Petroleum & Transport Co. specifically exempt from drilling, except by the consent of the Government, nearly all of reserve No. 1 lying to the westward of the range line between ranges 23 and 24. This restriction was included in the contract in the belief that this area was less subject to immediate drainage than the other portions of the reserve. However, it was further provided in the contract that should at any moment this body of oil-bearing land become subject to immediate drainage, such defensive drilling as the Government might direct would be taken immediately and efficiently. This area—that is, the western half of naval reserve No. 1—was the only area lying within naval petroleum reserves Nos. 1, 2, and 3 believed not to require immediate drilling to protect the Government's interests.

"Question No. 17. Is it a fact that in May, 1922, before any development work was undertaken under the contracts with either the Mammoth Oil Co. or the Pan American Petroleum & Transport Co., Secretary Denby informed a committee of the Senate that such leases had been made, and of the transfer of the administration and conservation of the naval oil reserves to the Department of the Interior, and of the storage tanks to be built, so that the Congress had full authority to impose any restrictions or regulations desired before any work was undertaken under these contracts?"

Answer. Yes. At a hearing held before the Subcommittee on Appropriations of the United States Senate on May 4, 1922, within a month after the first leases and agreements with the Mammoth Oil Co. and with the Pan American Petroleum & Transport Co., and long before the Pan American Co.'s lease dated December 11, 1922, in reply to questions by various members of the committee, Secretary Denby stated:

"Now we are planning to get the war reserve oil above ground because we can not keep it below ground."

"The oil was being drained off."

"The contractors build the tanks at points designated by the department—points along the Atlantic coast, on the Pacific coast, and in Hawaii."

"The tanks are not yet built."

"The tanks are to be built out of the royalty to be paid to the Government. They are a part of the contract."

"This is a matter that the Department of the Interior would know about very much better than we, but as soon as it was discovered"—referring to loss of oil by drainage—"that such was the situation I asked the Secretary of the Interior if he would undertake to handle it for the Navy thereafter, and we went to the President and secured the Executive order transferring the naval oil reserves to the Secretary of the Interior to administer in trust for the Navy, the Secretary of the Navy being a party to the policies but not to the actual administrative work. For instance, I signed the Teapot Dome lease, agreeing that it should be opened, because we discovered that that also was being drained off."

The entire hearings from which the above quotations are taken may be found on pages 180–188 of "Hearings in the House and Senate, naval appropriation bill, 1923, Sixty-seventh Congress, second session, March–June, 1922."

No construction work had been begun at the time of this hearing.

"Question No. 18. Is it a fact that by the leasing act of February 25, 1920, the Department of the Interior is charged with the leasing and administration of all then existing producing wells on naval oil reserves?"

Answer. Yes. Under section 18 of the leasing act of February 25, 1920, it is provided that producing wells on naval petroleum reserves shall be leased by the Secretary of the Interior.

"Question No. 19. Is it a fact that there is now actually in the ground more oil in the naval petroleum reserves than there would have been had the leases above referred to not been negotiated?"

Answer. The naval oil reserves being under lease to competent oil producers capable of drilling wells on short notice and of effectively operating wells so drilled, it has been possible to negotiate agreements with neighbors on privately owned land whereby producing wells could be closed on account of like action by Government lessees. Through agreements of this kind, it was possible to close in 43 wells on Government leases within reserves Nos. 1 and 2 and 94 wells on privately owned lands within or adjacent to these reserves.

The very fact that operators on neighboring privately owned lands know that any move to drill wells that might drain naval petroleum reserves will be promptly met by an adequate offsetting campaign, vigorously prosecuted, tends to prevent such drilling.

These two causes have undoubtedly conserved large quantities of oil and gas underground.

"Question No. 20. Is it a fact that up to July 1, 1923, there has been turned into the Treasury from royalties received from the naval oil reserves more than $5,000,000?"

Answer. Yes. As shown by the records of the Interior Department, the actual amount turned into the Treasury up to July 1, 1923, is $5,617,130.82.

"Question No. 21. Is it a fact that no officer of the Navy was retired or ordered away from his station of duty in Washington because of his disagreement with Secretary Denby's policy?"

Answer. Yes.

There follows a list of officers alleged to have been retired or ordered away from Washington because of opposition to Secretary Denby's petroleum policy and the reasons for their assignment to other duty:

Rear Admiral Seaton Schroder, now deceased, was retired August 17, 1911; detached from last active duty March 10, 1919. Has never been on duty during Secretary Denby's administration.

Rear Admiral R. S. Griffin, retired on September 27, 1921, having reached the statutory age of retirement.

Captain John Halligan has never been on duty in Washington during Secretary Denby's administration.

Was on duty at the Naval Academy, Annapolis, Md., from November 17, 1920, to April 6, 1923, when he was ordered to command the U. S. S. *Detroit*, a very desirable command.

Commander H. A. Stuart was detached from duty in Washington on April 5, 1922, after having served three years and

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seven months in Washington, seven months beyond the normal length of a tour of duty.

Commander J. O. Richardson has never been on duty in Washington during Secretary Denby's administration. He was detached from the Naval Academy on April 24, 1922, at his own request, in order to command the U. S. S. *Asheville*.

Commander N. H. Wright was detached from duty in Washington May 19, 1920, before Secretary Denby came into office, after three years and eight months on shore duty. He is now back on duty in Washington.

Lieut. Commander J. F. Shafroth was detached from duty in Washington on April 17, 1922, upon the request of Rear Admiral W. C. Cole that Shafroth be ordered as aide and flag secretary upon his staff.

Lieut. Commander I. F. Landis has never been on duty in Washington during Secretary Denby's administration. He was in charge of the California Oil Reserves, with headquarters at San Francisco, and under the policy to discontinue retired officers on active duty prior to July 1, 1922, he was relieved from this duty on June 30, 1922.

"Question No. 22. Is it a fact that none of the officers ever on duty in connection with the naval petroleum reserves had any prior training or experience in connection with the oil-production industry?"

Answer. Yes. According to the records of the Navy Department, this is true.

"Question No. 23. Is it a fact that important portions of the naval reserves never have been under the control of the Navy?"

Answer. Within the exterior limits of naval oil reserve No. 1, 5,857.5 acres, 15½ per cent of the total acreage, are owned by private parties. No part of this reserve is further than 2½ miles from privately owned land over which the Government has no control of drilling.

Of the total acreage in naval oil reserve No. 2, 19,680 acres, or 65.4 per cent of the total acreage, is privately owned. Seven thousand three hundred and sixty acres, or 24.5 per cent of the total acreage, was placed under the jurisdiction of the Secretary of the Interior by the leasing act of February 25, 1920, and there remain but 3,040 acres, or 10.1 per cent of the total acreage under the jurisdiction of the Secretary of the Navy. All of the acreage in this reserve under the jurisdiction of the Navy Department was subject to drainage by privately controlled operations.

All of the naval reserve No. 3 is under naval jurisdiction, but at the time of the signing of the lease of this reserve there were a number of unadjudicated claims to oil rights.

Sincerely yours,

EDWIN DENBY,
Secretary of the Navy.

MARCH 5, 1920.

MY DEAR MR. CHAIRMAN: S. 2775, "An act to promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain," approved by the President on February 24, 1920, contains certain provisions affecting the naval patroleum reserves. The more important are:

"SEC. 18. That upon relinquishment to the United States, filed in the General Land Office within six months after the approval of the act, of all right, title, and interest claimed and possessed prior to July 3, 1910, and continuously since, by the claimant or his predecessor in interest under the pre-existing placer mining law to any oil or gas bearing land upon which there has been drilled one or more oil or gas wells to discovery embraced in the Executive order of withdrawal, issued September 27, 1909, and not within any naval petroleum reserve, and upon payment as royalty to the United States of an amount equal to the value at the time of production of one-eighth of all the oil or gas already produced, except oil or gas used for production purposes on the claim, or unavoidably lost, from such land the claimant, or his successor, if in possession of such land, undisputed by any other claimant prior to July 1, 1919, shall be entitled to a lease thereon from the United States for a period of 20 years, at a royalty of not less than 12½ per cent of all the oil or gas produced, except oil or gas used for production purposes on the claim, or unavoidably lost: *Provided, however,* That as to all like claims situate within any naval petroleum reserve the producing wells thereon only shall be leased, together with an area of land sufficient for the operation thereof, upon the terms and payment of royalties for past and future production as herein provided for in the leasing of claims. No wells shall be drilled in the land subject to this provision within 660 feet of any such leased well without the consent of the lessee: *Provided, however,* That the President may, in his discretion, lease the remainder or any part of any such claim upon which such wells have been drilled, and in the event of such leasing said claimant or his successor shall have a preference right to such lease: *And provided further,* That he may permit the drilling of additional wells by the claimant or his successor within the limited area of 660 feet theretofore provided for upon such terms and conditions as he may prescribe.

"SEC. 18a. That whenever the validity of any gas or petroleum placer claim under preexisting law to land embraced in the Executive order of withdrawal issued September 27, 1909, has been or may hereafter be drawn in question on behalf of the United States in any departmental or judicial proceedings, the President is hereby authorized at any time within 12 months after the approval of this act to direct the compromise and settlement of any such controversy upon such terms and conditions as may be agreed upon, to be carried out by an exchange or division of land or division of the proceeds of operation.

"SEC. 35. * * * *Provided,* That all moneys which may accrue to the United States under the provisions of this act from lands within the naval petroleum reserves shall be deposited in the Treasury as 'Miscellaneous receipts.'

"SEC. 36. That all royalty accruing to the United States under any oil or gas lease or permit, under this act on demand of the Secretary of the Interior shall be paid in oil or gas. * * *: *And provided further,* That any royalty, oil, or gas may be sold at not less than the market price at private sale to any department or agency of the United States."

Under the provisions of this act considerable areas of the petroleum reserves will come into the undisputed possession of the Navy. Some of these tracts are drilled to such an extent that it will be necessary for the Government to drill offset wells unless oil to the value of millions of dollars is to be drawn from under the Government lands by private owners.

A considerable amount of royalty oil will be delivered to the Government from the naval reserves, receipts from which all revert to the Government.

A larger amount of oil will be available from lands without the reserves, the Navy in common with other departments of the Government having the right to purchase, as provided by the general provisions of the act.

The recent experience of the Shipping Board and the Navy Department in obtaining bids for fuel oil shows the necessity for the Government to be in a position to furnish its own supply of fuel.

It therefore becomes imperative, even when viewed from an economic standpoint only, that machinery be provided whereby wells may be drilled for protection against drainage from adjacent lands, or to supply oil for the Government's needs. That crude oil, whether from Navy-owned wells, royalties from naval reserves, or royalty oil purchased, may be exchanged for refined products, and that excess oil from protective wells may be sold or storage provided for excess oil if considered advisable.

It is suggested that this may be accomplished by an addition to the provision, "Investigation of fuel oil," as contained in the naval appropriation act approved July 11, 1919, similar to the following:

"*Provided,* That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become vested in the United States; to conserve, develop, use, and operate the same in his discretion, directly or by contract, lease, or otherwise, and to use, store, exchange, refine, sell, or otherwise dispose of the oil and gas products thereof, and those from all royalty oil, for the benefit of the United States: *And provided,* That such sums as have been or may be turned into the Treasury of the United States from royalties on lands within the naval petroleum reserves prior to July 1, 1921, not to exceed $500,000, are hereby made available for this purpose until July 1, 1922: *Provided further,* That this appropriation shall be reim-

bursed from the proper appropriations on account of the oil and gas products from said properties used by the United States at such rate, not in excess of the market value of the oil, as the Secretary of the Navy may direct."

Sincerely yours, JOSEPHUS DANIELS.

Hon. THOMAS S. BUTLER,
Chairman House Naval Committee,
House of Representatives, Washington, D. C.

MARCH 29, 1920.

MY DEAR SENATOR: Senate bill 2775, "An act to promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain," approved by the President on February 24, 1920, contains certain provisions affecting the naval petroleum reserves. The more important are:

"SEC. 18. That upon relinquishment to the United States, filed in the General Land Office within six months after the approval of the act of all right, title, and interest claimed and possessed prior to July 3, 1910, and continuously since by the claimant or his predecessor in interest under the preexisting placer mining law to any oil or gas bearing land upon which there has been drilled one or more oil or gas wells to discovery embraced in the Executive order of withdrawal issued September 27, 1909, and not within any naval petroleum reserve, and upon payment as royalty to the United States of an amount equal to the value at the time of production of one-eighth of all the oil or gas already produced except oil or gas used for production purposes on the claim, or unavoidably lost, from such land the claimant, or his successor, if in possesion of such land, undisputed by any other claimant prior to July 1, 1919, shall be entitled to a lease thereon from the United States for a period of 20 years at a royalty of not less than 12½ per cent of all the oil or gas produced except oil or gas used for production purposes on the claim or unavoidably lost: *Provided, however,* That as to all like claims situate within any naval petroleum reserve the producing wells thereon only shall be leased, together with an area of land sufficient for the operation thereof upon the terms and payment of royalties for past and future production as herein provided for in the leasing of claims. No wells shall be drilled in the land subject to this provision within 660 feet of any such leased well without the consent of the lessee: *Provided, however,* That the President may, in his discretion, lease the remainder or any part of any such claim upon which such wells have been drilled, and in the event of such leasing said claimant or his successor shall have a preference right to such lease: *And provided further,* That he may permit the drilling of additional wells by the claimant or his successor within the limited area of 660 feet theretofore provided for upon such terms and conditions as he may prescribe.

"SEC. 18a. That whenever the validity of any gas or petroleum placer claim under preexisting law to land embraced in the Executive order of withdrawal issued September 27, 1909, has been or may hereafter be drawn in question on behalf of the United States in any departmental or judicial proceedings, the President is hereby authorized, at any time within 12 months after the approval of this act, to direct the compromise and settlement of any such controversy upon such terms and conditions as may be agreed upon, to be carried out by an exchange or division of land or division of the proceeds of operation.

"SEC. 35. * * * *Provided,* That all moneys which may accrue to the United States under the provisions of this act from lands within the naval petroleum reserves shall be deposited in the Treasury as 'miscellaneous receipts.'

"SEC. 36. That all royalty accruing to the United States under any oil or gas lease or permit under this act, on demand of the Secretary of the Interior, shall be paid in oil or gas, * * *: *And provided further,* That any royalty oil or gas may be sold at not less than the market price at private sale to any department or agency of the United States."

Under the provisions of this act considerable areas of the petroleum reserves will come into the undisputed possession of the Navy. Some of these tracts are drilled to such an extent that it will be necessary for the Government to drill offset wells unless oil to the value of millions of dollars is to be drawn from under the Government lands by private owners.

A considerable amount of royalty oil will be delivered to the Government from the naval reserves, receipts from which all revert to the Government.

A larger amount of oil will be available from lands without the reserves, the Navy, in common with other departments of the Government, having the right to purchase, as provided by the general provisions of the act.

The recent experience of the Shipping Board and the Navy Department in obtaining bids for fuel oil shows the necessity for the Government to be in a position to furnish its own supply of fuel.

It therefore becomes imperative, even when viewed from an economic standpoint only, that machinery be provided whereby wells may be drilled for protection against drainage from adjacent lands or to supply oil for the Government's needs; that crude oil, whether from Navy-owned wells, royalties from naval reserves, or royalty oil purchased, may be exchanged for refined products; and that excess oil from protective wells may be sold or storage provided for excess oil if considered advisable.

It is suggested that this may be accomplished by an addition to the provision, "Investigation of fuel oil," as contained in the naval appropriation act approved July 11, 1919, similar to the following:

"*Provided,* That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become vested in the United States; to conserve, develop, use, and operate the same in his discretion, directly or by contract, lease or otherwise, and to use, store, exchange, refine, sell, or otherwise dispose of the oil and gas products thereof, and those from all royalty oil for the benefit of the United States: *And provided,* Such sums as have been or may be turned into the Treasury of the United States from royalties on lands within the naval petroleum reserves prior to July 1, 1921, not to exceed $500,000, are hereby made available for this purpose until July 1, 1922: *Provided further,* That this appropriation shall be reimbursed from the proper appropriations on account of the oil and gas products from said properties used by the United States at such rate, not in excess of the market value of the oil, as the Secretary of the Navy may direct."

Owing to the recent experience of the Navy Department in obtaining bids for fuel oil, or, rather, the failure to obtain bids, it is of the utmost importance that sufficient means be provided for an investigation of the question of fuel oil for naval requirements. It is, therefore, further suggested that the provision, "Investigation of fuel oil," as contained in the naval appropriation act approved July 11, 1919, be changed to read as follows:

"Investigation of fuel oil and other fuel: For an investigation of fuel oil, gasoline, and other fuel adapted to naval requirements, including the question of supply and storage and the availability economically and otherwise of such supply as may be allowed by the naval reserves on the public domain, and for such other expenses for transportation and hire of vehicles in connection with naval petroleum reserves, as the Secretary of the Navy may deem appropriate for the purchase of necessary instruments and appliances, for the extension of the naval fuel-oil testing plant at the navy yard, Philadelphia, Pa., and the employment of civilian experts and assistants at Washington, D. C., and elsewhere, $50,000."

Sincerely yours,

JOSEPHUS DANIELS.

Hon. CARROLL S. PAGE,
Chairman Senate Naval Committee,
United States Senate, Washington, D. C.

DEPARTMENT OF THE INTERIOR,
Washington, August 16, 1920.

The honorable the SECRETARY OF THE NAVY.

DEAR MR. SECRETARY: June 16, 1920, there was transmitted to you the application for compromise, under section 18 of the oil-leasing act, of the Boston-Pacific Oil Co., involving the S. ½ SW. ¼ and S. ½ SE. ¼, sec. 32, T. 31 S., R. 24 E., M. D. M., California, naval reserve No. 2.

I am informally advised that representatives of the oil company have been in conference with your department and that it has been tentatively agreed that a lease shall be given upon two existing oil wells upon the claim upon payment of one-eighth of past production, as provided by law, and upon the payment for future production in the manner and to the amount provided in the regulations issued by this department under the said act; that your department has also agreed to permit the company to drill five additional producing wells upon the claim upon condition that the company shall pay a royalty of 25 per cent upon all oil and 12½ per cent upon all gas produced from the five new wells.

There has been drawn in this department a form of lease covering the existing wells under section 18 of the oil leasing act; also a form of supplemental lease, to permit the drilling of the five additional wells upon a royalty of 25 per cent. I transmit herewith copies of each of said proposed leases, and have to request that you advise me as to whether you have any suggestions to make in connection therewith prior to their final consideration here. Please return copies with your reply.

Cordially yours, JOHN BARTON PAYNE,
Secretary.

(Inclosure 3691.)

NAVY DEPARTMENT,
Washington, August 21, 1920.

The honorable the SECRETARY OF THE INTERIOR,
Washington, D. C.

SIR: I beg leave to acknowledge the receipt of your letter of the 16th instant in re the application of the Boston-Pacific Oil Co. for lease

of the two existing wells on their claim and their request for drilling five additional wells on this claim.

With respect to the primary lease, a copy of which was inclosed with your letter and which is herewith returned, I am of the opinion that it is satisfactory in so far as the Navy Department is concerned.

As regards the supplementary lease, however, I desire to have incorporated therein the following changes:

On page 3, first line, after words "M. D. B. & M.," insert the following phrase, "and no well shall be drilled within 900 feet of the west line of said S. ½ of the SW. ¼ of said section."

On page 5, second line, after word "herein," omit remainder of paragraph, which reads as follows: "provided that in the event * * * cost of such nonproductive well or wells."

The question of these two changes in the lease has been taken up with representatives of the Boston-Pacific Oil Co., and, in view of my objections to the lease as at present drawn, these changes are considered acceptable to them.

Very truly yours, JOSEPHUS DANIELS.

DEPARTMENT OF THE INTERIOR,
Washington, December 6, 1920.

The PRESIDENT,
The White House.

MY DEAR MR. PRESIDENT: The oil leasing act provides that the President may permit "the drilling of additional wells by the claimant or his successor within the limited area of 660 feet theretofore provided for upon such terms and conditions as he may prescribe."

The Boston-Pacific Oil Co. is claimant on 160 acres of land in naval reserve No. 1, in California, and to offset the draining of the land by wells drilled upon adjoining tracts the Secretary of the Navy and myself are of the opinion that the company should be allowed to drill five additional wells, paying to the United States a royalty of 25 per cent of the value of all oil and 12½ per cent of the value of all gas produced, or, on demand, to turn over to the Government the percentage named of the products of the wells.

If this suggestion meets with your approval, leases will be issued and delivered accordingly.

Cordially yours,

JOHN BARTON PAYNE, *Secretary.*

Approved: December 8, 1920.

WOODROW WILSON, *President.*

(United States Land Office, Visalia, Calif. Serial No. 09175.)

DEPARTMENT OF THE INTERIOR,
General Land Office.

SUPPLEMENTAL LEASE FOR OIL AND GAS LANDS IN NAVAL PETROLEUM RESERVE UNDER THE ACT OF FEBRUARY 25, 1920.

This indenture of lease made and entered into in triplicate this 1st day of July, A. D. 1920, by and between the United States of America, party of the first part, hereinafter called the lessor, acting in this behalf by the President, and Boston-Pacific Oil Co., a corporation, organized and existing under and by virtue of the laws of the State of California, party of the second part, hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the act of Congress approved February 25, 1920 (Public, No. 146).

Witnesseth: That whereas heretofore, to wit, on the ——— day of ———, 1920, the lessor above named, acting by the Secretary of the Interior, executed that certain indenture of oil lease to the lessee herein, to operate and extract oil from those two certain oil wells situated on the S. ½ SW. ¼ and S. ½ SE. ¼, sec. 32, T. 31 S., R. 24 E., California, and more particularly described in said lease, said lease being herein designated and referred to as the primary lease;

And whereas it is the desire of the parties to said primary lease and to this lease that the said lessee be granted the right and privilege to drill, operate, and produce oil from certain additional wells on said S. ½ SW. ¼ and S. ½ SE. ¼ of said sec. 32, under, pursuant, and subject to those certain provisions of section 18 of the act of February 25, 1920, wherein it is provided:

> "That the President may, in his discretion, lease the remainder or any part of any such claim upon which such wells have been drilled, and in the event of such leasing said claimant or his successor shall have a preference right to such lease: *And provided further,* That he may permit the drilling of additional wells by the claimant or his successor within the limited area of 660 feet theretofore provided for upon such terms and conditions as he may prescribe."

SECTION 1. Therefore, in consideration of said primary lease, of the premises to this lease, of the rents and royalties to be paid, and the covenants to be observed as herein set forth, the lessor herein does hereby grant and lease to the lessee the exclusive right and privilege to drill, on the lands above described, five producing oil wells, and to operate, extract, remove, and dispose of all the oil and gas produced from said five wells, together with the right to erect and maintain upon said land all structures and equipment sufficient for the reasonable and economical drilling and operation of said wells; said lease is for a period of 20 years with a preference in the lessee to renew same for successive periods of 10 years, upon such reasonable terms and conditions as may be prescribed by the lessor, unless otherwise provided by law at the time of the expiration of such periods.

SEC. 2. It is agreed and understood that said wells shall be drilled at a distance of not less than 200 feet nor more than 660 feet south of the north line of said S. ½ S. ½ sec. 32, T. 31 S., R. 24 E., M. D. B. and M., and no well shall be drilled within 900 feet of the west line of the said S. ½ SW. ¼ of said section, at such places as the said lessee may deem most advantageous to secure the largest production of oil and gas, provided that during the continuance of this lease the lessor shall grant no other lease or permit to drill, nor on its own account drill, any other wells within a distance of 660 feet from any of the producing wells drilled and operated under this lease; that the lessee shall within 30 days from the date hereof commence the erection on said lands of a complete standard or rotary drilling outfit with all necessary tools, machinery, and equipment for the drilling of a well on said lands to a depth of 3,500 feet in accordance with approved methods of drilling oil wells in the State of California; that the installation of said well-drilling outfit shall proceed with diligence and a proper force of men, and the installation thereof shall be completed and in condition for operation within 90 days from the expiration of said 30-day period; that immediately on the completion of the installation of said well-drilling outfit the lessee shall commence the drilling of a well for oil on said land and such work shall be prosecuted with diligence and a sufficient force until a depth of 3,500 feet shall be reached, or until oil shall be discovered in paying quantities, which is hereby defined to mean an initial production of not less than 50 barrels per day; that as soon as said well is completed to production as aforesaid the lessee shall thereupon commence the drilling of a second well and prosecute the drilling thereof with diligence, and shall continue the same to completion in like manner, and the lessee shall thereafter keep one complete standard string of tools or rotary equipment in continuous operation until the full number of five producing wells herein provided for shall have been completed.

SEC. 3. The lessee agrees to pay the lessor a royalty of 25 per cent of the value of all oil produced and 12½ per cent of the value of all gas produced (the value of the gas to be computed in accordance with the existing operating regulations) from the wells leased herein (except oil or gas used for production purposes on said lands or unavoidably lost) or, on demand of the lessor, 25 per cent of the oil or gas produced, or both, said royalty when paid in value to be due and payable monthly on the 15th of each month following the month in which produced, to the receiver of public moneys of the land district in which the land is situated. When such royalty is paid in kind, the royalty oil shall be delivered in tanks provided by the lessee on the premises where produced at such times as may be required by the lessor: *Provided,* That the lessee shall not be required to hold such royalty oil in storage longer than 30 days after the end of the calendar month in which said oil is produced; *And provided further,* That the said lessee shall be in no manner responsible or held liable for the loss or destruction of such oil in storage from causes over which it has no control; royalty gas shall be delivered by the lessee on the premises, but no storage thereof shall be required; such royalty, whether in value or kind, will be subject to reduction whenever the average daily production of any oil well shall not exceed 10 barrels per day and if in the judgment of the lessor the wells can not be successfully operated upon the royalties fixed herein.

SEC. 4. That as to all matters and things not herein specifically otherwise provided for the provisions of said primary lease shall be deemed controlling as to this lease; and said primary lease, to the extent not inconsistent with this lease, is hereby adopted and made a part hereof to the same extent and with the same effect as if herein set out at length.

In witness whereof,

THE UNITED STATES OF AMERICA,
By JOHN BARTON PAYNE. [L. S.]
BOSTON-PACIFIC OIL COMPANY, [L. S.]
By FRED G. KING, *Prest.* [L. S.]
E. B. CUSHMAN, *Sec.* [L. S.]

Witnesses:
FRANK HALL.
M. TORREYSON,
THOS. E. HAVEN.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

On this 29th day of October, in the year 1920, before me, Henrietta Harper, a notary public in and for the city and county of San Francisco, State of California, residing therein, duly commissioned and sworn, personally appeared Fred G. King and E. B. Cushman, known to me to be the president and secretary, respectively, of Boston-Pacific Oil Co., the corporation described in and that executed the within and

annexed instrument, and also known to me to be the persons who executed said within instrument on behalf of the corporation therein named, and they acknowledged to me that such corporation executed the same.

In witness whereof I have hereunto set my hand and affixed my official seal at my office in the city and county of San Francisco, State of California, the day and year in this certificate first above written.

[SEAL.] HENRIETTA HARPER,
Notary Public in and for the City and County of San Francisco, State of California, 848 Mills Building.

My commission expires September 21, 1922.

On motion of Director Early, seconded by Director Armstrong, it was unanimously—

"*Resolved*, That the Boston-Pacific Oil Co. do enter into and execute a certain supplemental lease of oil and gas lands in the naval petroleum reserve under the act of February 25, 1920, which said supplemental lease is to be dated the 1st day of July, A. D. 1920, and to be executed by the United States of America, as lessor, and the Boston-Pacific Oil Co., a corporation, as lessee, under, pursuant, and subject to those certain provisions of section 18 of the act of Congress approved February 25, 1920, Public No. 146, entitled: 'An act to promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain,' wherein it is provided:

"'That the President may, in his discretion, lease the remainder or any part of any such claim upon which such wells have been drilled, and in the event of such leasing said claimant or his successor shall have a preference right to such lease: *And provided further*, That he may permit the drilling of additional wells by the claimant or his successor within the limited area of 660 feet theretofore provided for upon such terms and conditions as he may prescribe.'"

Under the terms of said lease the United States of America, as lessor, does grant and lease to the Boston-Pacific Oil Co., as lessee, the exclusive right and privilege to drill on the south half of the southwest quarter and the south half of the southeast quarter of section 32, township 31 south, range 24 east, M. D. B. & M., five producing oil wells, together with the right to operate, extract, remove, and dispose of all of the oil and gas produced from said five wells.

Said supplemental lease is for a period of 20 years, with a preference right in the lessee to renew said lease for successive periods of 10 years upon such reasonable terms and conditions as may be prescribed by the lessor, unless otherwise provided by law, at the time of the expiration of such periods.

The said proposed supplemental lease has been read in full at this meeting of the board of directors of said Boston-Pacific Oil Co., and a copy thereof is hereby ordered to be inserted in the minutes of this meeting.

"*Resolved further*, That Fred G. King, president, and E. B. Cushman, secretary of this corporation, be, and they are hereby, authorized, directed, and empowered to execute the aforesaid supplemental lease under the corporate name and seal of this corporation and as its corporate act and deed and to deliver the same to the proper official of the lessor."

I, E. B. Cushman, secretary of the Boston-Pacific Oil Co., a corporation, hereby certify that the foregoing is a full, true, and correct copy of a resolution unanimously adopted at a meeting of the board of directors of said corporation, at which meeting a quorum of said directors was present and acting, and which meeting was regularly called and held on the 21st day of October, 1920, at the office of said corporation in San Francisco, State of California, and that the supplemental lease to which this certified copy of the foregoing resolution is attached is the identical instrument which was presented to the board and read at said meeting.

In witness whereof, on the 29th day of October, 1920, I have hereunto set my hand and affixed the seal of said corporation.

E. B. CUSHMAN, *Secretary.*

FEBRUARY 8, 1921.

The PRESIDENT,
The White House.

MY DEAR MR. PRESIDENT: This is an application for a lease on 200 acres by the Consolidated Mutual Oil Co.; J. M. McLeod, 80 acres; United Oil Co., 80 acres; California Amalgamated Oil Co., 80 acres; Caribou Oil Co., 80 acres; Record Oil Co., 40 acres—a total of 560 acres—section 28, township 31 south, range 23 east, Visalia land district, Kern County, Calif. The remaining 80 acres of the section are claimed by the Standard Oil Co., whose application for release, I am advised, has been made but has not reached this office.

This section was located by McMurtry and others in 1908, and applicants for a lease pressed vigorously claims for patent, which I denied on the ground that the original locations were fraudulent. Claimants were not parties to the fraud, and have made substantial investments in acquiring the land and in the sinking of wells. The section is surrounded by lands owned in fee by the Southern Pacific Railroad, acquired in its original grant from the Government. Twenty-four wells have been drilled on these 560 acres by one or another of the claimants. About half of the wells, we are advised by the Geological Survey and by the California State Mining Bureau, are filling with water, and it is probable that serious loss will occur unless the spread of the water is prevented by the repair of existing wells and the drilling of additional wells.

Since the decision denying the claim for patent claimants offer to waive this claim and accept a lease under the leasing law. This involves the payment of royalty to the Government ranging from 12½ per cent to 25 per cent, according to the amount of production. Under sections 18 and 18–A of the leasing act it is necessary that your authority be obtained in order to make the leases except on flowing wells. About 8 of the 24 are flowing; the others are either filling with water or have been abandoned.

I presented the matter to the Secretary of the Navy as per my letter of January 20 herewith. He replied, objecting (letter of January 25 herewith); but indicating a willingness to lease 120 acres in the eastern part of the section. This is a part of the land applied for by the Consolidated Mutual Oil Co., and is badly affected by the water.

I bring the matter to your attention because it is probable that unless leases are made the water will spread over the section and destroy the oil. For instance, in November, 1920, the operating wells produced 18,858 barrels of oil and 22,881 barrels of water. In view of this situation I have felt that it would be wise to lease the entire section. This is accentuated by the fact that the adjacent sections are owned by the Southern Pacific. The Secretary of the Navy is properly very jealous of any leases in the naval reserve; but it seemed to me this was a physical situation which justified an exception.

Cordially and faithfully yours,

JOHN BARTON PAYNE, *Secretary.*

Approved:

——— ———, *President.*

THE SECRETARY OF THE INTERIOR,
Washington, February 16, 1921.

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: J. M. McLeod, the Consolidated Mutual Oil Co., and others, claiming under mining locations covering sec. 28, T. 31 S., R. 23 E., California naval reserve No. 2, are entitled by section 18 of the act of February 25, 1920, to leases on the producing wells, but asked because of alleged equities that you give them leases to develop the remaining oil deposits. Because of representations by the State mining bureau and our experts that intrusion of water threatens damage and that drilling of additional wells is desirable, I submitted the matter to you by letter of February 8, 1921. The Secretary of the Navy stated in letter which accompanied mine that he did not favor leasing all the lands but would agree to leasing 120 acres in the eastern part of section 28 where water conditions are most serious. If you do not feel warranted in authorizing lease of the entire section, I suggest you direct the lease under section 18–A of the 120 acres referred to by the Secretary of the Navy which is in the claim of the Consolidated Mutual Oil Co., viz, S. ½ NE.¼ and S. ¼ N. ½ NE. ¼, Sec. 28, T. 31 S., R. 23 E., M. D. M.

This department will then lease the producing wells only on the remainder of the section.

Cordially yours, JOHN BARTON PAYNE, *Secretary.*

Approved:

WOODROW WILSON.

DEPARTMENT OF THE INTERIOR,
GENERAL LAND OFFICE.

(Serial Visalia 09312.)

LEASE OF OIL AND GAS LANDS UNDER THE ACT OF FEBRUARY 25, 1920.

This indenture of lease, entered into, in triplicate, as of the 16th day of February, A. D. 1921, by and between the United States of America, party of the first part, hereinafter called the lessor, acting in this behalf by the Secretary of the Interior, and Consolidated Mutual Oil Co., a corporation organized and existing under and by virtue of the laws of the State of California, party of the second part, hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the act of Congress approved February 25, 1920 (Public No. 146), entitled "An act to promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain," hereinafter referred to as the act, which is made a part hereof, witnesseth:

"SECTION 1. Purposes.—That the lessor, in consideration of rents and royalties to be paid and the covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits in or under the following-

described tract of land situated in the county of Kern, State of California, and more particularly described as follows: The S. ½ NE. ¼ and the S. ½ N. ½ NE. ¼, sec. 28, T. 31 S., R. 23 E., Mount Diablo meridian, containing 120 acres, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of 20 years, with the preferential right in the lessee to renew this lease for successive periods of 10 years, upon such reasonable terms and conditions as may be prescribed by the lessor, unless otherwise provided by law at the time of the expiration of such periods.

"SEC. 2. In consideration of the foregoing, the lessee hereby agrees:

"(a) Bond: To furnish a bond with approved corporate surety in the penal sum of $5,000, conditioned upon compliance with the terms of the lease.

"(b) Wells: To maintain in a state of production wells equal in number to the number of the now-existing producing wells on the leased land until the oil deposits are exhausted or until the proven territory has been drilled, and in case such existing wells are less than the number of 40-acre tracts or lots embraced in the lease, to proceed with reasonable diligence within three months of delivery hereof to install on the leased land a standard or other efficient drilling outfit and equipment, and to commence drilling at least one well and to continue such drilling with reasonable diligence to production or to a point where the well is demonstrated unsuccessful, and thereafter to continue drilling with reasonable diligence at least one well at a time until the lessee shall have drilled producing wells which, with any producing wells now on the land, equal in number the number the 40-acre tracts or lots embraced in the leased premises, unless the lessor shall for any reason deemed sufficient consent in writing to the drilling of a less number of wells; the lessee further agrees to drill all necessary wells to offset the wells of others on adjoining land or deposits not the property of the United States, and on adjoining land operated under Government lease at 5 per cent royalty.

"(c) Royalty and rents: To pay the lessor in advance, beginning with the date of the execution of this lease, a rental of $1 per acre per annum during the continuance hereof, the rental so paid for any one year to be credited on the royalty for that year, together with a royalty on all oil and gas produced from the land leased herein (except oil or gas used for production purposes on said land or unavoidably lost), as follows:

	Per cent.
(1) For all oil produced of 30° Baumé or over:	
On that portion of the average production per well not exceeding 20 barrels per day for the calendar month	12½
On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month	16⅔
On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month	20
On that portion of the average production per well of more than 100 barrels per day for the calendar month	25
(2) For all oil produced of less than 30° Baumé:	
On that portion of the average production per well not exceeding 20 barrels per day for the calendar month	12½
On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month	14⅔
On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month	16⅔
On that portion of the average production per well of more than 100 barrels per day for the calendar month	20

"Only wells which have a commercial production during at least part of the month shall be considered in ascertaining the average production above provided for; and the Secretary of the Interior shall determine what are commercially productive wells under this provision.

"(3) On gas and casing-head gasoline:

"On gas, whether same shall be gas from which the casing-head gasoline has been extracted or otherwise, 12½ per cent of the value thereof in the field where produced where the average production per day for the calendar month from the land leased is less than 3,000,000 cubic feet, and 16⅔ per cent where the average daily production is 3,000,000 cubic feet or over.

"On casing-head gasoline, 16⅔ per cent of the value of the casing-head gasoline extracted from the gas produced and sold, computed on the basis provided for in the operating regulations.

"The value in the field where produced of gas and casing-head gasoline for royalty purposes, unless such gas or casing-head gasoline is disposed of under an approved sales contract or other method as provided in subdivision (d) of this section, shall be as fixed by the Secretary of the Interior.

"In cases where the gas produced and sold has a value both for casing-head gasoline content and as dry gas from which the casing-head gasoline has been extracted, then the royalties above provided shall be paid on both of such values.

"When paid in value, such royalties shall be due and payable monthly on the 15th of each calendar month following the calendar month in which produced to the receiver of public moneys of the land district in which the land is situated; when paid in kind, such royalty oil shall be delivered in tanks provided by the lessee on the premises where produced, unless otherwise agreed to by the parties hereto, at such times as may be required by the lessor; *Provided*, That the lessee shall not be required to hold such royalty oil in storage longer than 30 days after the end of the calendar month in which said oil is produced: *And provided further*, That the said lessee shall be in no manner responsible or held liable for the loss or destruction of such oil in storage from causes over which the lessee has no control; such royalties, whether in value or kind, shall be subject to reduction whenever the average daily production of any oil well shall not exceed 10 barrels per day, if in the judgment of the lessor the wells can not be successfully operated upon the royalties fixed herein.

"(d) Sales contracts: To file with the Secretary of the Interior copies of all sales contracts for the disposition of oil and gas produced hereunder except for production purposes on the land leased, and in the event the United States shall elect to take its royalties in money instead of in oil or gas, not to sell or otherwise dispose of the products of the land leased except in accordance with a sales contract or other method first approved by the Secretary of the Interior.

"(e) Monthly statements: To furnish monthly statements in detail in such form as may be prescribed by the lessor, showing the amount, quality, and value of all oil and gas produced and saved during the preceding calendar month as the basis for computing the royalty due the lessor. The leased premises and all wells, improvements, machinery, and fixtures thereon or connected therewith and all books and accounts of the lessee shall be open at all times for the inspection of any duly authorized officer of the department.

"(f) Plats and reports: To furnish annually and at such times as the Secretary shall require, in the manner and form prescribed by the Secretary of the Interior, a plat showing all development work and improvements on the leased lands, and other related information, with a report as to all buildings, structures, or other works placed in or upon said leased lands, accompanied by a report in detail as to the stockholders, investment, depreciation, and cost of operation, together with a statement as to the amount and grade of oil and gas produced and sold and the amount received therefor by operations hereunder.

"(g) Log of wells: To keep a log in the form prescribed by the Secretary of all the wells drilled by the lessee, showing the strata and character of the ground passed through by the drill, which log, or copy thereof, shall be furnished to said lessor on demand.

"(h) Diligence; prevention of waste; health and safety of workmen: To exercise reasonable diligence in drilling and operating wells for the oil and gas on the lands covered hereby, while such products can be secured in paying quantities, unless consent to suspend operations temporarily is granted by the Secretary of the Interior; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, having due regard for the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the lessee to the oil sands or oil-bearing strata to the destruction or injury of the oil deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; to plug securely any well before abandoning the same so as to effectually shut off all water from the oil or gas bearing strata; not to drill any well within 200 feet of any of the outer boundaries of the lands covered hereby, unless the adjoining lands have been patented or the title thereto otherwise vested in private owners; to conduct all mining, drilling, and related productive operations subject to the inspection of the lessor; to carry out at expense of the lessee all reasonable orders and requirements of lessor relative to prevention of waste and preservation of the property and the health and safety of workmen, and on failure so to do the lessor shall have the right to enter on the property to repair damage or prevent waste at the lessee's cost; to abide by and conform to regulations in force at the time the lease is granted covering the matters referred to in this paragraph: *Provided*, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.

"(i) Taxes and wages—Freedom of purchase: To pay, when due, all taxes lawfully assessed and levied under the laws of the State upon improvements, oil, and gas produced from the lands hereunder, or other rights, property, or assets of the lessee; to accord all workmen and employees complete freedom of purchase, and to

pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

"(j) Reserved deposits: To comply with all statutory requirements and regulations thereunder, if the lands embraced herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

"(k) Assignment of lease: Not to assign this lease or any interest therein, nor sublet any portion of the leased premises, except with the consent in writing of the Secretary of the Interior first had and obtained.

"(l) Deliver premises in cases of forfeiture: To deliver up the premises leased, with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease; but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

"SEC. 3. The lessor expressly reserves:

"(a) Rights reserved—Easements and rights of way: The right to permit for joint or several use easements or rights of way, including easements in tunnels upon, through, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in said act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees, or permittees, and for other public purposes.

"(b) Disposition of surface: The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease under existing law or laws hereafter enacted, in so far as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein.

"(c) Pipe lines to convey at reasonable rates: The right to require the lessee, his assignees or beneficiary, if owner or operator of, or owner of a controlling interest in, any pipe line, or any company operating the same which may be operated accessible to the oil derived from lands under such lease, to accept and convey at reasonable rates and without discrimination the oil of the Government or of any citizen or company, not the owner of any pipe line, operating a lease or purchasing oil or gas under the provisions of this act.

"(d) Monopoly and fair prices: Full power and authority to carry out and enforce all the provisions of section 30 of the act to insure the sale of the production of such leased lands to the United States and to the public at reasonable prices, to prevent monopoly, and to safeguard the public welfare.

"(e) Helium: Pursuant to section 1 of the act, the lessor reserves the right to take all helium from any gas produced under this lease, but the lessee shall not be requried to extract and save the helium for the lessor; in case the lessor elects to take the helium, the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof: *Provided*, That the lessee shall not, as a result of the operation in this section provided for, suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which the lessee is not reasonably compensated, save for the value of the helium extracted; the lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

"SEC. 4. Surrender and termination of lease: The lessee may, on consent of the Secretary of the Interior first had and obtained in writing, surrender and terminate this lease upon payment of all rents, royalties, and other obligations due and payable to the lessor, and upon payment of all wages and moneys due and payable to the workmen employed by the lessee, and upon a satisfactory showing to the Secretary that the public interest will not be impaired; but in no case shall such termination be effective until the lessee shall have made full provision for conservation and protection of the property; upon like consent had and obtained the lessee may surrender any legal subdivisions of the area included herein.

"SEC. 5. Purchase of materials, etc., on termination of lease: Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessor or another lessee may, if the lessor shall so elect within six months from the termination of the lease, purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not, within six months, elect to purchase all or any part of such materials, tools, machinery, appliances, structures, and equipment, the lessee shall have the right at any time within 90 days to remove from the premises all the materials, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells.

"SEC. 6. Judicial proceedings in case of default: If the lessee shall fail to comply with the provisions of the act, or make default in the performance or observance of any of the terms, covenants, and stipulations hereof, or of the general regulations promulgated and in force at the date hereof, and such default shall continue after service of written notice thereof by the lessor, then the lessor may institute appropriate judicial proceedings for the forfeiture and cancellation of this lease in accordance with the provisions of section 31 of said act; but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. A waiver of any particular cause of forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of forfeiture, or for the same cause occurring at any other time.

"SEC. 7. Heirs and successors in interest: It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

"SEC. 8. Unlawful interest: It is also further agreed that no Member of or Delegate to Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of section 3741 of the Revised Statutes of the United States and sections 114, 115, and 116 of the Codification of the Penal Laws of the United States, approved March 4, 1919 (35 Stat. 1109), relating to contracts, enter into and form a part of this lease, so far as the same may be applicable."

In witness whereof—

THE UNITED STATES OF AMERICA,
By JOHN BARTON PAYNE,
Secretary of the Interior.
CONSOLIDATED MUTUAL OIL CO.,
By LOUIS TITUS, *President.*

Witness to signature of—
CHARLES H. BAKER.

THE GRADUATED CORPORATION INCOME TAX.

Mr. JACOBSTEIN. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following:

In the great diversity of opinion and argument in this tax-reduction debate there seems to be an agreement on two propositions: (1) Taxes ought to be reduced; (2) the principle of the progressive graduated income tax should be preserved in the revenue bill. I subscribe to both of these propositions.

Republicans and Democrats have united, very properly, in extolling the virtues of the graduated income tax as a sound means of raising revenue. This method of taxation conforms to the principle accepted by the authorities as being both sound and just, namely, that each individual should help support the Government in accordance with his ability to pay. His ability to bear the burden is measured by the size of his income. According to this principle, each dollar of income is supposed to surrender to the Government a proportionately larger amount as the income increases. It is on this principle that, under the present law, a dollar of income of the $3,000 man pays 4 cents to the Government and the man with a $1,000,000 income pays 58 cents. Although there have been differences of opinion as to the justice and adequacy of the rates, both Republicans and Democrats have accepted this as a sound theory and method of taxation, and it is preserved in the pending revenue bill.

The question naturally arises, If this is a sound and fair method of levying taxes, why should it not be applied to corporation income? Indeed, it was so applied in the five-year period from 1917 to 1921, inclusive. It took the form of the excess-profits tax, which, however, was a very crude and not altogether fair application of the sound principle of the progressively graduated corporation tax.

In 1921, as is well known, the excess-profits tax, with its rates varying from 10 to 40 per cent, was repealed, and a flat uniform rate of 12½ per cent on net profits of corporations was substituted.

I question whether the method used in securing the repeal of this tax would stand the searchlight of investigation. Its repeal was effected by a very subtle and successful propaganda. By its repeal a comparatively small number of business corporations earning high rates of profits were benefited at the expense of a still larger number of business corporations earning low rates of profits.

It must be remembered that while the excess-profits tax law was in effect corporations earning a normal rate of profit were only taxed 10 per cent on their net profits, whereas under the new law, with the excess-profits tax schedules repealed, the new rate of 12½ per cent applied to all corporations, regardless of rates of profit. It is apparent, therefore, on the face of it, that those corporations that had been paying 10 per cent had their tax bills increased to 12½ per cent; that is, an increase of 25 per cent.

That the repeal of the excess-profits tax of 1921 played into the hands of corporations earning high rates of profits and worked to the disadvantage of all legitimate business corporations earning moderate rates of profit is proven conclusively by the following table:

Net income on invested capital of $1,000,000.	Rate of profit.	Tax paid under excess profits law repealed in 1921.	Tax paid under present law of 12½ per cent rate.
	Per cent.		
$50,000	5	$4,800	$6,250
$60,000	6	5,800	7,500
$70,000	7	6,800	8,750
$80,000	8	7,800	10,000
$90,000	9	10,200	11,250
$100,000	10	13,200	12,500
$110,000	11	16,200	13,750
$120,000	12	19,200	15,000
$130,000	13	22,200	16,250
$140,000	14	25,200	17,500
$150,000	15	28,200	18,750
$250,000	25	58,200	31,250
$350,000	35	101,600	43,750

Is there any reason on earth why a business corporation earning 10 per cent on its invested capital should pay a 12½ per cent rate on its profits, while a corporation earning 100 per cent rate of profits is paying the same rate of taxes, namely, 12½ per cent?

There is every reason in the world why corporations earning high rates of profits should pay higher rates of taxes on net income as related to invested capital. High rates of profit are usually earned because of some monopoly power or because of disorganized and chaotic conditions in our economic society. In either case, whether it is due to monopoly or to lack of organization, society is justified in taking a higher rate of revenue from such favored and fortunate corporations as against those who earn only normal rates, let us say from 5 to 10 per cent, on invested capital.

There is an additional reason why we ought to capture some of these abnormal profits. Having declared stock dividends nontaxable income, the decision of the United States Supreme Court now permits corporations to pass on to their wealthy stockholders their large profits in such a way as to enable them to escape the tax. The corporations that issue stock dividends are likely to be those that have earned and are earning high rates of profit. Corporations that have hidden their real profits, and have not been taxed on their undistributed profits, pass along to their stockholders wealth in such a form as to escape the tax which was originally intended to reach just this class of stockholders. This being so, and until the situation is remedied, the Government ought to be resourceful and courageous enough at this time to impose a graduated tax high enough to capture some of these large profits before they are distributed in the form of stock dividends.

The evil is still further aggravated by the situation which permits a stockholder to receive these high profits in the form of stock dividends and, after holding them for two years, dispose of them and invest in tax-exempt securities. The only tax levied on this income is at the time of the transfer of the tax-free securities, namely, 12½ per cent, this being a tax on the capital gain. I repeat, therefore, that there is every reason why our democratic Government is justified in applying a progressively graduated income tax to business corporations. In saying this I wish to be understood that I do not have in mind attacking big business as such. A progressively graduated corporations-income tax might hit a small corporation much harder than some very large ones. It is not the size of the corporation, not the volume of business, not the size of the income, but the rate of income as related to invested capital that I have in mind as the real and fair basis of the tax. This being so, no business corporation doing a legitimate business and earning a legitimate rate of profit need have any fear of the effect of such a tax, assuming the rates to be fair.

Let us assume, for the sake of argument, that the Federal Government should desire to raise no more revenue than is now raised by the 12½ per cent tax. In this event a schedule of rates could be so graduated as to spread the burden more equitably over all business. We could so graduate the rates as to lower the tax for corporations earning less than 10 per cent and increase the tax for those earning more than 10 per cent on invested capital.

The following table illustrates how the law would operate if we had a graduated schedule of rates ranging from 5 to 25 per cent on net income:

Net income on $1,000,000 capital.	Per cent of return on invested capital.	Rate of tax.	Tax paid under graduated scale.	Tax paid under present 12½ per cent rate.
$25,000	2.5	5	$1,250	$3,125
$70,000	7	7	4,700	8,750
$130,000	13	13	16,100	16,250
$180,000	18	18	31,100	22,500
$300,000	30*	25	73,000	37,500

You will observe that the corporation that is earning to-day only 7 per cent on its invested capital would be decidedly favored, whereas those earning 13 per cent and more would be taxed more heavily. This is as it should be. On the other hand, if it is desired to increase our revenues from this source, all we have to do is to lift the schedule of rates, let us say, from 8 per cent to 30 per cent, or from 10 per cent to 35 per cent, depending, of course, on how large an increase of revenue it is desired to secure. The point I wish to make, however, is this: That we could raise the same amount of revenue which we raise to-day, and more equitably, if our rates were graduated progressively as against the flat rate now in force and retained also in the pending bill.

To put into operation the progressive graduated corporation income-tax schedule which I have in mind, I shall offer the following amendment as a substitute for the flat rate provided for in the pending bill:

In lieu of taxes paid by corporations provided for in section 230 of this act there shall be levied, collected, and paid for each taxable year upon the net income of every corporation the following rates of taxation:

A tax of 5 per cent on net incomes not in excess of $10,000.

On earnings in excess of $10,000 the following rates shall be applied:

On all earnings up to 5 per cent of invested capital, a tax of 5 per cent.

On earnings of 25 per cent of invested capital or under, the rate on the entire income in excess of $10,000 shall be that percentage which the total income is of the invested capital: *Provided,* That the minimum rate so applied shall be 5 per cent.

On earnings in excess of 25 per cent of invested capital the rate of tax shall be 25 per cent of the net income: *Provided,* That $10,000 thereof shall be subject to a tax of 5 per cent.

I must confess frankly that my schedule of rates has been drawn in a rather arbitrary fashion. This must of necessity be so, because of the lack of information available relating to earnings and net profits of corporations. Until we have such data carefully and comprehensively tabulated it will be impossible to formulate a scientific schedule of rates. The only data that I am able to find on this subject is in a report of the Treasury Department under date of July 5, 1918, which covers the corporate earnings for some 30,000 corporations, all of which had earned 15 per cent or more on their invested capital. This was for the period 1916–17.

I hope that the new revenue bill will contain a section providing for larger publicity of income-tax returns of this character. Without it we must flounder in a sea of guesses.

I should like to call attention to another phase of this subject which has been entirely overlooked. Under the present law the 12½ per cent rate operates against partnerships and in favor of corporations. A partnership is subjected to a graduated income tax, and the net profits may be taxed to each partner as high as the surtax rates will go, namely, 58 per cent, whereas this same concern if it were incorporated would only pay a 12½ per cent tax on the same net income. This unfair discrimination against partnerships through the

operation of the flat rate on corporate income is brought out in the following table:

(1) *Illustration showing how the income tax law operates in favor of the corporation and against the partnership.*

ASSUME.

A corporation having $1,000,000 invested capital.
Earnings, $150,000, or 15 per cent on capital.
Salaries of two officers, $10,000 each, married, no dependents:

Tax paid by corporation, at 12½ per cent, on $150,000		$18,750
Tax paid by each officer, $520; two officers		1,040
Total tax		19,790

ASSUME.

A partnership having $1,000,000 invested capital.
Earnings, $150,000, or 15 per cent on invested capital.
Salaries of two partners, $10,000 each, married, no dependents:

Tax paid by partnership		-------
Tax paid by each partner on:		
Salary of	$10,000	
Profit	75,000	
	85,000	$22,380
Total tax paid by two partners		44,760

Corporation pays $19,790; partnership pays $44,760.

(2) *Illustration showing how the income tax law operates in favor of the corporation and against the partnership.*

ASSUME.

A corporation having $1,000,000 capital.
Earnings, $50,000, or 5 per cent on invested capital.
Salaries of two officers, $10,000 each, married, no dependents:

Tax paid by corporation, at 12½ per cent, on $50,000	$6,250
Tax paid by each officer, $520; two officers	1,040
Total tax	7,290

ASSUME.

A partnership having $1,000,000 capital.
Earnings, $50,000, or 5 per cent on invested capital.
Salaries of two officers, at $10,000:

Tax paid by partnership on profits	
Tax paid by each officer on salary of $10,000 plus undistributed profit of $25,000	$4,630
Tax paid by two partners	9,260

Corporation pays $7,290; partnership pays $9,260.

The theory of the progressive graduated corporation income tax which I am advocating has been indorsed by many of the great American economists and tax experts. Prof. T. S. Adams, of the department of political economy at Yale University, is reported to have been advising the Treasury Department in framing tax legislation. Professor Adams has been quoted by our Republican friends as one of the greatest experts in this country on the income tax. In a letter which I received from Professor Adams recently in reply to an inquiry of mine he has this to say of the graduated corporation income tax:

The principal form of the graduated corporation income tax is the excess-profits tax. Experts are divided in their opinions about the principle or theory of this tax. Personally I approve of it, and I believe that the majority of the experts may be said to approve of the theory of the graduated excess-profits tax.

Prof. E. R. A. Seligman, of Columbia University, who is recognized, I presume, as the best informed economist in America on fiscal matters, has for many years advocated this method of taxation.

There is but one substantial objection that has been offered against this method of taxation. It is contended that while it is sound in principle it is difficult to administer. The practical difficulties in the administration of the law have, to my mind, been grossly exaggerated in the minds of those who oppose this method of taxation.

I realize, of course, that the crucial point in the administration of the law is the securing of honest returns as to invested capital. By inflating dishonestly the invested capital the rate of net return appears unduly small and enables the corporation thereby to escape its share of taxation. My reply to this is, first, that the corporation that is zealous in beating the law can do so under the flat rate by juggling book accounts. By adding undue amounts for depreciation and depletion, and so forth, the net return is reduced from a tax point of view and high salaries are paid to evade the taxes. Still we must operate on the assumption that men are honest and that the tax evader is the exception rather than the rule.

Nor must we overlook the fact that when for over five years the Government had been at work collecting and auditing data as to invested capital, and we had just reached the point where we felt that we had solved the problem, the excess-profits tax law was repealed in 1921 and the Government lost the benefit of the years of experience in this matter. For the new corporations there is no serious problem, and for the old corporations the matter has been pretty well settled as a result of the experience from 1917 to 1921, during which period the excess-profits tax was in vogue.

This method of taxation is not altogether new. Wisconsin adopted it in 1911. Norway has accepted it. Great Britain has used it very effectively for raising revenues. The time will come when business men will regard it as a very fair method of raising revenues.

MUSCLE SHOALS.

Mr. McKENZIE. 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. 518, relating to Muscle Shoals.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. MAPES in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of the bill of which the Clerk will read the title.

The Clerk read the title, as follows:

A bill (H. R. 518) to authorize and direct the Secretary of War to sell to Henry Ford nitrate plant No. 1, at Sheffield, Ala.; nitrate plant No. 2, at Muscle Shoals, Ala.; Waco Quarry, near Russellville, Ala.; and to lease to the corporation to be incorporated by him Dam No. 2 and Dam No. 3 (as designated in H. Doc. No. 1262, 64th Cong., 1st sess.), including power stations when constructed as provided herein, and for other purposes.

The CHAIRMAN. When the committee rose last night an amendment was pending offered by the gentleman from Ohio [Mr. BURTON].

Mr. BURTON. Mr. Chairman, I desire to offer a perfecting amendment.

Mr. BLANTON. Mr. Chairman, I make the point of order that in the Committee of the Whole House on the state of the Union, where a Member offers an amendment, he can not offer an additional perfecting amendment to perfect his own amendment, but that must be done by unanimous consent. A modification of his own amendment must be done by unanimous cosent, and not by motion.

Mr. BURTON. Mr. Chairman, a perfecting amendment is in order at any time, offered either by the original mover of the amendment or any other Member.

Mr. BLANTON. That is, as to the text; but any amendment to his own amendment must be done by unanimous consent.

The CHAIRMAN. A perfecting amendment is in order under the rules, and there is nothing to prevent a Member from offering an amendment to his first amendment. The Chair overrules the point of order.

Mr. BURTON. Mr. Chairman, I ask unanimous consent that the original amendment be first read, and then that the perfecting amendment be read.

The CHAIRMAN. Without objection, the Clerk will report the original amendment, and then the perfecting amendment.

The Clerk read as follows:

Amendment offered by Mr. BURTON: Page 3, in section 4, strike out lines 18 to 25, inclusive, and insert in lieu thereof the following: "The company during the period of this lease shall, at its own expense, provide for the necessary repairs, maintenance, and operation of Dam No. 2, its gates, and locks."

Amendment to the proposed amendment by Mr. BURTON: After the word "repairs" include the word "replacements."

Mr. BURTON. Mr. Chairman, when this amendment was pending last evening General Beach, the Chief of Engineers, was quoted as saying that $25,000 would be sufficient for repairs and operation for this Dam No. 2. That figure very much surprised me. I have the greatest confidence in General Beach, and for years was in very close association with the Corps of Engineers. I thought there must be some mistake about it, and I have investigated. The explanation is this: There is not a clearly defined line between replacements and repairs. What General Beach meant was that to provide the number of men necessary to take care of the gates and of the structures on the top of the dam, as well as the repairs and ordinary maintenance, would require $25,000 a year. But in the popular mind repairs include the replacement of pieces that fail, the keeping of the plant in the general condition in which it was originally constructed, and making it efficient for service at any time. So I have obtained the figures since that time. There are 58 steel gates for the discharge of water on this

dam. The ordinary life of one of those steel gates under the best of conditions is from 25 to 50 years. They are of ordinary structural steel, and an engineer in making computations would compute that the deterioration upon those would be 2 per cent per annum, and that they would have to be replaced at an indefinite period between 25 and 50 years.

The cost of those gates is $2,619,000. Now, merely for providing men to take care of them, and there are mechanical devices so that in two hours the whole 58 can be raised, and for grease and for oil and for paint, the estimate of General Beach would be correct. Figured more accurately, this would be $26,180; but when you take into account the necessary replacement of the machinery for the spillways—that is, the steel gates—there is an additional amount of twice that, or $52,360, making $78,540 for all. This is a mere beginning, however. This entirely leaves out of consideration any deterioration in the dam. It ignores any deterioration in the 18 units required for transmitting the water to the water wheels and to the generators. The water comes out from the pool into the power house, goes by pipes to the water wheels, above which are the generators. Those installations cost $14,400,000, according to the best estimate I can obtain; and the deterioration upon those, the diminished value, and the necessity for replacement at the end of 50 or 100 years would involve a diminished value of 25 to 50 per cent, or from $3,600,000 to $7,200,000. Again, I am not able to believe that in such an enormous installation, costing $60,000,000, a dam which has more concrete in it perhaps than any in the world, with all its appliances and its machinery, that there will not be a very much larger deterioration.

It is said that Mr. Ford—and there is a great blare of trumpets about this—proposes to pay $19,868 per annum to go into a sinking fund, and it is stated what that amount will be in 50 or 100 years; and that is very large. I have not been able to verify the figures, but you have at the outset the actual necessity for maintenance and repairs, because repair ordinarily includes replacements, $78,560 a year, and your $35,000 plus that $19,868 makes $54,000, which leaves the Government a loser by $24,000 a year for just ordinary and necessary repair and replacement and wipes out your much-boasted sinking fund.

Mr. Chairman, I have included the word "replacement" to remove any ambiguity.

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

Mr. BLANTON. Mr. Chairman, I offer a substitute for the gentleman's original amendment, which I send to the Clerk's desk.

The CHAIRMAN. The gentleman from Texas offers a substitute, which the Clark will report.

The Clerk read as follows:

Substitute offered by Mr. BLANTON: Page 3, line 20, strike out all of line 20 and insert in lieu thereof "all expense necessary"; and in line 24, after the word "direction," strike out the words "care and responsibility"; and in line 25, after the word "States," insert the words "but at the expense of said company," so, as amended, it will read:

"SEC. 4. The company will further pay to the United States during the period of the lease of Dam No. 2 all expenses necessary for repairs, maintenance, and operation of Dam No. 2, its gates and locks, it being understood that all necessary repairs, maintenance, and operation thereof shall be under the direction of the United States but at the expense of said company during the said 100-year lease period."

Mr. BLANTON. Mr. Chairman, the only difference between the amendment of the gentleman from Ohio [Mr. BURTON] and my substitute is that the amendment offered by the gentleman from Ohio does not leave these repairs and replacements and the maintenance under the direction of the United States, but leaves it entirely to Mr. Ford. If you adopt the substitute you properly safeguard the bill, which requires the Government of the United States for 100 years to make the repairs, to maintain and operate this dam, locks, and gates at the expense of the Government; but if you adopt my substitute, while the United States Government, through its engineers, has direction of all repairs and replacements and the maintenance, yet the actual expense will be borne by the Ford Co.

Mr. KEARNS. Will the gentleman yield?

Mr. BLANTON. I have but a few minutes, but I yield to the gentleman.

Mr. KEARNS. What will Wilson Dam cost—Dam No. 2?

Mr. BLANTON. I understand, with all the machinery and everything complete, about $60,000,000.

Mr. KEARNS. All of the engineers before the Military Affairs Committee testified that the upkeep of that dam would be a minimum of 1 per cent of the cost of construction and the maximum would be 3 per cent of the cost of construction.

Mr. BLANTON. Yes; and we are proposing for 100 years, for a measly little old sum of $35,000 a year, to bind the United States to repair, replace, maintain, and operate Dam No. 2 and all of its locks and gates at its own expense, and I am not in favor of it.

Mr. HILL of Maryland. Will the gentleman yield?

Mr. BLANTON. In just a moment. The gentleman has had an hour on this matter and I have only had about 10 minutes.

Mr. HILL of Maryland. I just want to ask a question, and I will say that I am with the gentleman and am going to ask for more time for the gentleman.

Mr. BLANTON. I do not know whether the gentleman will be able to obtain additional time, but I will yield to the gentleman.

Mr. HILL of Maryland. I just want to say to the gentleman that the engineers have reported that the condition of the bed of the river, both at the base of the dam and at each end of the dam, is such that they fear there might be underwashing.

Mr. BLANTON. That is exactly what should be safeguarded. I want to repeat to my friends from Alabama what I said yesterday. I am just as anxious for Henry Ford to get this project as you are, but I will tell you a good reason for placing this project under the direction of the United States and at the expense of the company during the 100 years.

There could be a little trickling of water running around either end of this dam which would start in the next hundred years which, if detected in time by the use of ordinary, diligent inquiry, could be stopped with very little harm and cost; but if parties know that the great Government of the United States, with its big Treasury at Washington, is going to replace whenever damage comes, they become a little careless, and steps might not be taken to stop it. There could be a little undermining underneath this dam from time to time or a little seepage which, if detected by proper care, could be stopped with very little damage and expense, but if allowed to go on and on without care and diligence in detecting it and in promptly repairing it could undermine the dam and it could be washed out not once in a hundred years but it could be washed out a dozen times, and it could cost the Government $60,000,000 every time in order to replace it. I am not willing by my vote to bind the Government in such a proposition that will place a burden of that kind upon the people of the United States for 100 years, and I am not going to do it.

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

Mr. HILL of Maryland. Mr. Chairman, I ask unanimous consent that the gentleman from Texas have three minutes more.

Mr. BANKHEAD. Mr. Chairman, reserving the right to object, and I am not going to object, I trust that we may at least have a tacit understanding, because we are all very anxious to try to finish this bill to-day and as speedily as possible, and the matter has been very thoroughly discussed.

Mr. BLANTON. I would not ask for additional time, I will say to my friend from Alabama.

Mr. BANKHEAD. I am not going to object, but I just wanted to see if we could not get along faster with the bill.

Mr. BLANTON. Mr. Chairman, I do not want to take up the time of the House uselessly, but I am deeply interested in this matter in behalf of the 110,000,000 people of the United States. This is the only time that we are ever going to have a chance to safeguard the people and their Treasury. When you pass this bill it goes beyond the reach of Congress. You can not change it in any particular hereafter, I do not care how many defects you may find in it or how anxious you may be to change it in the interest of the people. You will not be able to do it. It would be an impairment of an existing contract, and it would be illegal as to these people if you tried to change it hereafter after we entered into this contract, because the very minute this bill is passed by the House and the Senate and signed by the President it becomes a binding contract if Henry Ford accepts it. Now is the time to properly write it. Why should we not make these safeguards? We are the only ones here to look after the rights of the people. Why should we not take time here and be diligent in looking at it with care to safeguard the rights of a hundred and ten million people?

Mr. LAGUARDIA. Will the gentleman use the word "replacements" in his amendment instead of the word "repairs"?

Mr. BLANTON. Oh, repairs mean replacements.

Mr. LAGUARDIA. There is some doubt about that.

Mr. BLANTON. This Congress has so held in rebuilding buildings destroyed. Let me say to the gentleman that Henry

Ford has not overlooked any bets in this contract. If the best attorneys in the United States, who represented Henry Ford, had not known that repairs mean replacements there would have been the word "replacements" in this bill. No such word is found in the bill. Repairs cover replacements. There is no question about that. I suggest that the gentleman get his dictionary. I am satisfied on that point, but I am not satisfied to leave the section as it is now written. Why do you gentlemen from Alabama oppose changing it? If Henry Ford is sincere, if he is willing to be fair to the people, do you think that he would object to this change? No. Show me a man who is to get such very valuable property for 100 years who will not agree to keep it up and keep it in repair. You ought to adopt the amendment to safeguard the rights of the people.

Mr. HULL of Iowa. Mr. Chairman, I am very much interested in what the gentleman from Texas [Mr. BLANTON] said and also in what the gentleman from Ohio [Mr. BURTON] has said. I say to the gentlemen who are interested in this bill that we are all interested in passing it. It is a very important matter, and I hope that when we have under consideration matters like this which are unquestionably important there should be no disposition on the part of anyone to shut off debate when we are trying to make this bill what it should be and protect the Treasury of the United States.

Mr. GARRETT of Texas. Mr. Chairman, will the gentleman yield?

Mr. HULL of Iowa. Oh, yes; for a question, if the gentleman will get me a little more time.

Mr. GARRETT of Texas. Oh, I would give the gentleman a year and a half as far as I am concerned. The gentleman helped to draft this section and perfect it. Has he ever objected to it in its present form?

Mr. HULL of Iowa. Oh, I have found a great deal of new light since then; I have progressed. The trouble with the gentleman from Texas is that he has not progressed. If I had lived for two years and had not learned anything new, I would want to die.

Mr. GARRETT of Texas. Oh, there are a lot of things to be discovered in two years.

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

Mr. HULL of Iowa. Yes.

Mr. BEGG. Suppose the amendment of the gentleman from Texas were to be adopted, then that would leave the company, or whoever controlled it, obligated to make whatever repairs the Government said should be made. In a private business, between man and man, would the gentleman from Iowa plan a contract where the other party had the right to say what repairs he should make?

Mr. HULL of Iowa. I certainly would, if I were getting the great value that Henry Ford is in this. I would not question it at all.

Mr. BEGG. If the gentleman will permit, I do not think the value has anything to do with it. Would it be good business for a man to obligate himself to make repairs that might run up, as the gentleman from Texas says, to $60,000,000?

Mr. HULL of Iowa. I want to answer the question. The gentleman makes a very amazing statement. He says that the value of the contract has nothing to do with it. The value of the contract has everything to do with it, and the gentleman ought to know that. Sixty million dollars! Think of this! And under this contract the United States Treasury is to pay it for the benefit of Henry Ford and his company.

Mr. BEGG. I would not think the value of the contract had anything to do with it.

Mr. HULL of Iowa. In making a contract, the value of the contract has everything to do with what you will expend in repairs.

Mr. BEGG. The contract has no value if the man making the contract kills the value of it by making repairs unnecessarily, and the gentleman knows that.

Mr. HULL of Iowa. I want to say just a few words in regard to that. You will find this to be true if you ever make this contract. There will be erosion on that dam. That is not provided for. There will be many repairs and replacements necessary, and you have not allowed for that. I do not think you have allowed one-fifth enough to take care of repairs and replacements, let alone the great erosion that would take place upon the dam itself.

Mr. STRONG of Kansas. Mr. Chairman, will the gentleman yield?

Mr. HULL of Iowa. I call attention to the fact that in this contract, as we passed it last night, you give to Henry Ford $680,000 a year in actual value, less what you are offered from other sources. Yes; I yield to the gentleman from Kansas.

Mr. STRONG of Kansas. On the other hand, should not the Government that is to build this dam at an expense of millions of dollars be in a condition to require the lessee to take care of it?

Mr. HULL of Iowa. Certainly. There is no question about that. This company ought to take care of it. We have offers from others who are reputable people—and I am not advocating their contracts—and I call attention to the fact that last night you gave to Henry Ford this property by denying the amendment of the gentleman from South Dakota [Mr. WILLIAMSON]. His amendment would have compelled Henry Ford to pay $680,000 more a year, or the same as you were offered.

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

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

Mr. HULL of Iowa. Mr. Chairman, I ask unanimous consent to proceed for five minutes more.

The CHAIRMAN. Is there objection?

Mr. SNYDER. Mr. Chairman, reserving the right to object, it seems to me that we have had pretty nearly all of the debate that we want on this proposition. We have been listening to debate for five days, and I believe the membership of the House has made up its mind to what it wants to do about this bill. I serve notice now that I am going to object to extensions from now on to men who have spoken several times on the proposition. I think this bill should be finished tonight.

Mr. HULL of Iowa. The gentleman is exercising his right; he can object.

Mr. SNYDER. I want to say this: That there are other important matters to come before the House. We have been five days on this, which is ample time, and this bill ought to be finished to-day.

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa?

Mr. GOLDSBOROUGH. I object.

Mr. McKENZIE. Mr. Chairman and gentlemen of the committee, the argument by my good friend from Iowa, who lives across the Mississippi River from my district, is perfectly absurd in view of the statement he made when we had the hearings before our committee. When Hugh L. Cooper appeared before our committee the last time—and, by the way, he was at that time against the Ford offer, but has seen light, like my friend from Iowa—he was asked this question: "If proper precautions are taken in the building and upkeep of the dam there is no danger of the dam going out?" Mr. Cooper said, "No; I do not think there is any danger at all. I would be willing to have my family live under the dam when you get through with it so far as safety is concerned, but if proper precautions are not taken in the building, and after, it will not be sufficient." Mr. HULL then asked, "You think they will take proper precautions?" Mr. Cooper said, "There is no doubt of that."

Mr. Cooper is down there now helping to build the dam. These amendments are offered in the attempt by these gentlemen to write the proposal of another man in his absence, and without even submitting them to the members of the committee first. I said last evening that I relied on the judgment of the Chief of the Corps of Engineers of the United States Army, and while I respect my friend from Ohio, with his long experience, and while I have a friendly feeling for the gentleman from Iowa, I say that it is simply trifling with this matter now for those gentlemen to come in with amendments of this character. Mr. Chairman, I ask for a vote, and I hope the substitute and the amendment both will be voted down.

Mr. BURTON. Will the gentleman yield?

Mr. McKENZIE. Certainly.

Mr. BURTON. Does the gentleman realize that under my amendment there is no provision made for restoration of the dam?

Mr. McKENZIE. I understand.

The CHAIRMAN. The question is on the perfecting amendment by the gentleman from Ohio to his own amendment.

The question was taken, and the amendment to the amendment was rejected.

The CHAIRMAN. The question now is on the substitute offered by the gentleman from Texas to the amendment of the gentleman from Ohio.

Mr. LAGUARDIA. Mr. Chairman, I have an amendment to offer to the substitute of the gentleman from Texas.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amendment offered by Mr. LAGUARDIA to the substitute offered by Mr. BLANTON: After the word "repairs" in the Blanton substitute insert the word "replacements."

Mr. LAGUARDIA. Mr. Chairman, as stated by the gentleman from Ohio [Mr. BURTON] the practice of accountancy is to keep the item of replacements separate from the item of repairs, and in a construction of this kind it will not be many years before you will have to make replacements costing large amounts of money which, under the strict construction of the contract, would be excluded from the provision for repairs.

Now, gentlemen of the committee, the intention of this contract is that the lessee shall pay for the repairs. This intent is weakened, if not destroyed, by limiting the amount for repairs to $35,000. If the amount of $35,000 will cover all the repairs and maintenance and replacement, then the lessee can not object to the amendment or to the substitute which provides exactly the same conditions but does not limit it to the amount of $35,000. If, on the other hand, the proponents of the bill know that $35,000 is not enough, then they are endeavoring to mislead the House by saying that the lessee shall pay for the repairs, and then limit his liability on this obligation to $35,000.

I want to say to the gentleman from Illinois [Mr. MCKENZIE] that it is not trifling, and the members of this committee should not be charged with trifling, because we seek to protect the interest of the Government. We are trying to perfect a contract which the committee has had for two years and was brought before the House under a special rule. We are getting startling information daily, and if the gentleman from Illinois will give us the opportunity, we will get a contract through the House which may be presented to Mr. Ford protecting the interest of the people, and Mr. Ford can take it or leave it.

Mr. ALLGOOD. Mr. Chairman, we have been almost two days on a bill of 19 pages, and here we are only on the third page, at section 4, and some gentlemen of this House come here with dilatory tactics that are being used to defeat the measure. I charge that they are dilatory tactics absolutely.

Mr. BLANTON. Will the gentleman yield?

Mr. ALLGOOD. No; I decline to yield. The gentleman from Texas said the other day that if they did not adopt his amendment he was going to vote against the bill.

Mr. BLANTON. But that is not dilatory.

Mr. ALLGOOD. Henry Ford's offer for Muscle Shoals is a question of so much moment and interest to the citizens of this Nation that it has more and more during the past three years become the subject of thought and conversation by people in every walk of life and from every section of our great country.

Muscle Shoals is one of the best-known places in the Nation today, because it represents power to the manufacturer, light and heat to the home owners, and fertilizer to the farmers.

One hundred million dollars was spent by Congress to develop Muscle Shoals as a war measure. The war is over, and God in heaven knows that the people of this world need to have some good come to them to help recompense them for the fearful losses of life and property during the war; therefore Congress is now seeking to convert a war-time agency which was intended for the destruction of human life into an agency which will make human existence possible. In fact, consummation of this contract will be the erecting of a monument by this Congress to the memory of plenty, peace, and prosperity.

During the war our Government spent $25,000,000,000 for the defense of this country, and here you are raising a question on an expenditure of a few thousand dollars when in the expenditure of the $25,000,000,000 Congress was almost unanimous in making those expendtures. We have practically nothing to show for that $25,000,000,000 in any material way except debt, debt, debt, which this Congress is being called upon to levy taxes upon the backs of the people of this Government to pay.

In Alabama we have the great Muscle Shoals plant to show for the money that was spent there. The acceptance of Henry Ford's offer and the carrying out of his contract will cause the nitrate plants to be operated and bring a revenue of more than $344,000,000 to the United States Treasury.

Gentlemen, I have been for the Ford offer from its very beginning, for at that time I had the honor to be serving my State as commissioner of agriculture and industries and thereby knew the needs of the farmers for cheaper and better fertilizers. Mr. Ford's offer stated that he would use a part of this great natural resource for the manufacture of fertilizers to be sold to farmers at reduced costs. In order that you may know what Henry Ford proposes to do along this line I will quote direct from his proposal, which says:

Since the manufacture, sale, and distribution of commercial fertilizers to farmers and other users thereof constitutes one of the principal considerations of this offer, the company expressly agrees that, continuously throughout the lease period, except as it may be prevented by reconstruction of the plant itself or by war, strikes, accident, fires, or other causes beyond its control, it will manufacture nitrogen and other commercial fertilizers, mixed or unmixed, and with or without filler, according to demand, at nitrate plant No. 2 or its equivalent, or at such other plant or plants adjacent or near thereto as it may construct, using the most economical source of power available. The annual production of these fertilizers shall have a nitrogen content of at least 40,000 tons of fixed nitrogen, which is the present annual capacity of nitrate plant No. 2. If during the lease period said nitrate plant No. 2 is destroyed or damaged from any cause the company agrees to restore such plant within a reasonable time to its former capacity, and further agrees:

(a) To determine by research whether by means of electric furnace methods and industrial chemistry there may be produced on a commercial scale fertilizer compounds of higher grade and at lower prices than farmers and other users of commercial fertilizers have in the past been able to obtain, and to determine whether in a broad way the application of electricity and industrial chemistry may accomplish for the agricultural industry of the country what they have economically accomplished for other industries, and if so found and determined to reasonably employ such improved methods.

(b) To maintain nitrate plant No. 2 in its present state of readiness or its equivalent for immediate operation in the manufacture of materials necessary in time of war for the production of explosives.

In order that farmers and other users of fertilizers may be supplied with fertilizers at fair prices and without excessive profits the company agrees that the maximum net profit which it shall make in the manufacture and sale of fertilizer products shall not exceed 8 per cent of the fair actual annual cost of production thereof.

The fertilizer bill is one of the heaviest that the farmer pays. In the year 1880 the farmers of the United States spent only $28,000,000 for fertilizer; in the year 1920 the farmers of North Carolina spent twice as much as all the farmers of the United States spent in 1880. Our national fertilizer bill in 1920 was more than $300,000,000. The farmers were the first to pay this heavy burden, but finally some of it had to be borne by the consumers of farm products, who live in our towns and cities. Thus you see this is a question that has to do with the cost of living of practically every family in the Nation. The fertilizer question is not a sectional one. Formerly the southern farmer was the only one to buy commercial fertilizer, but to-day the farmers of Ohio buy more fertilizer than do the farmers of Florida. Missouri buys more than Louisiana, and Michigan more than Tennessee. From 1909 to 1919 Alabama farmers increased their expenditures for fertilizers 80 per cent, while the farmers of Iowa increased 400 per cent; Oregon, 600 per cent; Montana, 900 per cent; North Dakota, 1,000 per cent; and Oklahoma, 1,400 per cent. It is estimated that, if the increase for the country during the next 10 years is only 80 per cent of what it was for the last decade, our annual fertilizer bill will amount to more than $800,000,000 by 1930.

It is no wonder the farmers of the country want Henry Ford's offer accepted. They wanted relief three years ago, when the offer was first made, and if accepted now it will possibly be some years yet before they will get relief from the Fertilizer Trust. It is no wonder that thousands of people who live in towns and cities, and who buy farm products, want their living costs reduced, and therefore favor Ford's offer. It is no wonder to me, nor to any farmer in the country, that the fertilizer manufacturers and Fertilizer Trust, which have been reaping such rich rewards, have joined hands with other interests to prevent the acceptance of Ford's offer by the last Congress, and now by this Congress, or by any Congress in the future.

Two years ago expert chemists who opposed the Ford offer testified before the Military Affairs Committee of Congress that it was impossible to produce fertilizers by hydroelectricity at one-half the price for which it was being sold. Mr. Ford's experts stated it could be done. In 1922, when the American people had elected a Congress more favorable to Ford's offer, the same companies that made bids formerly, together with other companies, included fertilizer contracts in their bids and produced expert witnesses who testified that fertilizers could be produced at Muscle Shoals at one-half the cost for which it is now manufactured, thereby corroborating Mr. Ford's contention made two years ago.

The use of fertilizer is an economic one. The farmers in each section of our country have troubles which are peculiar to their own section. In the South, where our main crop is cotton, we are confronted with the boll weevil. In Alabama, my native State, in the year 1912 we produced on four and one-half million acres of land 1,700,000 bales of cotton and paid $8,000,000 for fertilizer. In 1923 Alabama planted 3,000,000 acres in

cotton and produced only one-third as much cotton as in 1912. but our fertilizer bills had climbed to $15,000,000, and it is safe to say that if our farmers had been deprived of the use of fertilizers they could not have made 300,000 bales of cotton in 1923, because not only is the fertility of the soil greatly depleted but under boll-weevil conditions it is absolutely necessary to use increased quantities of fertilizers which run high in nitrogen content, and remember, gentlemen, that nitrogen is the product which Henry Ford proposes to take from the air and convert into fertilizer at the big fertilizer plant at Muscle Shoals. Over every acre of ground there are 33,000 tons of pure nitrogen in the air, and why should we continue to pay tribute to Chile when we can produce within our own borders and at a much cheaper rate a product of equal value, and why should we continue the extravagant use of cottonseed meal as a fertilizer?

Cottonseed meal is one of the very best feeds that we have for livestock production as well as the production of dairy products, and it usually brings $40 or $50 a ton for this purpose.

We are annually using 700,000 tons of cottonseed meal as fertilizers, which is an enormous waste, as only about 8 pounds in each 100 pounds has any plant-food value, therefore 92 pounds out of each hundred is lost by the farmer. If the farmer pays $50 a ton for his cottonseed meal at this rate he is paying 35 cents a pound for his nitrogen. Mr. Ford's experts, as well as the other experts before the Military Affairs Committee, before this Congress, testified that similar plant food could be manufactured at Muscle Shoals at a cost not exceeding 10 cents a pound.

I think it nothing but justice to the farmers of this country that they have some of the benefits of the development of our national resources returned to them, for they are the ones who buy, improve, work, and pay taxes upon lands which form watersheds for the streams that produce the hydroelectric power. These streams have also washed millions of tons of plant food from the farms, and these same streams should by justice and by right be used to help restore the fertility which their waters washed away.

Since the Civil War the farmers of the world have paid more than $3,000,000,000 for Chilean nitrates, and the American farmers have paid almost one billion of this amount. Are you surprised at them crying out for relief? In 1920 in my State, with deflation and heavy boll-weevil infestation, there were thousands of farmers who did not make enough cotton to pay their fertilizer bills, and as a result many of them became discouraged, left the farms to become competitors with those engaged in industry.

Agriculture is the basic industry of the Nation, but taken as a whole the condition of the American farmer is worse than ever before in history. You can search the mortgage records of your county seat and you will find more farm mortgages, and that more interest is being paid by farmers than at any previous time. Farm conditions are not good.

When war was declared you people know that the farmers hearkened to the cry of Congress; that they hearkened to the cry of the President; that they hearkened to the cry of our soldiers; they went forth early in the morning and toiled all day long in the fields, laboring in order that our soldiers might have subsistence with which to win the war. Not only that, but after the war when the foreign countries had been devastated and the Macedonian cry came across the waters that those peoples were starving, again our farmers were called to go into the fields, and they produced and produced at a great loss.

Go with me into the farm homes and I will show you that the old people are the ones that are staying with the farms; with but few exceptions the farmers' sons and the farmers' daughters have left the old homestead and gone to the towns and cities, where they engage in occupations which are far more remunerative than agriculture.

I plead with you here to-day to pass this bill as a farm-relief measure. If the life of this Government is to be perpetuated, the farmer must have laws enacted that are favorable, and that will enable him to prosper, and to you people who live in the great cities like New York, Baltimore, Philadelphia, and San Francisco I want to state that the acceptance of Henry Ford's offer is not sectional but is national, for in time of peace it will enable us to a greater extent to make living conditions more tolerable, so that we can keep more of our sons and daughters on the farms who will help us produce, to feed and clothe not only the 50,000,000 people who live on the farms but in addition to feed and clothe 50,000,000 people who live in our towns and cities, who, when they pray "Give us this day our daily bread," are expecting a kind Providence to answer their prayers through the industry and sweat of the farmer and his family. Yes, we are willing to work in order that we may have a great, happy, and prosperous people. Standing in my place to-day I can vouchsafe that if in the years to come a foreign foe should attempt to invade the New England coast or the Pacific coast, the sons of the farmers of the South would be found leaving their homes to join hands with your sons in defense of a common country, and in that event, which I pray to high heaven will never come, but if it should come there would be at Muscle Shoals, Ala., the great nitrate plants intact and ready to produce the sinews of war for the protection of the greatest people that ever lived. Aye, sirs, I not only deem it my duty, but I think it a rare privilege to have an opportunity to vote for a measure that means so much to the people of this entire Nation. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. ALLGOOD. I would like to have three additional minutes.

The CHAIRMAN. Is there objection?

Mr. SNYDER. Mr. Chairman, I object.

Mr. McKENZIE. Mr. Chairman, I move that all debate on this amendment and this section close in 12 minutes.

The CHAIRMAN. The gentleman from Illinois moves that all debate on this amendment and section close in 12 minutes.

Mr. HERSEY. Mr. Chairman, I ask the Clerk to read the following letter in my time.

The CHAIRMAN. Without objection, the letter will be read in the time of the gentleman.

The Clerk read as follows:

LETTER FROM GOVERNOR SHAW TO CONGRESSMAN BURTON.

MARCH 6, 1924.

Hon. THEODORE E. BURTON,
Washington, D. C.

DEAR CONGRESSMAN BURTON: I have just read and reread parts of your masterful speech of yesterday on the Muscle Shoals proposition. I can but think that, if there be consciousness beyond, how delighted my once great chief and our mutual friend must be. I was of his official family at the time of the three Roosevelt vetoes of water power bills you mention.

Mr. Roosevelt's idea of conservation of water power did not contemplate their perpetual nondevelopment. No one more than he loved to see "the wheels go round" or rejoiced more in industrial activity. What he hated, with all the intensity of his intense nature, was monopoly and special privilege, such as the pending measure contemplates. If it shall pass with the support of his once political friends, he will surely seek—and I hope not in vain—a reincarnation. Think of it! The greatest special privilege ever contemplated by any government, the greatest possible monopoly ever conceived by man, plus a gratuity of nearly $100,000,000 in present development, being turned over by his country to a pacifist and the father of a slacker, with no assurance that the beneficiary will change his policy of a lifetime and do something calculated to benefit others, further than a promise to experiment in fertilizer production to ascertain whether it can be made more profitable than the manufacture of cars.

I was particularly interested as you traced the evolution in water-power legislation, covering nearly 20 years and culminating in the act of 1920, enacted by the first Republican Congress after some years of its minority experience, and approved by President Wilson. I have always believed that act embodied Mr. Roosevelt's conception as nearly as legislation can be expected to express the wishes of one statesman. Certainly the result has justified it. I did not know until I read your speech that under that great constructive measure six times as much contemplated power has sought licenses and permits, three times as much has been granted by the Government, and twice as much actually developed as in the preceding 20 years. The public, having had less experience with legislative inconsistencies than some of us, will have difficulty in understanding why 20 years should have been spent in developing a law that admittedly works admirably, only to be ignored by the body that passed it, no Member of which would have the temerity to suggest its repeal.

You are right, Mr. Statesman; the oil scandals which are now occupying the attention of Congress to a degree that disgusts every sane American are of small import compared with the gift of property costing practically $100,000,000, the obligation on the part of the Government to expend other millions, the conveyance by the Government of a modernly equipped city, with paved streets, housing for thousands of people, with no Government supervision except in case of actual war. There is, however, this marked distinction: Some evidence that one man of high rank in one political party has been influenced by an unsecured loan and that several of high rank in the other party have been bought by unearned fees seems to be the sole cause of existing congressional hysteria. While what you seek to prevent would prove far more harmful than the loss of all the oil embraced in disputed leases, it would not be as exciting. This country meekly suffers annually vastly more from legislative asininity than it has lost in all its history from bipartisan cupidity.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HERSEY. I ask that the balance of the letter be inserted as an extension of my remarks.

The CHAIRMAN. The gentleman from Maine asks unanimous consent that the balance of the letter be inserted in his remarks. Is there objection?

Mr. GARRETT of Texas objected.

Mr. HERSEY. Under general leave to extend remarks upon this bill, I wish to say further that I greatly regret that the House could not have the full letter, but I must submit. In addition to my remarks on this bill on March 6 I wish to add this statement from the chairman of the board of governors, International Farm Congress of America:

The National Grange has never indorsed the Ford offer. At its last annual meeting a resolution to do so was rejected. The grange reported a paid membership of 601,086 last year.

The National Board of Farm Organizations, which met in Washington only three weeks ago, refused to consider a resolution indorsing the Ford offer. This group includes the Farmers' Union, a strong association of milk producers, and some others, with a total membership in excess of 600,000.

The National Council of Cooperative Marketing Associations, which also met in Washington within the past month, ignored the entire Muscle Shoals proposition. The paid membership of the associations composing this group is officially reported to exceed 500,000.

The Farm Congress has rejected every effort to approve the Ford offer in its present form, holding it to be in violation of sound economic and conservation principles. The Farm Congress, including affiliated bodies and delegate feature, represents a very large number of farmers, possibly larger than any other group.

In the report filed by Senator NORRIS, in which the majority of the Senate Committee on Agriculture and Forestry reject all private bills for Muscle Shoals, the following is the general position taken:

Mr. Ford makes no guaranty of any kind to reduce the cost of fertilizer.

He does not pay the Government 4 per cent on its investment in the dams.

He does not repay the cost of the dams.

He actually repays nothing on this principal and pays a wholly inadequate rate of interest.

His offer will not reduce the price of electricity to the general consumer.

The Ford offer implies the greatest gift ever bestowed upon mortal man since salvation was made free to the human race.

Mr. Ford is between 60 and 70 years of age. If the Government should turn this property over to his corporation, it would probably be from four to six years before the dams would be completed, and by the time the corporation got into active operation Mr. Ford would be in the neighborhood of 70 years of age. It is quite evident, therefore, that his connection with Muscle Shoals would be but a small fraction of the time included in his bid of 100 years.

The Alabama Power Co. is willing to pay $2,500,000 for the Gorgas plant and the transmission lines. If the Ford corporation secured all the property at Muscle Shoals for $5,000,000, it could sell the Gorgas plant for $2,500,000. The personal property could be sold for another $2,500,000. Thus Ford could have, without cost to him, properties that cost the Government in excess of $80,000,000.

During the first six years Mr. Ford's interest payments will be less than one-half of 1 per cent on Dam No. 2. During the first three years the interest payments will be less than 1 per cent upon the cost of Dam No. 3.

Figuring all of the costs and all of the conditions of his offer, Mr. Ford will pay only 2.79 per cent upon the cost of Dams No. 2 and No. 3. The taxpayers will thus finance Mr. Ford's corporation for 100 years and receive less than 3 per cent upon the money so advanced. The Ford offer will cost the taxpayers more than $500,000 a year in interest charges alone.

The Ford proposal violates every provision of the Federal water power act.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HERSEY. I ask that the balance of the letter be inserted as an extension of my remarks.

The CHAIRMAN. The gentleman from Maine asks unanimous consent that the balance of the letter be inserted in his remarks. Is there objection?

Mr. GARRETT of Texas. Mr. Chairman, I do not propose to give unanimous consent for any lecture of the House of Representatives on a public measure and I shall object to the letter being extended. It is a reflection upon the House.

Mr. HULL of Iowa. Mr. Chairman, I think the gentleman has that right. The right has been granted to all to extend. Let us have an understanding in regard to it. A Member does not have to have unanimous consent to extend his remarks on this bill.

The CHAIRMAN. The gentleman has a right to extend his own remarks, but not the remarks of anyone else. These are statements by other parties.

Mr. HULL of Iowa. Are not they his own remarks?

The CHAIRMAN. The Chair overrules the point of order.

Mr. STRONG of Kansas. Mr. Chairman and gentlemen of the committee, it does seem to me as we go along with the passage of this bill, which it is very plain is to be passed by the Democratic side of the House assisted by a few Republicans on our side, that we ought to give some careful attention to the provisions that will affect the Public Treasury. Now section 4 reads as follows:

SEC. 4. The company will further pay to the United States, during the period of the lease of Dam No. 2, $35,000 annually, in installments quarterly in advance, for repairs, maintenance, and operation of Dam No. 2, its gates and locks; it being understood that all necessary repairs, maintenance, and operation thereof shall be under the direction, care, and responsibility of the United States during the said 100-year lease period.

Now, that means that for the consideration of $35,000 a year the Government is to operate these locks and repair and maintain Dam No. 2 for a century. Now, let us look into that. There are two locks at Dam No. 2. Those two locks are 60 feet wide and 300 feet long. How many men will it take to operate them? The answer of the proponents of the bill is that the engineers say this is all the money they require, but I have had some experience with reference to water-power propositions and estimates of engineers. Let us apply our own common sense to this proposition. Can less than 5 men put a boat through a lock 60 feet wide and 300 feet long? And if there are two locks, will it not take 10 men, and will it not take three shifts of men, each shift working eight hours a day, making a total of 30 men; and can you employ 30 men to do the work for less than $35,000 a year? It will take the whole $35,000 to operate these locks, and you have not got a dime for maintenance and upkeep.

Mr. BLANTON. Or the gates.

Mr. STRONG of Kansas. Or the gates, or any expense necessary to the operation of the locks and the maintenance of the dam.

Now, we have a small water-power proposition out in Kansas, and it had been there for years, and we thought it had a firm foundation. It was thought safe and to be a good buy, and the company bought it. When flood waters came, driftwood piled up on the dam and affected the foundation, and they had to spend $300,000 on that small proposition to replace the dam. What might happen at Muscle Shoals with a dam costing millions of dollars? Remember, this is not our money but the money of the taxpayers we are pledging, a proposition costing millions of dollars, and surely we ought to require that it be maintained properly and without expense to the Government. I hope that some of these amendments looking to the protection of the Public Treasury will be adopted.

Mr. BYRNS of Tennessee. Will the gentleman yield?

Mr. STRONG of Kansas. I will.

Mr. BYRNS of Tennessee. I trust the gentleman understands that the maintenance of the lock is for the purposes of navigation——

Mr. STRONG of Kansas. Certainly.

Mr. BYRNS of Tennessee. The Government is under obligation, as it is on other navigable rivers, to give these people and the people upon the upper Tennessee the benefits of navigation.

Mr. STRONG of Kansas. But this places a charge upon the people, the taxpayers of the whole country.

Mr. BYRNS of Tennessee. But this is the first instance, I will say to the gentleman, in all the history of river navigation where the Government is about to adopt an economic policy whereby the cost of the dam will be amortized in 100 years.

Mr. STRONG of Kansas. But this bill purports to appropriate enough money, to be supplied by the Ford corporation, to cover the expense of operating the locks and maintaining the dams for 100 years, but it does not do so.

Mr. BYRNS of Tennessee. That is the estimate of the engineers.

Mr. STRONG of Kansas. Yes; but the gentleman himself does not believe that $35,000 a year will cover the cost of the repairs and maintenance of the dams and the cost of the operation of the locks, and the gentleman would not believe it even if all the engineers in the United States were to say so.

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

Mr. WILLIAMSON. Mr. Chairman and gentlemen of the committee, it is perhaps illogical for me to speak at this time, because I desire to speak upon an amendment which I shall offer only in the event that the Burton amendment fails, but as this is the only opportunity I shall have, on account of the limitation of debate, I will proceed. I am in favor of the Burton amendment because, as to this particular section, it brings the bill in line with the provisions of the Federal water power act. I believe the Burton amendment should be adopted by this House. But in the event it should not be, I shall offer an amendment to this section which provides that in the event it is found that the sums provided for in this section are not sufficient to maintain the dam the Congress shall have the right to modify the section by appropriate legislation.

We are told by the advocates of this bill that Henry Ford intends to pay a sum sufficient to care for the repair, maintenance, and operation of the gates and locks of the dam. Now, if that is what is intended to be expressed by this section and if it is Mr. Ford's intention, then the Burton amendment will accomplish that very thing, and certainly no injustice will be done to Henry Ford. That amendment, in fairness to this Government and to the American taxpayer, ought to be adopted. But in the event it is not adopted I shall offer an amendment which will permit Congress to take such action as it may deem necessary in order to carry out what is claimed to be the agreement.

Mr. BURTNESS. In other words, the Burton amendment simply does what the proponents of the bill claim that $35,000 will do?

Mr. WILLIAMSON. That is my understanding.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from New York to the substitute offered by the gentleman from Texas.

The question was taken, and the amendment to the substitute was rejected.

The CHAIRMAN. The question now is on the substitute offered by the gentleman from Texas.

The question was taken, and the Chairman announced that the noes appeared to have it.

Mr. BLANTON. Mr. Chairman, I ask for a division.

The CHAIRMAN. A division is asked for.

The committee divided; and there were—ayes 33, noes 74.

So the substitute was rejected.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Ohio [Mr. BURTON].

The question was taken, and the Chairman announced that the noes appeared to have it.

Mr. BURTON. A division, Mr. Chairman.

The CHAIRMAN. A division is asked for.

The committee divided; and there were—ayes 48, noes 82.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

Mr. WILLIAMSON. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The CHAIRMAN. The gentleman from South Dakota offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. WILLIAMSON: Page 4, line 4, at the end of section 4, add: "In the event that the sums provided for shall not prove sufficient for the purposes specified herein, Congress reserves the right to modify this section by appropriate legislation."

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from South Dakota.

The question was taken, and the Chairman announced that the noes appeared to have it.

Mr. WILLIAMSON. Mr. Chairman, I ask for a division.

The CHAIRMAN. The gentleman from South Dakota asks for a division.

The committee divided; and there were—ayes 38, noes 81.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 5. At all times during the period of the lease of Dam No. 2 the company will furnish to the United States free of charge, to be delivered at any point on the lock grounds designated by the Chief of Engineers, United States Army, electric power to an amount necessary for the operation of the locks, but not in excess of 200 horsepower.

Mr. HILL of Maryland. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Maryland, a member of the committee, offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. HILL of Maryland: Page 4, line 10, after the word "locks," strike out the words "but not in excess of 200 horsepower."

Mr. HILL of Maryland. Mr. Chairman, section 5 puts upon the Ford corporation the obligation of furnishing the amount of electric power "necessary" for the operation of the locks. It then puts a limitation on the amount. The two clauses are inconsistent. If the Ford corporation is obliged to furnish an amount necessary for the operation of the locks, it is entirely incompatible to put a limitation upon it. It is absurd to say that it should not be in excess of 200 horsepower. In the interest, then, of fairness to the Government, I suggest that those last words, "but not in excess of 200 horsepower," be eliminated. Let the Ford corporation furnish all the "amount necessary," as it purports to do.

There has been much talk of what the minority views of June 20, 1922, were. I therefore ask you to read that report carefully, as follows:

MUSCLE SHOALS PROPOSITION.

Mr. KEARNS, from the Committee on Military Affairs, submitted the following minority views, to accompany H. R. 11903:

What shall be done with Muscle Shoals is one of the big questions that is now confronting Congress. There have been several proposals made through the Secretary of War for the purchase of the Government's interests and the lease of the water power at this place. Only one of these propositions is now before the House. This is the one that has been submitted by Mr. Henry Ford. This proposal on the part of Mr. Ford has received wide publicity. Seldom has any question pending before the American people been so broadly heralded as has this offer to take over the Government activities at Muscle Shoals. We feel that this publicity has grown into one of the most insidious propagandas that the Nation has witnessed for many a day. Notwithstanding the wide publicity that has been given to the Ford offer, we feel, because of the unfair and unreliable statements that have been sent broadcast throughout the United States, that the country little understands what it is that Mr. Ford is offering to do or what, if anything, he is offering for this great plant that has been erected at Government expense at Muscle Shoals, Ala. The people have a right to know and we are determined that they shall know the real facts about Muscle Shoals and the so-called Ford offer.

We are not satisfied with the report filed by the so-called majority membership of the House Military Affairs Committee. Neither are we in harmony with the views expressed by the Wright minority. Without undertaking to criticize adversely either of these documents, we feel that neither of them has given to the Congress or to the country a clear, fair, and unbiased statement of the facts.

TRUTH ABOUT FORD OFFER.

There are a great many men throughout the United States who are strong advocates of the Ford offer without having any true understanding of what his proposition contains. These men are honest and conscientious, but they have been misled as to facts. They have read this propaganda, much of which is false in its every detail, and they have been led to believe that Mr. Ford will manufacture fertilizer in such large quantities that it will compel the exorbitant prices that are now being asked for this much-needed commodity to fall materially. The persistent report is that he will compel the fertilizer manufacturers of the country to sell their product at one-half of what they are now selling it. This is a welcome message to the users of fertilizers and indeed would be worthy of the efforts of every man in Congress should this be accomplished. But Mr. Ford, in the contract that he submits to the Secretary of War, qualified by his statements and the testimony of his agents, does not agree to make fertilizers during entire lease period unless he can make them with profit to himself.

FERTILIZERS.

Mr. Ford has always refused to allow himself or his company to be bound without qualification to the continuous manufacture of fertilizer at Muscle Shoals, provided this plant is turned over to him. Secretary Weeks appeared before the Military Affairs Committee of the House, and the following testimony that is illuminating indeed upon the subject of fertilizer is taken from page 29 of the records of the hearings:

> "Mr. WEEKS. I said to him [Mr. Ford]: 'Will you guarantee to continue to manufacture fertilizer during the life of the contract' [the 100-year period]? He replied that he would not.
>
> * * * * * * *
>
> "Mr. WEEKS. I said in effect: 'You might stop the manufacture of fertilizer in five years, or in any time, to the great disappointment of the people down there.' He said: 'Of course, I am going to stop if I can not manufacture it profitably.'"

Because of this frank admission and many kindred statements Secretary Weeks was entirely displeased with the language in the so-called

fertilizer clause in the Ford offer. Later testimony in support of the fertilizer clause in last offer does not change his attitude.

Mr. Mayo, who represented Mr. Ford before the committee and who was Mr. Ford's accredited representative, on numerous occasions testified that the Ford company would not make fertilizer at Muscle Shoals if it were found to be unprofitable and what they mean by "unprofitable" no one knows. Surely the contract does not contain any specific clause that would render it an enforcible agreement to manufacture fertilizer. Mr. Ford has at all times steadfastly refused to bind his proposed company in the contract to make fertilizer if certain contingencies should happen. The contract does not give the Secretary of War, or any other agency of the Government, power to compel him to make fertilizer in all circumstances. Even if it develops that he can make fertilizer at a profit, then he only agrees to manufacture it at about the present annual capacity of nitrate plant No. 2. The proponents of the Ford offer who are scattering propaganda throughout the country that is often void of truth, gain support because they promise the farmer the much-needed fertilizer. The farmer often believes this and, of course, becomes at once a very partisan proponent of Mr. Ford.

We realize and appreciate that a great part of the farm lands of the United States is in great need of plant food, and Congress would be justified in departing from its old policies and traveling a long way to assist in getting fertilizers cheaply for the farmers. Our position is that this is a hollow promise made to enlist the support of the farmers and not absolutely binding on any fact contained in the contract or existing outside of the contract. These statements are made and sent broadcast throughout the country without regard to truth. The bold declaration is made that Mr. Ford will manufacture fertilizer at the Muscle Shoals plant and bring down the price one-half. Nothing is ever said that the principal business of Mr. Ford—should he get this gigantic plant—would be the manufacturing of other articles which he would be allowed to sell at any price that he might see fit. The only thing that is kept before the public is that he is to make fertilizer and sell it cheaply to the farmer, only charging for himself a profit of 8 per cent on the production. No one has ever suggested how he could make fertilizers and sell them cheaply or what means he would employ. The bold claim is made and Congress and the country must take the statement as absolute truth or be forever condemned by this crowd of wicked propagandists.

Of course the price of fertilizer to-day is high. So is the cost of shoes and clothing and plows and wagons and practically everything that the farmer buys, or anyone else buys. We are all hoping that in this aftermath of war business will soon get back to a firm and legitimate basis. These men do not only try to thus gain the sympathy of the farmer but they try to elicit the attention of the unemployed by painting a rosy picture of the great activity that is to be started overnight at Muscle Shoals where they promise a million men will be given employment. They say when this is in operation there can be no such condition in all this country as idleness, because they claim that Muscle Shoals will offer work at a high wage to everyone. This is very appealing and alluring, indeed, to the man who is out of work. They do not tell him how they are going to do this, but he is flattered by this promise into the belief that a new and better day is dawning for him. Many of these men, on the bare promise that a million men will be put to work as if by magic, have become Ford enthusiasts.

If this dream were true then Congress would not be justified in withholding from men with this magic power this project. But these statements that are made by these propagandists will not bear the calcium light of real publicity. These assertions will not stand up under the searching gaze of men endowed with real business acumen. This is why we prepare this report in order that the country may know the truth about Muscle Shoals. If we were believers in fables, or had faith to believe in the pranks of fairies, then we might also think that Mr. Ford is the reincarnation of Aladdin plus his lamp. But we can not have such childlike faith. We therefore view the entire proposition from a business standpoint, trying to do the thing that is best for the country.

If this company that is to be formed to take over Muscle Shoals is, indeed, in earnest about making fertilizers, why is it that Mr. Ford's representatives have always refused to accept a clause in the contract written by the members of the Military Affairs Committee that would make it binding upon him to make fertilizers in all circumstances whatever else he might do with the Muscle Shoals plant? Such a clause was three times prepared by the committee and it was three times rejected, and the proposal of Mr. Ford that is now before the House was written by his lawyers and contains no clause whatever that would compel his company throughout this 100-year period to manufacture fertilizer unconditionally.

HONESTY OF MR. FORD.

All agree that Mr. Ford is honest and that he has said he wants to make fertilizer, and some are willing to take him at his word, whether it is in the contract or not, but we can not help but remember that Mr. Ford is not endowed with a perpetual life, although some members of the Military Affairs Committee would give him this water-power lease in perpetuity. Mr. Ford can not live throughout any considerable part of the term of this water-power leasehold, and when he is gone and all the men that he may have surrounding him will have passed away we do not know in what unconscionable hands this plant will fall and neither does any man know who is living to-day.

HISTORY OF MUSCLE SHOALS.

When we got into war in 1917 two sites of lands were purchased near Sheffield, Ala., on each of which was constructed an immense nitrate plant. This nitrate was to be used in the manufacture of explosives. One of these tracts of land contains 1,900 acres and the other something over 2,000 acres of land. These two tracts were practically covered with expensive dwelling houses and immense steel and concrete buildings in which were installed the most expensive machinery. Railroad beds were constructed and tracks laid, many miles in all. Large and expensive steam railroad engines were purchased. Steel freight cars of the most costly character were built by the Government for these plants. Steel shovels, concrete mixers, and other machinery of this character that cost the Government many million dollars were purchased and are now at these nitrate plants. These plants are known as nitrate plant No. 1 and nitrate plant No. 2. They are on the bank of the Tennessee River near by Muscle Shoals. At nitrate plant No. 2 there is an immense steam power plant capable of generating 90,000 horsepower. At nitrate plant No. 1 there is a steam power plant that will develop 5,000 horsepower. Nitrate plant No. 1 cost the Government $12,887,941. The other plant cost the Government $66,252,393.

The War Department at that time also purchased what is known as the Waco Quarry in that immediate neighborhood. This includes nearly 500 acres of land upon which is constructed many miles of railroad. This quarry cost the Government $1,302,962. At this place is located a rock deposit that is very necessary in carrying on the activities that the Government had in mind at Muscle Shoals.

ALABAMA POWER CO.

The country at that time was in immediate need of power. The Alabama Power Co. had a steam power plant located at Gorgas on the Warrior River. As the interests of the Alabama Power Co. are vitally affected by this so-called Ford offer, a brief history of this concern is necessary to a perfect understanding of the question.

The Alabama Power Co. is a public-service corporation organized under the laws of Alabama, and in 1914 had five customers, consisting of two municipalities, one cotton mill, one brick plant, and one cement plant, according to the testimony of its president. But since that time it has increased its business to the extent that last year its plant had a connected load of 370,000 horsepower, with an electrical output of 500,000,000 kilowatt-hours annually. It furnishes light and power to 158 of the greatest industries of that section of the country. Its customers consist of brick and cement plants, coal mines, cotton mills, foundries and machine shops, ice plants, public utilities, steel plants, and many other factories of different kinds.

These industries, that are scattered throughout that section of the country, consume about 70 per cent of its power. This company furnishes light for lighting houses and streets and furnishes power for street railways. It supplies light for 63 municipalities and the power for practically every industry in these towns and cities. It has 18,500 direct subscribers for its light and power, and these companies in turn furnish 58,500 consumers with this service. These facts, gleaned from the testimony or hearings before the House and Senate committees, are set forth in this report in order that the Congress and the country may know of the extensive business that is being done by the Alabama Power Co. and the number of consumers that would be adversely affected should the so-called Ford offer be accepted. The Alabama Power Co. is a public-service corporation doing business for and in behalf of the people. The company to be organized by Mr. Ford would be a private company doing business for itself and uncontrolled and unhampered in any way by any utility commission, either State or Federal, except that if this company makes fertilizer it must make it at a profit not to exceed 8 per cent.

The Alabama Power Co. has invested in its business $40,000,000. Sixteen million dollars of this amount is represented in two dams that were built by this company on the Coosa River. One of them has long since been completed and the second is nearing completion at this time. The State of Alabama, in order to induce this company to build dams to create this hydroelectric power for the use of the people, absolved it from the payment of taxes on the cost of these dams for a period of 10 years. At the expiration of the 10-year period, of course the company will be compelled to pay taxes on the tax value of these dams. If this Muscle Shoals project is turned over to Mr. Ford he would not have to pay taxes on the cost of the dams at any time during his 100-year period. This is a big subsidy.

WARRIOR EXTENSION.

As we said before, when the project at Muscle Shoals was commenced by the Government it needed power. The agents of the Government commenced negotiations with the Alabama Power Co. to build an ex-

tension to the company's Gorgas steam plant and build transmission lines from this plant to Muscle Shoals, a distance of 88 miles. At that time the Alabama Power Co. was in great need of more power for itself, as its business had been growing rapidly. For this reason it had just prior to the commencing of these negotiations started the construction of an addition to its Gorgas steam plant. It had already built the foundations for this extension of its power plant and constructed its intakes and outlets for the water necessary in the operation of the plant. The agents of the Government entered into a contract with the Alabama Power Co., by the terms of which the United States was to complete this addition to the Gorgas plant. Acting under this contract, the Government did build this addition or extension on the foundations already constructed over these water intakes and outlets, and built these transmission lines on the lands of the Alabama Power Co. from Gorgas to Muscle Shoals, and the Government paid the cost of said transmission lines and Gorgas plant extension. The cost was $4,900,000. In this contract with the Alabama Power Co. it was agreed that when the Government was through with the plant and the transmission lines these holdings were to be sold to the Alabama Power Co. at "a fair value." Acting under its contract with the United States, the Alabama Power Co. has recently offered $2,500,000 for said property.

In view of the disgracefully low prices, that have often amounted to scandal, at which war properties have been sold, ranging from practically nothing to 10 and 12 per cent of the original cost, this price of $2,500,000 would seem to us to be one of the best bargains that the Government has ever been offered for any of its war property, and yet some men condemn this transaction as being unconscionable. Such men are greatly biased or else they do not comprehend or know the facts.

FORD OFFER.

We want the country to know that Mr. Ford offers to pay to the United States Government a million dollars per year for five years for all of this property we have just enumerated and the Government in turn is to give him a warranty deed for said holdings, with only two restrictions or conditions. One of these conditions, to wit, the manufacture of fertilizer under certain conditions, and the other condition is that he will keep nitrate plant No. 2 in a stand-by condition for the manufacture of nitrates in case of war, and to be turned over to the Government in that event. Of course, the Government could commandeer this plant in case of war, the same as it can take over any property that is needed in the prosecution of war when war is on. Therefore this part of the contract is surplusage.

This property, for which Mr. Ford offers this $5,000,000, as has already been stated, consists of:

Cost to Government:	
Waco Quarry	$1,302,962
Gorgas steam plant	4,900,000
Nitrate plant No. 1	12,887,941
Nitrate plant No. 2	66,252,393
Total cost of Government without interest	85,343,296

The above table of figures does not include the interest on these huge sums that has accrued, which now amounts to many million dollars.

Five million dollars for $85,343,296 worth of property to us seems wholly inadequate when it is remembered that Mr. Ford could immediately dispose of the Gorgas plant to the Alabama Power Co. for $2,500,000. This would then leave him paying only $2,500,000 for the Waco Quarry, nitrate plants Nos. 1 and 2, with all their innumerable railroad engines and steam freight cars, steam shovels, concrete mixers, and other surplus property there, that could be readily sold for several additional millions. It would be seen, therefore, should this offer be accepted, that all of this vast amount of property will be given away and not a cent be realized by the Government.

OVERFLOW RIGHTS.

Out of this $5,000,000, too, Mr. Ford demands that the Government shall furnish to him the overflow rights at Dam No. 3, the cost of which has been estimated at from $1,500,000 to $2,000,000. So it can be readily seen that Mr. Ford has practically offered nothing for all this vast amount of property, but, on the other hand, has asked the Government to make him a warranty deed for it with the two provisos mentioned. This price, therefore, would seem wholly inadequate for the vast amount of property that he asks be turned over to him.

In view of all these facts, why should Congress be asked to take from the Alabama Power Co. its Gorgas plant, to which it is entitled under the contract, and turn it over to Mr. Ford? It will be remembered that the Alabama Power Co. needs this plant in order to serve its great clientele. It belongs to this company, it is built on the lands of the Alabama Power Co. as a part of its power plant, and the addition that the Government built is made a part of the original plant of the company, and there is no way to separate it. The Alabama Power Co. has always dealt fairly with the Government and is now offering $2,500,000 and possibly will pay $3,000,000 for the addition the Government built to the company's plant and on the company's land.

DAMS AND WATER POWER.

When nitrate plants No. 1 and No. 2 were being built the Government commenced the building of a dam at Muscle Shoals, known as No. 2 or the Wilson Dam. There has been expended by the Government on this project up to date $17,000,000. If the Ford offer is accepted, the Government will be required to complete the construction of this dam, together with its locks, power house, and the machinery equipment that will be necessary to the generation of 600,000 horsepower, at the people's expense and at an estimated cost to the Government of $25,000,000. The amount may be more; it may be less.

In order to accept the Ford offer Dam No. 3 must be constructed. It is located a few miles above Dam No. 2 on the Tennessee River. There has been no work done yet on this dam. Neither have the overflow rights been purchased by the Government. It is estimated that the construction of Dam No. 3, together with the necessary power house, locks, and generating machinery to develop 250,000 hydroelectric horsepower, would cost the Government an additional $25,000,000. This estimate does not include the cost of overflow rights. It is thought, too, by engineers that it will require about about six years to complete Dam No. 2 and build Dam No. 3. He does not pay full interest until six years after completion of Dam No. 2 and three years after the completion of Dam No. 3. During the six years on Dam No. 2 he pays $200,000 per year and during the three years on Dam No. 3 he pays $160,000 per year. But this in comparison is practically nothing to the Government on account of these dams. He only commences to pay the full amount of interest, as above stated. Then he only agrees to pay 4 per cent interest on the cost of construction, which will be about $50,000,000. Therefore it will be seen that the Government in making these vast expenditures of money throughout this period will have lost in interest the enormous sum of $13,350,000. This amount represents the difference between the interest that will accrue in this time and the rental that Ford pays during these six years. In this one item the Government loses more than two and one-half times his $5,000,000 that he agrees to pay the Government. In other words, the Government is returning to Mr. Ford in this one item of interest his $5,000,000 and $8,350,000 besides.

We call the attention of the membership of the House and the country to the fact that Mr. Ford's offer only contemplates the payment of 4 per cent interest on the cost of completing Dam No. 2 and building Dam No. 3, taking no account whatever of the $17,000,000 that has already been spent on Dam No. 2. He is to get the use of this vast sum of money throughout the entire lease period of 100 years gratis.

FEDERAL WATER POWER ACT.

We desire to direct the attention of the House to the fact that only a short while ago the Congress of the United States passed a water power act that provided, among other things, that no lessee after the passage of said act could be given a water-power privilege in any of the waters of the United States for a lease period covering more than 50 years. The Federal water power act further provides that all lessees of water power shall be surrounded by certain governmental restrictions as set forth in said act. It even goes so far as to restrict the profits the lessee can make on whatever his product may be. It will be noticed that if Mr. Ford's offer is accepted he will be given a lease covering a period of 100 years, commencing from the day of the finishing of the work of said dams and said power houses and the installing of the machinery therein. He is restricted only in two things, namely, if he can make fertilizers at a profit he will not charge a benefit for himself to exceed 8 per cent per annum on the cost of production. It must, however, be remembered that this company is not to engage in the manufacture of fertilizer except as a side issue. The other restriction is that he shall keep nitrate plant No. 2 in a stand-by condition, ready to be turned over to the Government in case of war.

According to the statements of his own representatives, the manufacturing of fertilizer will be a small part of his activities there provided this gigantic plant is turned over to him. These representatives say that he will engage in the general manufacturing business and all through their testimony let it be remembered they say that he will only make fertilizer provided he finds it to be profitable to his concern. He will manufacture, perhaps, automobiles, surely parts for automobiles, plows, harrows, and other farm implements.

FORD NEVER APPEARED.

It will be noted that we have used the term "representatives." Mr. Ford never appeared before the Military Affairs Committee of either the House or Senate to throw the light on his offer to which the country is entitled. He was often invited to come, the entire membership of the Military Affairs Committee of the House joining in the invitation, but he never appeared at any time.

SUBSIDY FOR THE FORD CO.

From a reading of the Ford offer and the water power act it will be seen that Mr. Ford, if his contract is accepted, will be given privileges and rights that are to be denied to every other man or group of men in the United States. Just why he should be selected for these privileges or these rights that are not to be bestowed upon any other man or group of men is more than we can understand. It is not right and we believe that all fair minds will agree with us.

If this proposal is accepted, this company at Muscle Shoals will be given the use of two dams and power houses fully equipped for a period of 100 years, and it will only be required to pay as rental therefor 4 per cent on $50,000,000, although the dams will have cost the taxpayers $67,000,000. The company will not be required to pay anything on the use of $17,000,000 already invested at Dam No. 2. We have seen also that the Government will lose $85,252,393, besides an enormous amount of accumulated interest, when it turns over to Mr. Ford, Waco, Gorgas, and the two nitrate plants.

MAINTENANCE AND REPAIRS.

It is recognized in this proposal that these dams will need some repairs throughout this lease period of 100 years, because there is a clause in the proposition that proposes that the company shall pay to the United States Government $55,000 per annum to be used for repairs when necessary on either or both of Dams No. 2 and No. 3. It will be noticed that this company does not agree to pay for all repairs or rebuilding that may be necessary throughout the lease period provided these repairs exceed $55,000 per annum. All repairs or rebuilding in excess of that amount must be undertaken by the Government itself, although the Government gets no advantage therefrom. If heavy floods should come and wash away any part or all of these dams, or, if foundations should settle, cracking the cement work in the dams, regardless of how expensive, the Government agrees, if it accepts this proposal, to rebuild these locks and dams and repair them as the needs may arise from time to time throughout this 100-year lease period. Other companies are required to build dams at their own expense, and if they wash out repair them at their own expense. It seems to us that Mr. Ford is asking too much. It appears to our minds that his company at least could keep up the repairs on this property provided the Government builds his establishment, equips it for him, and turns it over to him or his company for a period of 100 years to be used by this company in any way it may see fit. If Mr. Ford's proposition is accepted, no one knows the amount of repairs that will be required to be made by the Government in the course of 100 years. But following in the light of experience, we are led to know that these repairs will amount to many million dollars. No man can say how many. Engineers who are well versed in this class of work universally agree that the minimum cost of repairs will be 1 per cent per annum of the original cost of construction, and the maximum cost will be 3 per cent of the cost of construction. If we take the minimum estimate of the cost of repairs, we will find that 1 per cent of $67,000,000 is $670,000. Therefore, this vast amount of money would be required in maintenance of these dams each year during the lease period. It will be remembered that Mr. Ford only agrees to pay $55,000 per annum of this amount. The Government will therefore lose, if only the minimum repairs are required, on maintenance alone $615,000 per annum. If the maximum amount is required, it will be just three times this amount per annum for 100 years.

FEDERAL LIABILITY.

It must be remembered that Mr. Ford does not own these dams, but he is given the use of them. Hence, if the dams should break the Government must stand not only the cost of rebuilding but must pay any damage that arises in consequence of the escape of this impounded water. If great loss of life and property should result thereby, Mr. Ford's company does not stand the loss, the Government would. How many millions or even billions this is going to amount to in the course of 100 years we do not know, and neither do you. We do know, however, that Mr. Ford has studiously guarded against making himself or company liable for any of these great sums of money.

TAX SUBSIDY.

Another item that should be mentioned in this connection is the matter of taxes. These dams that will have cost when finished the taxpayers of this country $67,000,000 will remain the property of the United States throughout the life of this lease. Therefore the company will be free of taxes on this gigantic outlay of money, to wit, $67,000,000 for all that time. Competing companies all this while will be required to build their own dams at enormous cost. They will be required to pay taxes on the taxable value of the dams. This is another subsidy that will be handed to this company provided this proposal is accepted.

$50,000,000 EXPENDITURE REQUIRED.

At the expense of repetition let us again impress upon the public mind that in order to accept the Ford proposition the taxpayers of this country must put up $50,000,000 additional money to complete the two dams. It is claimed by the proponents of the Ford offer that this $50,000,000, or practically that sum, will be returned to the Government at the end of 100 years.

FRENZIED FINANCE.

His scheme is this and we give it prominence because it is something new to the financial world:

He will agree to pay to the Secretary of War for the use of the Government, semiannually, during the lease period, the sum of $23,363 to be used in retiring at the end of 100 years the $50,000,000, the additional cost of the two dams. Let us analyze this a little further.

The total amount of annual payments for this purpose would be $46,726. This company would therefore pay in cash to the Government throughout the period of 100 years only $4,672,600. This offer about which you have all heard so much proposes that the Government shall accept these semiannual payments and at once invest them at 4 per cent interest and by compounding the interest and principal the $4,672,600 that the company will pay in cash will amount in 100 years to $49,071,935. This is indeed a very shrewd if not an entirely unique way of paying a debt of $50,000,000 with the comparatively insignificant sum of $4,672,600. If there should be a bad loan made, or anything at all should happen to the loan, the Government would then lose both its principal and interest. It will be noticed that the Ford company does not concern itself about the investment of these semiannual payments, but that small detail is left to the Government itself. If this should be done and precedent in governmental affairs should be followed, we are justified in the fear that it would require the creation of an extra bureau with an army of clerks to follow this Ford fund throughout this 100-year period.

If debts can be legally discharged in this way, it will be a happy and welcome revelation. We are only calling the attention of the House and the country to this scheme of frenzied finance in order to direct attention to the absurdities contained in this very remarkable document known as the Ford proposal for Muscle Shoals that has seemingly swept the unthinking class of our citizenship off its feet. We say again that many men have been "swept off their feet" by reason of this proposal, because they little understood the contents of this very remarkable document that Mr. Ford has submitted to the Congress of the United States through the Secretary of War.

Men everywhere who understand this proposition condemn it in unmistakable terms. The entire people will sometime know what is being attempted, and then the condemnation will be universal. This problem is of too great importance for us to allow ourselves to be persuaded by the unsound reasoning of theorists or the willfully false statements of paid propagandists. Therefore, we can not allow ourselves to be influenced by threats of dire punishment, political or otherwise, provided we do not follow the lead of men who are seeking to control for 100 years one of the great water-power sites of the East.

The problem is too big, and the results of a wrong solution are too far reaching and too vital to the entire country to permit such conduct upon our part.

When the country is already laboring under a heavy weight of taxes and Congress has assessed to the limit everything taxable, it would seem that this Ford company should itself raise this $50,000,000 needed in the completion of these two dams and not ask the already overburdened taxpayers to finance it to the extent of another $50,000,000. The taxpayers are now required to raise billions of dollars in order to pay the running expenses of the Government and they will revolt against raising this gigantic sum to place in the hands of a private corporation to carry on a private business for profit.

IF NOT FORD, WHAT THEN?

While we are only concerned at the moment with the Ford offer, yet briefly we want to suggest that it is our opinion that the Government ought to continue work on Dam No. 2, and the Army appropriation bill now in conference carries an appropriation of $7,500,000 for work to be done as a Government activity on Dam No. 2 for the year commencing July 1, 1922. This appropriation ought to be authorized. This work ought to go on. The Secretary of War should be authorized and directed to ask for further propositions for Muscle Shoals. Neither nitrate plants No. 1 or No. 2 should be sold. They cost the taxpayers of this country too much money. They ought to be leased, together with the hydroelectric power created by Dam No. 2, but this lease ought to be made under the Federal water power act. The Government would then have absolute authority and control over the lessees and their products. In this way no one man or set of men could have the entire benefit of this great project at that place. Then the Government could regulate the production of fertilizer on the part of the lessee or any other manufactured articles that the lessee would see fit to make.

Dam No. 3 is in no sense a part of the Muscle Shoals project, and there is no excuse for its construction. It has not been commenced and it ought not to be built.

RECAPITULATION.

The following is a recapitulation of the entire cost to the taxpayers of the United States of the Muscle Shoals project up to the present time:

1. Waco quarry, cost to Government	$1,302,962
2. Addition to Gorgas steam plant, cost to Government	4,900,000
3. Nitrate plant No. 2, cost to Government	66,252,393
4. Nitrate plant No. 1, cost to Government	12,887,941
5. Dam No. 2, cost already to Government	17,000,000
6. Dam No. 2, additional money required to complete	25,000,000
7. Dam No. 3, estimated cost to Government to build	25,000,000
8. Dam No. 3, overflow rights, estimated cost to Government (minimum)	1,500,000
9. Interest on new money required at Dams Nos. 2 and 3	13,320,000
Total cost to Government	167,163,296

CHAS. C. KEARNS.
FRANK CROWTHERS.
JOHN M. MORIN.
HARRY C. RANSLEY.
JOHN PHILIP HILL.

I have already signed a dissenting report on the Muscle Shoals proposition but agree substantially with this one.

LOUIS A. FROTHINGHAM.

In general I agree with the conclusions expressed in this report.

THOMAS S. CRAGO.

I have already filed minority views as to Muscle Shoals, which are printed on pages 54 to 57 of the report, and come to the same conclusion.

RICHARD WAYNE PARKER.

Mr. HILL of Maryland. The amendment I offer is entirely fair. "Necessary" should mean "necessary" and not "200 horsepower." I hope you will adopt my pending amendment. [Applause.]

Mr. RANKIN. Mr. Chairman, I seriously doubt if this bill, providing for the acceptance of Henry Ford's offer for Muscle Shoals, could be amended in any way that would gain for it the approval and support of the gentleman from Maryland [Mr. HILL], the gentleman from Iowa [Mr. HULL], or those other gentlemen who seem to be attempting in every possible way to defeat the Ford offer.

They are not fooling Members of Congress. They may deceive a few people over the country, but we understand their tactics. They are merely playing the same old game they have played relative to this great project from the very beginning. When I first entered the House in 1921, I came here a few days before my term of service began, and one of the first debates I heard was on the question whether or not we would continue the appropriations for the completion of this great project, or whether we would "scrap" it, lose what money we had put into it, and abandon it for all time to come. I heard on the floor of the House at that time many of the same gentlemen who are to-day attacking the Ford offer from every angle, fighting the proposition for the completion of the dam. They denounced as worthless this great project, which they now say is too valuable to lease to Henry Ford, under what, I submit, is the best offer by far we have ever had or ever expect to get from any individual or any firm that is able to comply with its terms and guarantee that they will be carried out.

The appropriation was defeated, largely through the efforts and activities of some of the very gentlemen who are leading the fight against the Ford offer now. The work stopped, and it looked as if that great project was going to ruin. Months passed, and no one seemed willing to make us a bid on it. But suddenly there came, like a clap of thunder from a clear sky, this offer of Henry Ford's, which, if accepted, would mean more to that section of the country than any other measure that has passed this body for the last 100 years. It would perhaps mean more to our suffering agricultural interests than any other measure this Congress or any other Congress has ever passed.

When that offer was made, the friends of the proposition took heart. They saw that there was yet a chance to save this great power development from waste, and at the same time to do a wonderful service to the American people. But the power interests, and the fertilizer interests that have been fighting for the destruction of Muscle Shoals, or to get control of it, awoke to a realization of the fact that they were about to be defeated in their iniquitous designs. They got busy, and began to attempt to poison the public mind against the Ford offer in every insidious manner known to their crafty ingenuity. They have imposed upon practically every chamber of commerce in the South that would listen to them, sent speakers through that country, run paid advertisements camouflaged as news items, and resorted to every method imaginable to try to prejudice the people against the Ford offer. But their efforts have been in vain, so far as the South is concerned. The southern people, as well as their representatives in Congress, know that the acceptance of the Ford offer would be the best thing for all concerned.

I submit, Mr. Chairman, that it is one of the few rays of hope that has been held out to the agricultural interests of this country during the last few years.

The wheat, corn, and cotton fields of the South, the West, and the North, as well as the East, are being depleted; the lands are being worn out, and the farmers are looking for some way to rehabilitate them. We are buying nitrate for fertilizers from Chile at about twice what it would cost if manufactured in the United States; we are paying the Chilean Government an export duty of $24,000,000 a year, and yet when this proposition comes up, when there is an opportunity for the development of this project, which will mean more to the agricultural interests of this country than any bill that has been passed by this Congress in years, we find the supposed friends of the farmers coming up here and mysteriously changing their minds overnight and opposing it from every angle. [Applause.]

It may not mean anything to the Power Trust when you tell them that the American farmers are paying $80,000,000 a year for Chilean nitrates to be used as fertilizer, and that $24,000,000 of that amount is paid as an export duty to the Chilean Government for the mere privilege of bringing it out of the country; it may not mean so much to the fertilizer interests so long as they reap their profits; but it means a great deal to the American farmers who have these great burdens to bear, as well as to all the other people in the agricultural States whose prosperity depends on the prosperity of those who till the soil. And when they realize that the Ford offer proposes to manufacture fixed nitrates to the amount of 40,000 tons a year, or about 40 per cent of the amount we have been importing from Chile, to be sold to the farmers of this country for a profit not exceeding 8 per cent on the cost of production, thereby furnishing this material to our farmers at a price they can afford to pay—when they understand these facts they are going to resent the attitude of those pretended friends of the farmers who are opposing this measure and will manifest their resentment in no uncertain terms. [Applause.]

But they tell you that Ford will not distribute any power. If the power interests knew that he would not distribute this power, they would withdraw their objections at once. They are afraid he will distribute this power and force the Alabama Power Co. and other competitors to reduce their rates and give the people of that section of the country some of the benefits derived from our southern resources.

Gentlemen, I live within 75 miles of Muscle Shoals. Every foot of the district I represent is within less than 200 miles of that place. I have tried to estimate the great benefits that would come to those people as a result of the acceptance of the Ford offer, and the more I study the proposition the more thoroughly I become convinced that it would be the greatest economic benefit they have ever known.

Mr. Ford says that he would run his wires 200 miles in every direction, transmit this surplus power, and develop the industrial interests of the country. No wonder the Alabama Power Co. does not want such competition.

Let us vote down the amendment of the gentleman from Maryland [Mr. HILL] and pass this bill accepting the Ford offer. By doing so we will dispose of this much-mooted question in the most profitable way. We will render it possible for the American farmers to get cheap fertilizer of the very best variety with which to build up their worn-out lands; we will be planting industries in our Southland that will furnish work for the unemployed at living wages; we will be maintaining this great plant to be used by the Government for the manufacture of explosives should our country again become involved in war; we will make it possible for Mr. Ford to build up that country for hundreds of miles around, bringing to those people an era of prosperity possibly greater than any they have ever enjoyed. [Applause.]

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

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. HILL].

The question was taken; and on a division (demanded by Mr. HILL of Maryland) there were—ayes 22, noes 74.

So the amendment was rejected.

The CHAIRMAN. The gentleman from South Carolina [Mr. STEVENSON] is recognized.

Mr. STEVENSON. Mr. Chairman, I am going to take five minutes of the time of this committee which, I think, will be the last time I shall take from it on this bill, and I have spoken only once before.

A great deal has been said about this being a gratuity to Ford and about the people getting nothing from it.

I have contracted to pay and I will pay—if I can borrow the money—within the next few weeks, $51 a ton for 12 per cent nitrate to use on cotton this year—$51 at the ports. That is 12 per cent nitrate. Multiply that by 8 and it would be a little over $400 if we got fixed nitrates such as are provided for without the filler. There were 2,600,000 acres of cotton in South Carolina last year. Last year the average of nitrates was 200 pounds to the acre, or an average of 10 acres to a ton of nitrates. In other words, 260,000 tons last year cost the farmers of South Carolina at that price—and a great many of them had to pay more, as some of it was higher last year—$1,560,000. If this process is put into effect it will cost them just about half that, and that will be a clear saving to the people of South Carolina.

Mr. STRONG of Kansas. Will the gentleman yield?

Mr. STEVENSON. Yes.

Mr. STRONG of Kansas. Will the gentleman tell us what reason he has for believing we will get it for half?

Mr. STEVENSON. Because that is the statement made by everybody called as an expert, experts called on both sides; they say it will cost about half as much to produce it as the cost of production at the present time.

Mr. STRONG of Kansas. Will the gentleman tell us all about that?

Mr. STEVENSON. I am not a chemist.

Mr. LAGUARDIA. Will the gentleman yield?

Mr. STEVENSON. No; I will not yield any more. I want to make some statements here, and I will not yield any further. A vast quantity of nitrates is used on cotton in the United States, to say nothing of the amount that is used on corn and grain, and it is even more valuable on corn and oats than it is on cotton. About 18,000,000 acres were in cotton in the region where fertilizers were used.

Now, take 200 pounds to the acre. How much will that amount to? It amounts to 1,800,000 tons. If you buy that at $51 a ton, it amounts to $10,800,000 at the present figure of $51 a ton. If you can cut that in two, you will save the cotton farmers—and the grain farmers use almost as much as cotton farmers, and they will be using more as time goes on—$5,400,000 in one year. You will save that much to the cotton farmers of the South annually, and you will save an equal amount to the others.

You capitalize that at 6 per cent, and you will save the cotton farmers alone the interest on $90,000,000 annually. You are thereby getting that sum for the plant on that one item. Yet it is said nothing is to be gained from the Ford offer but that it is a gratuity. Gentlemen make all of these claims, but they say nothing about the actual saving to the cotton farmers, to the grain farmers, to the truck farmers, and other farmers.

It is said that 40,000 tons of fixed nitrogen is the total amount provided for in the bill and that will not help the farmers to any extent. But you must remember that means 40,000 tons of pure nitrate, while the stuff we buy is 12 per cent nitrate. Multiply that 40,000 tons by 8, and you have 320,000 tons of the stuff we buy and for which we pay $50 and more a ton.

Whenever you fix it so you can save the agricultural people of this country the interest on from $90,000,000 to $180,000,000 a year you are not giving any gratuity to anybody; you are getting value received for the benefit of the bone and sinew of this country, which is the mudsill of all creation, as the gentleman from Kansas would say; and while he could not get a good foundation for a dam out in Kansas, it will be a mighty good foundation for a political party and for a politician when he runs in an agricultural district.

Mr. KEARNS and Mr. McKENZIE rose.

The CHAIRMAN. The gentleman from Illinois [Mr. McKENZIE] is recognized.

Mr. McKENZIE. Mr. Chairman, I respectfully suggest that there is not anything before the House, and I will ask my friend from Ohio to wait until we read the next section.

Mr. LAGUARDIA. Mr. Chairman, I have an amendment. On page 4, line 10, strike out the word "two" and insert "nine."

The CHAIRMAN. The gentleman from New York offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment by Mr. LAGUARDIA: On page 4, line 10, strike out the word "two" and insert in lieu thereof the word "nine."

Mr. LAGUARDIA. Mr. Chairman, I desire to point out that in limiting the amount of power to operate these locks you are also giving Mr. Ford the control of navigation on this river. The gentleman who just had the floor referred to the improved methods of manufacturing fertilizer. Permit me to call your attention to the testimony of Dr. Louis C. Jones, the greatest authority on nitrates in this country. When he was before the committee the gentleman from Illinois [Mr. McKENZIE] stated to him:

It is not a question of the best method of producing fertilizer, or whether there will be improvements in the various methods now known, but it is simply a question of disposing of a tract or a site of governmental property * * *.

That was the attitude of the gentleman from Illinois, and it is found on page 144 of the hearings.

Let me for a moment call the attention of my colleagues from the State of Alabama to the fact that on the 26th of January, 1924, the mayor of Mobile, Ala., R. V. Taylor, appeared before the committee, and this is what he said:

The distinguished chairman of this great committee—

Referring to the chairman of the Committee on Military Affairs of the House—

was reported in a dispatch published in a paper the day I left Mobile which said he had addressed a public inquiry to Mr. W. B. Mayo, as representing Mr. Ford, and asked him what Mr. Ford would do with this power if he got control of Muscle Shoals, and Mr. Mayo said, "He would use all of it for his own industrial plants." Therefore—

Says the mayor of Mobile, Ala.—

I say that Mr. Ford wishes to harness the falling waters of the Tennessee River for his own purposes and not disseminate some of it to the people generally.

And this is from the mayor of Mobile.

Mr. McKENZIE. Will the gentleman yield?

Mr. LAGUARDIA. Yes.

Mr. McKENZIE. This gentleman, whose testimony you are now reading, is the same gentleman who wanted all of this power transmitted down to Mobile, is he not?

Mr. LAGUARDIA. Oh, no; the mayor said, "I hold no brief for the Alabama Power Co. or any of its associated companies." That is from the mayor of Mobile.

Mr. ALLGOOD. Will the gentleman yield? They held a referendum vote on that question in Mobile after this mayor came up here, and 16 votes out of about 4,016 were with the mayor and about 4,000 were against the mayor.

Mr. LAGUARDIA. Well, he is your mayor; he is not mine.

Mr. ALLGOOD. He is not mine.

Mr. GARRETT of Texas. But he is your witness and not ours. [Laughter.]

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

Mr. JEFFERS. Mr. Chairman and gentlemen of the House, on Wednesday, the 5th, in his able and comprehensive speech here on the floor of the House the distinguished gentleman from Michigan [Mr. JAMES], a member of the committee which has had the Muscle Shoals propositions under consideration, paid his respects in no uncertain terms to the minority report of the gentleman from Iowa [Mr. HULL] and the associates of Mr. HULL who signed the minority report with him, styling the minority report the report of the power companies.

In part, Mr. JAMES said:

My guess is that the report was written by Thomas W. Martin, president of the Alabama Power Co. International financiers, through the Alabama Power Co., are attempting to get a grip on Muscle Shoals. This is not a fight between Members of Congress as to the future of Muscle Shoals but a fight between the power and fertilizer trusts and those who believe in furnishing the farmers cheap fertilizer and in being prepared to manufacture nitrates for explosives in time of war.

This quotation is from the New York Times of March 6, 1924.

Then, on yesterday, the gentleman from Maryland [Mr. HILL] stated that at the end of the last Congress the views of the minority were expressed in a very able report by the gentleman from Ohio [Mr. KEARNS]. Now, that Kearns report referred to by Mr. HILL goes after the Ford proposal very sharply. But it may be illuminating and explanatory for Members of the House to know that the Kearns report, dated June 20, 1922, was circulated all over Alabama by the Ala-

bama Power Co., sent out from the office of the Alabama Power Co., at Birmingham, Ala., under date of July 3, 1922. The Alabama Power Co. distributed the Kearns report because it stated the position of the Alabama Power Co.

Now our friend from Maryland [Mr. HILL] states that the Kearns report of 1922 represented the views of the minority at that time, and he further stated on yesterday that the views of the present minority are practically the same to-day.

Now, we know that the minority report of 1922—the Kearns report—did state the position of the Alabama Power Co., because the Alabama Power Co. itself, over the signature of R. A. Mitchell, vice president, saw fit to circularize the State with that Kearns report. The significance of that needs no further comment.

Now comes the gentleman from Maryland [Mr. HILL], a member of the committee, who signed the Kearns report in 1922, and who also signed this present minority report of 1924, and he states that the minority views as expressed in the Kearns report, which was distributed by the Alabama Power Co., are practically the same as the views of the minority who signed this present 1924 minority report.

That connection, my friends, verifies and substantiates the statements made here a few days ago by the gentleman from Michigan [Mr. JAMES], which I have just quoted, to the effect that the present minority report, signed by Mr. HULL and others, may well be considered as a report defining the views and the position of the Alabama Power Co.

Upon different occasions heretofore I have been permitted to express myself here in the House regarding the adoption by Congress of a policy relative to the great development at Muscle Shoals.

I am not desirous of speaking at any length upon the subject at this time, as the members of the committee who have had the subject under consideration have presented all necessary figures and detailed statements covering various phases of the proposition.

The matter has been before Congress for a long time. It has been given thorough study and very, very careful consideration by the committee. A great many individual Members of Congress have done all that they could to press for action. I am glad that the matter is at last before the Congress, and I trust that Congress will without further delay adopt a definite plan and policy regarding the disposition and development of the great governmental project at Muscle Shoals.

Nearly two years ago I stated here that I was in favor of the approval by Congress of the contract between the United States Government and Henry Ford. I feel the same way about it now. I stated then that I believed that, if given a chance to express itself on the Ford proposal, the House would go on record as favoring its approval. I believe that the House in now about to go on record in that way, and I am glad that the House at last has that opportunity before it.

In this short time which I have to address the House I wish to emphasize one particular point. This phase of the matter appeals to me very strongly.

I believe that it is undeniable that the Ford offer has been all the time since it was first presented and is now the only comprehensive and all-inclusive offer that has yet been made to the Government. Other proposals that have been made would split the great project by means of separate offers for the water-power project and for the nitrate plants. In my opinion, it would be a very serious and fatal mistake to split the project. The first and foremost and primary objects of power development at Muscle Shoals are that we may have a supply of nitrogen for national defense in time of war and nitrates for fertilizers in peace time, and it appears to me that the nitrate plants should certainly be linked inseparably with the water-power development under some one reliable contract, because the power development there on the Tennessee River is primarily intended for the operation of the nitrate plants and should not be separated from the nitrate plants by the leasing of the water-power project under a separate contract than that which would cover the nitrate plants.

I believe this is a fundamental principle in connection with this great question, and it is what was intended by the national defense act, under which all of this great project was created and started.

The Ford proposal aims to carry out the real purposes of the Muscle Shoals project, and I think it is the safest proposal before Congress looking to national protection in time of any trouble and a source of nitrates for fertilizer for our farmers in time of peace.

As the only comprehensive and all-embracing proposal before Congress, the Henry Ford offer is more desirable and would undoubtedly be a better business deal for the Government than any piecemeal or combination proposals submitted by different interests with separate responsibilities to cover separate parts of the project at Muscle Shoals. [Applause.]

The farmers of every agricultural section of the United States have told us in unmistakable terms that they are in favor of the approval of a contract with Henry Ford. As for the farmers in my part of the country, and as for the whole people of the entire South, I believe that it could be said in all fairness that a large majority of the people of my country want Congress to make a deal on this proposition with Henry Ford without further delay.

They believe that the great power, fertilizer, and aluminum interests are bringing their influence to bear upon Congress to prevent its acceptance of the Ford proposal.

Will Congress ignore the prayer of the people and give way to the powerful pressure of the influence of the Fertilizer Trust, Aluminum Trust, and power monopoly? I believe not. I hope and believe that Congress will act favorably upon this reliable and responsible offer which has been before us for such a long time and which has received such careful consideration at the hands of a great committee of this House.

I think the Government should not delay further about this matter. Using the language of the chairman of the Appropriations Committee of this House, Mr. MADDEN, of Illinois, I will say that I feel and believe that it would be the wise course to accept Mr. Ford's offer, put only enough additional money in the venture to complete both dams, and sell and lease under the terms that he has proposed. My conviction is that we should accept the Ford offer and get the Government out of the business. I feel that by so doing we will have acted so as to better provide for the common defense and for the promotion of the general welfare. [Applause.]

I am for this McKenzie bill which embraces the Ford proposal. [Applause.]

Mr. McKENZIE. Mr. Chairman, I move that all debate on this amendment and all amendments to this section do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. LAGUARDIA].

The question was taken, and the amendment was rejected.

The Clerk read as follows:

SEC. 6. As soon as the release of suitable construction equipment and labor forces at Dam No. 2 will permit, or at an earlier date if desired by the company, the company shall construct and complete, subject to the approval of the Chief of Engineers, United States Army, for the United States, Dam No. 3, its lock, power house, and all necessary equipment, all in accordance with plans and specifications prepared and to be prepared by the Chief of Engineers, United States Army, or by the company, at its option, and approved by the Chief of Engineers, United States Army, and progressively install the hydro-electric equipment in said power house adequate for generating approximately 250,000 horsepower, all the work aforesaid to be performed as speedily as possible at actual cost and without profit to the company, it being understood that the necessary lands, flowage rights, and rights of way shall be acquired by the United States through an agent to be named by the company.

Mr. BYRNS of Tennessee, Mr. KEARNS, and Mr. SPROUL of Kansas rose.

The CHAIRMAN. The gentleman from Ohio [Mr. KEARNS] is recognized.

Mr. HOLADAY. Mr. Chairman, a parliamentary inquiry. Is there an amendment pending?

The CHAIRMAN. The Chair has not heard of any.

Mr. KEARNS. Mr. Chairman, I move to strike out the last word.

In June, 1922, I spent several days in the preparation of the report to which the gentleman from Alabama [Mr. JEFFERS] has just made reference, and I want to say here that neither Tom Martin nor any other member of any power company or any other company helped to write that report. I do not know whether the Alabama Power Co. circulated that report throughout that section of the State or not and I do not care. The gentleman says many thousands were sent into that State. I know that every word contained in that report is my language and my thought on this subject. Men get up here on the floor of this House and in order to create a prejudice in the minds of the country will refer to the insidious influences of trusts, and for no honest purpose do they make that statement but for the single purpose of creating prejudice in the minds not only of the membership of this House but the entire country.

I oppose the Ford offer because I do not believe it safeguards in one single instance the rights of the American

people. I would like to be able to vote for this offer. The fertilizer clause is not binding and I want to compel the manufacture of fertilizer. I would like for Mr. Ford to get this great project down there. I would like for the Begg amendment to be written into this bill, because it makes the manufacturing of fertilizer mandatory. I would like to have seen the Burton amendment, which has just been voted down by this House, adopted, because it safeguarded the interests of the United States. The proponents of this bill say that $35,000 per annum will take care of the repairs to Dam No. 2. Then if it will, why do they object to writing that into the law? I think it will cost as much as $600,000 per year for repairs, but if the Ford people and his proponents say it will cost only $35,000 then why did they unanimously vote down the Burton amendment? These are some of the reasons I object to this proposal. I also object to this proposal because Henry Ford's representatives told us that he did not intend to sell one kilowatt of electricity to the inhabitants of that country. As I have said on prior occasions, I believe that Muscle Shoals is God's great gift to the inhabitants of that section of the United States. Personally, this sale of power or refusal to sell it is of no personal concern to me, but we ought not to legislate under false pretenses.

If you write in here, as I said in the report back in 1922, that that company must sell electricity to inhabitants of that country, then the bill has merit. Why not write it into the bill if you say that is what he is going to do? It seems to me the membership of this House is willing to-day to barter away the rights of the people in order that Henry Ford and his company which he is to form shall benefit and be benefited for 100 years, beyond the reach of the power of this great Government. These are some of the reasons I object to the bill. Before I leave the floor—and this may be the last time I shall occupy it on this bill—I want to say again with emphasis, because of the statements that have been made here, that Tom Martin nor any other man outside of this House ever made one suggestion as to what should go into this report. [Applause.] No man with truth can say so. [Applause.] My chief wish, however, is that before we quit this bill must contain a clause that will make the manufacturing of fertilizer mandatory. That is the expectation of the farmers.

Mr. GARRETT of Texas. Mr. Chairman, I have no quarrel with any Member upon the floor of this House that is opposed fundamentally to the Ford offer. I have no quarrel with any Member upon the floor of this House if he believes in his heart in Government ownership and control of Muscle Shoals and putting the Government into the business of the manufacture of fertilizer. If that is his conviction, I have no quarrel with him. But if you are going to consider the Ford proposition that is before you sincerely and conscientiously as lawyers, as most of you are, you know that this is a proposition made to the Government by Henry Ford which you must vote up or vote down. Amendments changing the contract fundamentally will destroy it; when you do that and Mr. Ford rejects it, which he has a right to do and which he has said he would do, where are you?

I want to reply to a remark made by my friend from Kansas in regard to the political aspect of this matter. He referred to the fact that a few Republicans and a good many Democrats seemed to be for the bill. If I wanted an excuse to vote against the Ford proposition as a party question I have all the evidence at hand to do it. I say if I wanted to change my position on the Ford proposition I would not have anything to do but to read President Calvin Coolidge's message to this Congress indorsing the taking over of Muscle Shoals by Ford, and would have nothing further to do than to read Ford's indorsement of Coolidge for President immediately following the message. That would be all the political thunder I should want if I wanted to change my position on this proposition. [Applause on the Democratic side.]

I want to say to the gentleman from Kansas that when Henry Ford came out for Calvin Coolidge for President he got him more votes in the United States than all the fertilizer trusts or all the automobile trusts or every other trust and combine that is fighting this proposition.

Mr. Chairman, I am for this proposition because I confidently believe it means much cheaper fertilizer for the farmers of our country, and the fact that the company Ford is to organize will maintain in stand-by condition plant No. 2 for 100 years at an estimated cost of $200,000 per annum for the manufacture of nitrates in time of war is benefit inuring to the Government of vast importance.

I am not so much concerned about the water-power end of it, because it has been fully demonstrated during this debate that there is now developed in that section of the country ample water power with even greater developments now going on. I want to say to the House that the fear that has been expressed here that Henry Ford will sell power is not because they think that if he does sell the power he will sell it higher than all the allied power companies, but they fear he will sell it lower. [Applause.] The Alabama Power Co. had no objection to Mr. Ford two years ago having this proposition if they could only have the Gorgas steam plant.

Mr. BYRNS of Tennessee. Mr. Chairman, I said on yesterday that I was opposed to any material, fundamental amendments that would be offered to this bill. I do not think that those who are opposed to the legislation ought to kill it by legislation. This proposal is based on an offer of contract by Henry Ford, and we should accept it or reject it. If we are for it, we ought to vote for it; and if we are against it, we have the privilege and right to vote against it. Therefore I repeat that I do not believe that any material or fundamental amendments which may be offered to the legislation and which may result in its defeat ought to be accepted by its friends.

I want to refer briefly to a statement made by the gentleman from Iowa [Mr. HULL] on yesterday. As I recall, the gentleman stated in response to a question that the more he studied this big question the more nearly he was coming to the idea that no private individual or company ought to control it, leaving, therefore, the inference that he was coming to the opinion that the Government ought to maintain and operate it. I may say that I am much gratified to see the gentleman from Iowa in the process of one of his changes on this proposition, because, if you recollect, two years ago he was for the Ford offer; then he became favorable to the offer of the associated power companies and offered a bill carrying their contract, and now he has about come to the idea that Government ownership is really the best, and he thinks the people want it. The people of all communities form opinions through somewhat the same mental processes. The people of the South are like the people of the North on many matters, and the people of the East are like the people of the West, and they usually come to conclusions by the same sort of mental processes. I want to show you what the people of the South in the immediate proximity of this great power think of the question of the associated powers controlling it and also the question of Government ownership. I hold in my hand a telegram from Maj. E. B. Stahlman, owner and publisher of one of the greatest newspapers in the entire South, which has been taking a referendum of the citizens in Nashville and surrounding towns relative to the disposition of Muscle Shoals.

I received this telegram yesterday. It reads:

NASHVILLE, TENN., *March 7, 1924.*

Hon. JOSEPH W. BYRNS, M. C.,
Washington, D. C.:

Vote counted up to 11 o'clock in the Banner's referendum stands: Ford, 27,900; associated power companies, 38; Government ownership, 10. People deeply aroused, with a unanimity of sentiment never before seen in the history of Tennessee on any question. May God help you and the Tennessee delegation to save Muscle Shoals to the people of this country.

E. B. STAHLMAN.

[Applause.]

Mr. Chairman, that is expressive of the sentiments of the South with reference to the disposition of Muscle Shoals. That is also an answer to my friend from Iowa [Mr. DICKINSON] and other gentlemen who in their opposition to this proposition have expressed solicitude lest the South should not receive the benefit of the distribution of the power. Those people live there. If power is distributed, they will get the benefit; but they know what it means if that power shall be given over to the associated power companies of the South, who through these years have been standing by hoping to get this power. They do not want this Congress to create a monopoly in the South with reference to water power. They are willing to trust Henry Ford. They are willing to trust him to carry out the contract. They know, and they believe, that he will do what he says he will do with reference to fertilizer and all these other promises and agreements that he makes with reference to running power lines 200 miles. They are opposed to Government ownership, because they believe that Henry Ford in taking over that power will develop it in the interest of the public of the entire country. [Applause.]

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

Mr. HERSEY rose.

Mr. McKENZIE. Mr. Chairman, I shall not object to the gentleman from Maine proceeding for five minutes, but I shall object to any further debate without something being before the House.

Mr. HERSEY. Mr. Chairman, I ask unanimous consent that the Clerk read in my time the balance of the letter that I sent to the Clerk's desk this morning.

The CHAIRMAN. Without objection, the Clerk will read.

Mr. GARRETT of Texas. Mr. Chairman, I make the point of order that that is not in order. The gentleman can not even read it in his own time.

The CHAIRMAN. The gentleman from Texas objects.

Mr. HERSEY. Then I shall read it myself.

Mr. GARRETT of Texas. Mr. Chairman, I object to the gentleman reading it in his own time.

The CHAIRMAN. The gentleman from Texas objects to the gentleman from Maine reading it in his own time.

Mr. SPROUL of Kansas. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. SPROUL of Kansas: Page 5, lines 3 and 4, after the word "States" in line 3, strike out the words "through an agent to be named by the company."

Mr. SPROUL of Kansas. Mr. Chairman and gentlemen of the committee, I am in a quandary to know just why we are deliberating upon this bill. We have been advised by the members of the committee that we are to accept this bill in its entirety or not accept it at all. The statements can not mean anything other than that Mr. Ford himself has prepared this bill and submitted it to us to accept as drawn by him or to repudiate it.

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

Mr. SPROUL of Kansas. No; I can not. Those of us who have been business men and those of us who have been attorneys practicing law know that it is not customary for one party to be authorized to name the agent of the other party in carrying out the terms of a contract. Beginning with the word "it," in the first line on page 5, we find the following language:

it being understood that the necessary lands, flowage rights, and rights of way shall be acquired by the United States through an agent to be named by the company.

I submit that it is an insult to ask us to vote for that. But you say, "Swallow it." You tell us to submit ourselves to this mighty man who is brainier and wiser and bigger and greater than even the whole United States.

Mr. BYRNS of Tennessee. Mr. Chairman, the gentleman looks at me. Will he yield?

Mr. SPROUL of Kansas. The gentleman is a member of the committee?

Mr. BYRNS of Tennessee. No; I am not.

Mr. SPROUL of Kansas. The gentleman is a prominent lawyer, and yet he says that this bill should not be amended.

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

Mr. SPROUL of Kansas. Not at this time. It seems to me that if Mr. Ford is to be permitted to name all of the terms of this contract, and we are to be forced to accept them just as he names them, then we cease to be a legislative body; we cease to be the United States. The big man in this country is Mr. Ford, a man who is bigger than our country. We admit by allowing him to tell us what to do that we do not know anything. We do not even know enough to name our own agent, our own representative, and the proponents of the bill, so called, must swallow that.

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

Mr. SPROUL of Kansas. Yes.

Mr. HOCH. Does the gentleman have any estimate of the cost of this land and the flowage rights and the rights of way which are to be bought and paid for by the United States and which are to be bought through an agency of the company?

Mr. SPROUL of Kansas. I do not.

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

Mr. SPROUL of Kansas. Yes.

Mr. BLANTON. The gentleman is correct. Our friends say that we have to vote this bill up or down. A contract is a meeting of the minds of the two contracting parties. If this proposition does not suit us, what is wrong in our sending back to Mr. Ford a proposition that does suit us, and then if that suits him let him accept. It seems to me that even though we may be opposed to this bill, opposed to this proposition, opposed to dealing with Mr. Ford, that as the representatives of this Government it is our duty to see that the Government is given a fair, square kind of a contract.

The CHAIRMAN. The time of the gentleman from Kansas has expired. The question is on the amendment offered by the gentleman from Kansas.

The question was taken; and on a division (demanded by Mr. SPROUL of Kansas) there were—ayes 31, noes 73.

So the amendment was rejected.

Mr. HILL of Maryland. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. HILL of Maryland: Page 5, line 1, after the word "company," insert "or any other person or corporation."

Mr. HILL of Maryland. Mr. Chairman, the latter portion of section 6 now provides that the work on Dam No. 2 shall be constructed by the Ford Co., and then we find the following language:

all the work aforesaid to be performed as speedily as possible at actual cost without profit to the company.

The gentleman from Texas [Mr. BLANTON] yesterday offered an amendment in reference to the second paragraph of the McKenzie bill making it impossible for any subcontractor to make a profit. After the defeat of that amendment I offered a similar amendment to that I now offer to this section, which appears on page 3780 of the RECORD.

We are told that there will be no profit to those Ford interests making this construction for which the people of the Nation are to pay, and for which the consumers of fertilizers must ultimately pay in the total cost on which the 8 per cent profit may be made by the Ford corporation. If the Ford interests are entirely sincere and serious in their desire to make this construction without any profit to the company they should be glad of the opportunity to make it perfectly clear in the fundamental law that there can be no profit to any particular company as a subcontractor.

I wish to say one more word in reference to the remarks of my friends and colleagues, Mr. RANKIN and Mr. JEFFERS, and I desire to call their attention to the minority report of two years ago, which on page 12 says:

The Army appropriation now in conference carries an appropriation of $7,500,000 for work to be done and Government activity on Dam No. 2 for the year commencing July 1, 1922. This appropriation ought to be authorized.

We who opposed the Ford offer two years ago and who oppose it now were in favor of the continuance of this work two years ago, and I speak of that because gentlemen seem to indicate that we are not. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland.

The question was taken, and the amendment was rejected.

Mr. BURTNESS. Mr. Chairman, I have an amendment to offer.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 5, line 3, after the word "agent," strike out the remainder of line 3 and all of line 4.

Mr. BANKHEAD. That has already been voted on.

Mr. BURTNESS. Mr. Chairman and gentlemen of the committee, from the very beginning or, at least, from the time that Mr. Ford's offer was first made to the country I have been disposed to favor the acceptance thereof. I do not claim I have made any profound study of this proposition, but during the past week I have given it as careful attention as I have been able to do, and while at times I have felt I ought to change my mind, yet to-day I still feel that the Ford offer is the best proposition before us and that it is probably advisable for the country to accept it. In arriving at that conclusion, I feel that the water-power feature of it is not the one of primary importance, but rather that feature which deals with the national defense. I feel that it is cheap insurance for the country to have the corporation that will be formed to maintain in proper stand-by condition a plant that can be immediately utilized for the manufacture of explosives in time of war. I regard the fertilizer feature as second in order of importance, and I regard the water-power feature as third in such order. In other words, in accordance with the original intent of the Government, this resource should be used for the protection of our Nation in time of war and harnessed for the benefit of agriculture and incidentally to all others in time of peace.

Frankly, I do not like the idea of granting the use of the water power to anyone for a period of 100 years. I should much prefer a compliance with the general provisions of the water power act. But let me say this: If anyone will be adversely affected by this acceptance, in so far as the power feature is concerned, then it is particularly the people in that

section of the country. I find, however, unanimous sentiment for the hundred years among Representatives from such communities, and when they do not see any danger in granting these rights for 100 years I am willing to yield in so far as my judgment is concerned and vote for the bill, even though you rejected the amendment for which I voted to limit the time to 50 years.

But, gentlemen, this is the particular point I want to draw to your attention at this time. I can not help but feel disgusted, or at least disappointed, with the procedure in the House this afternoon in considering this bill, in passing upon the different amendments proposed to this bill, you have voted down one by one these amendments regardless of their merits. You have, in fact, blindly refused to consider them upon their merits. I regret to say that if you take this bill and read it from the beginning to the end it seems to me every unprejudiced person must form the conclusion that, in so far as details are concerned, in so far as technicalities are concerned, every technicality has been written in here in favor of the Ford company and against the Government. That situation could have been remedied with honest consideration, but you have proceeded to turn down amendments here, such as the amendment proposed by the gentleman from Ohio [Mr. BURTON] to section 4 of the bill, which simply would have assured to the country by way of reimbursement for cost of repairs, maintenance, and operation the full amount thereof, the very thing which the proponents of this bill say is already contained in the bill, and you retain a limitation of $35,000 to be paid by the company, allowing the taxpayers of the country to hold the bag for any difference. You turned down an amendment proposed by the gentleman from Maryland [Mr. HILL] to change section 5 of the bill, which would have struck out in the same way the limitation upon the power to be furnished by the company for the operation of the locks, absolutely no justification for such action. The limitation in the bill technically protects the Ford company and not the people of the country. You turned down the amendment proposed by the gentleman from Kansas [Mr. SPROUL], which is similar in substance, it is true, to the amendment which I have just now proposed.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BURTNESS. I ask unanimous consent to proceed for one minute more.

Mr. HOLADAY. Mr. Chairman, I object.

Mr. BURTNESS. Under the right of general extension granted, I desire simply to add that if such tactics are persisted in, you may find many voting against the bill who are in favor of its general purposes but who deem it proper to protect the interests of the American people. I shall watch with interest your action on amendments, perfectly proper, to be submitted later to insure the manufacture of fertilizer as well as to protect the people against unfair or extortionate charges for power. I hope you will not force us to hold our nose when we vote for the bill.

Mr. McKENZIE. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The question was taken, and the motion was agreed to.

Mr. McKENZIE. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. MAPES, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having had under consideration the bill H. R. 518, the Muscle Shoals bill, had come to no resolution thereon.

LEAVE TO SIT DURING THE SESSIONS OF THE HOUSE.

Mr. DYER. Mr. Speaker, I ask unanimous consent that the Committee on the Judiciary may meet during the sessions of the House.

The SPEAKER. The gentleman from Missouri asks unanimous consent that the Committee on the Judiciary may meet during the sessions of the House. Is there objection?

Mr. BANKHEAD. Mr. Speaker, reserving the right to object, that is a temporary request and not a permanent request?

Mr. DYER. I think it is probably only temporary.

The SPEAKER. The Chair hears no objection, and it is so ordered.

MUSCLE SHOALS.

Mr. McKENZIE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 518, the Muscle Shoals bill.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 518, with Mr. MAPES 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. 518, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 518) to authorize and direct the Secretary of War to sell to Henry Ford nitrate plant No. 1, at Sheffield, Ala.; nitrate plant No. 2, at Muscle Shoals, Ala., Waco Quarry, near Russellville, Ala.; and to lease to the corporation to be incorporated by him Dam No. 2 and Dam No. 3 (as designated in H. Doc. 1262, 64th Cong., 1st sess.), including power stations when constructed as provided herein, and for other purposes.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from North Dakota [Mr. BURTNESS].

The question was taken, and the amendment was rejected.

Mr. LAGUARDIA. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from New York offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. LAGUARDIA: Page 5, line 4, after the word "company," insert: "It is understood and agreed that all labor employed in the construction and completion of the work herein provided for shall not work more than eight hours a day."

Mr. GARRETT of Tennessee. Mr. Chairman, I make a point of order on that.

Mr. LAGUARDIA. I would like to be heard on the point of order.

Mr. GARRETT of Tennessee. I withdraw it, Mr. Chairman.

The CHAIRMAN. The point of order is withdrawn. The question is on agreeing to the amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 7. The company will lease from the United States Dam No. 3, its power house, and all of its hydroelectric and operating appurtenances, except the lock, together with all lands and buildings owned or to be acquired by the United States connected with or adjacent to either end of the said dam, for a period equal to the lease term of Dam No. 2 and its hydroelectric power equipment thereat as stated in paragraph 3 hereof, in order that said respective lease terms of the two dams and the hydroelectric equipment thereat shall expire at the same time, the said period to begin from the date when structures and equipment of a capacity of 80,000 horsepower are constructed and installed and ready for service, and will pay to the United States as annual rental therefor 4 per cent of the actual cost of acquiring lands and flowage rights, and of constructing the lock, dam, and power-house facilities, payable annually at the end of each lease year, except that during and for the first three years of the lease period the rentals shall be in the following amounts and payable at the following times, to wit: One hundred and sixty thousand dollars one year from the date when 80,000 horsepower is installed and ready for service, and thereafter $160,000 annually at the end of each year for two years. Dams Nos. 2 and 3 shall be included in the lease.

Mr. HOCH. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Kansas offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. HOCH: At the end of line 3, page 6, strike out the period, insert a comma, and add the following: "and said lease shall provide that all rates and charges for power sold and services furnished in connection therewith by the company shall be reasonable, nondiscriminatory, and just to the customers, and shall provide further that all power sold by the company within the State of Alabama shall be subject to regulation by the State as to rates and charges therefor and services furnished in connection therewith, and that all power sold by the company outside the State of Alabama shall be subject to regulation by the Federal Power Commission as to rates and charges therefor and services furnished in connection therewith."

Mr. McKENZIE. Mr. Chairman, before the gentleman begins will he yield for a question?

Mr. HOCH. If it is very brief.

Mr. McKENZIE. Is this a copy of the amendment put in the RECORD by the gentleman from Michigan [Mr. McLAUGHLIN]?

Mr. HOCH. No; it is not. I have not seen the amendment submitted by the gentleman from Michigan.

Mr. McLAUGHLIN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. HOCH. Yes.

Mr. McLAUGHLIN of Michigan. I introduced an amendment for the information of the House and submitted it to gentlemen on this side who are much interested in the matter, and the gentleman from Alabama [Mr. OLIVER] and I to-day got together and agreed on an amendment covering this proposition which he says is satisfactory.

Mr. HOCH. Perhaps the House is unfortunately in no mood now to consider amendments. But I want in good faith to urge an amendment of this sort. I do not care what the wording is.

What do we propose to do with reference to this water power? I want to say that I have come to the consideration of this whole proposition in a friendly spirit. Let me go directly to the issue here, because my time is so short. What do we propose to do with reference to this power? We propose to turn over to a company organized by Mr. Henry Ford, for a period of 100 years, this vast water power without the slightest regulation of rates and charges.

Now, it is said that in the absence of any regulation provision in the bill the State of Alabama will have power to regulate the rates and charges in case the power is sold.

If that is true—though there is grave doubt about it—the first part of my amendment should meet no objection, because I provide that if any power is sold in the State of Alabama, the State of Alabama shall have supervision over the rates and charges, and I have followed the language of the Federal power act in that regard. But does anyone contend that when this current is sent over the State line into Tennessee, or the State line into Georgia, or the State line into Mississippi—does any lawyer here contend that there is any power in Tennessee or Georgia or Mississippi to regulate these rates and charges? Gentlemen, it is an amazing proposal that we retain nowhere the power to regulate these rates and charges. Why, we propose to turn this vast water power over for 100 years. How much water power is there there? It is estimated all the way up to 800,000 and 900,000 horsepower. Yet it is proposed to turn it over to one corporation—not Henry Ford—for 100 years without any regulation. It is an indefensible violation of all principles of conservation of natural resources for utilization in the interests of the public.

Why, gentlemen, you may possibly justify the sale of this property at this price—a property, intact, which has cost the Government about $85,000,000—for $5,000,000, although, personally, I doubt it. You may possibly justify the lease of these dams and power houses costing a hundred millions at a rental which figures less than 3 per cent on the investment; you may possibly justify other provisions in this bill, such as the one that involves the amendment we have just turned down, whereby we do the amazing thing of declaring that the United States shall go out and buy these lands, flowage rights, and rights of way at vast expense and pay for it out of the Treasury of the United States and permit an agent named by the company to make all the purchases—a most amazing proposition. You may justify that; but I say to you that while I am in sympathy with the purposes of this bill and have come to the consideration of the proposition, hoping to be able to vote for it, yet in the cool understanding of history the American people will never justify the turning over to one corporation for a period of 100 years one of the greatest water powers in the country without any regulation of rates and charges. The country will never approve it.

Now, remember that there is no agreement to use anything but a small part of this vast power for producing fertilizer, and that what is produced is to be produced at a profit to Henry Ford of 8 per cent, and that there is no guaranty of any sort in this bill that the fertilizer will be produced at any specified cost—no limitation of any sort as to price, except that Henry Ford is to have a profit of 8 per cent upon what he does produce. But, even with all of those defects, we might simply trust blindly to Henry Ford and to this corporation which is to exist for a hundred years, long after Henry Ford is gone, and as to whose future control we can only speculate. That would be a very questionable exercise of faith, without protection under the contract, but how can we shut our eyes to this vital question of the conservation of this vast water power—one of the very greatest power projects in America?

One of two things is true: Either this Henry Ford corporation proposes to use all of the power at Muscle Shoals itself—in which case it is an unconscionable monopoly—or it proposes to sell this power to other users; and if he does sell it to other users, then certainly—at least with reference to the interstate sale of power—it is wholly indefensible to provide no regulation at all of rates, charges, and service. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. McLAUGHLIN of Michigan. Mr. Chairman, I rise in opposition to the amendment. I have not had time to examine the amendment offered by the gentleman who has just spoken, but evidently it seeks to accomplish in some way the purpose which the amendment I offered yesterday, if adopted, will accomplish. My amendment attracted the attention—favorable attention, I believe—of the proponents of this measure, and I have conferred with several of them. This morning the gentleman from Alabama [Mr. OLIVER] and I prepared—with some changes in my amendment—an amendment which I am to offer at the proper place in this bill. It is, as I say, approved by Mr. OLIVER, has been approved by the gentleman from Illinois [Mr. McKENZIE], and, I understand, has the approval of others who are taking active interest in securing the passage of this bill. We believe, and have reason to believe, that my amendment will be better and more satisfactory to the friends of this measure than is the amendment offered by the gentleman from Kansas [Mr. HOCH].

Mr. BUTLER. Will the gentleman yield?

Mr. McLAUGHLIN of Michigan. Yes.

Mr. BUTLER. Why not have the gentleman's amendment read now, so that we may have it in our minds?

Mr. McLAUGHLIN of Michigan. If this is the proper place, I might offer it as a substitute for the amendment offered by the gentleman from Kansas [Mr. HOCH]. I have prepared it to be offered at another place, but with the consent of the gentleman from Alabama [Mr. OLIVER] I will offer it now as a substitute for the amendment offered by the gentleman from Kansas.

The CHAIRMAN. The gentleman from Michigan offers a substitute for the amendment offered by the gentleman from Kansas [Mr. HOCH], which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. McLAUGHLIN of Michigan as a substitute for the amendment offered by Mr. HOCH: On page 6, after line 3, add a new section as follows:

"SEC. 8. Whenever the company shall render or supply any public service by way of distributing or supplying electric current or power for any use or purpose for sale to customers or consumers thereof, it shall abide by such laws and regulations as may from time to time be enacted or prescribed by the State or its duly constituted authorities in which the service is rendered or the rate charged. Whenever any service herein mentioned shall enter into interstate or foreign commerce, the company shall abide by the joint action of the duly constituted authorities of the States directly concerned, and if such States are unable to agree through their properly constituted authorities on the service to be rendered in interstate or foreign commerce or on the rates or charges of payment therefor, jurisdiction, during the time the authorities of such States may be in disagreement, is hereby conferred upon the Interstate Commerce Commission to enforce the provisions of this section to regulate and control so much of such service rendered and of the rates and charges of payment therefor as constitute interstate or foreign commerce. The administration of the provisions of this section by the Interstate Commerce Commission, as far as applicable, shall be according to the procedure and practice in fixing and regulating the rates, charges, and practices of railroad companies as provided in the act to regulate commerce, approved February 4, 1887, as amended, and the parties subject to such regulation and control shall have the same rights of hearing, defense, and review as said companies in such cases."

Mr. McLAUGHLIN of Michigan. Mr. Chairman, I am one of those who agree with the gentleman from Kansas [Mr. HOCH] that there ought to be some provision in this act for the regulation and control of the service and of rates and charges that may be made therefor. A sharp difference of opinion has arisen here as to whether or not power and authority to exercise such regulation and control now exists or will exist independently of this act and whether that power if it exists is or will be in the States or in the Congress. It has been said that the States have the authority now and will have it after this bill becomes law. That opinion, confidently expressed by some, has been seriously questioned by many Members of the House. Therefore I may say it is in doubt, and it is a matter of such great importance that there should be no doubt. This act ought to be so framed as to remove all possibility of doubt or chance for difference of opinion.

If there is a question as to which authority, State or Federal Government, should control, we should, I believe, declare it to be the policy that the States shall be permitted to control, as far as they are able to do so. And as to interstate matters the better judgment, as I believe it to be better, is that the Interstate Commerce Commission should control rather than the Federal Power Commission, which exists and functions

under the Federal water power act. That, I believe, will better meet the wishes and opinions of those who have interested themselves in and are giving attention to this particular feature of the bill.

Mr. HOCH. Will the gentleman yield?

Mr. McLAUGHLIN of Michigan. I yield.

Mr. HOCH. I would be interested in getting the gentleman's reason—and, as far as I am concerned, I have no pride in the amendment I have offered as to form—for preferring the Interstate Commerce Commission to the Federal Power Commission. Everyone knows the Interstate Commerce Commission is already burdened.

Mr. McLAUGHLIN of Michigan. The gentleman is making an argument while I yielded for a question.

Mr. HOCH. I will ask the gentleman a question. What are the gentleman's reasons as to why this control should not be given to the Federal Power Commission?

Mr. McLAUGHLIN of Michigan. The gentleman must have taken notice of the fact that every amendment offered to this bill which in any way suggested that authority be given in respect to anything of which this bill treats to the Federal Power Commission has been rejected.

Mr. HOCH. A lot of amendments have been rejected.

Mr. McLAUGHLIN of Michigan. And, in my judgment, the feeling here is not such as will permit of an amendment which will give control of matters we are now considering into the hands of that commission. Further than that, it has seemed to those who have interested themselves in this matter and taken part in the drafting of the amendment that the Interstate Commerce Commission is the more suitable body in that it is a continuing body.

It has the machinery for examining into and administering a matter of this kind, whereas the Federal Power Commission is composed, as we all know, of the Secretary of War, the Secretary of the Interior, and the Secretary of Agriculture, a changing commission, a political commission, a commission not organized, as is the Interstate Commerce Commission, to investigate and administer a matter of this kind. In short, it is our view that the Interstate Commerce Commission is much to be preferred to the Federal Power Commission.

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

Mr. McKENZIE. Mr. Chairman and gentlemen of the committee, I have been insisting as a member of the committee that in case Mr. Ford should undertake to distribute power from this plant located in the State of Alabama, he would come automatically under the law of the State of Alabama. There is some question, however, as I understand, if he undertakes to distribute this power into other States, as interstate business, and the gentleman from Michigan and a few others felt that there should be something put in the bill that would control Mr. Ford or the corporation that will succeed Mr. Ford, in such distribution, and I feel, and I think everyone does, that no special privileges should be extended to Mr. Ford or to this corporation, and it has not been the purpose of the committee so to do. Therefore I feel that it is not a question of whether it shall be just this way or that way or under the Interstate Commerce Commission or the Federal Water Power Commission, and if there is some provision in here regulating that matter, that ought to satisfy everyone.

Mr. BURTON. Is it not perfectly obvious from this provision beginning "whenever the company shall supply" that it is optional with the company to furnish or not to furnish power outside? In other words, Mr. Ford can use all of that power for himself and for his own company, and only in case he graciously permits the sale of part of it must he submit himself to the regulation.

Mr. McKENZIE. I have no quarrel with him on that point.

Mr. BURTON. The gentleman concedes that Mr. Ford, under that provision, could use all the power, aside from that used for fertilizer, for himself?

Mr. McKENZIE. Absolutely; and if I was undertaking what Mr. Ford is undertaking, I would want that right.

Mr. SPROUL of Kansas. Does the gentleman think Mr. Ford would permit the United States Government to authorize the Interstate Commerce Commission to regulate the rates for the sale of electricity throughout the different States?

Mr. McKENZIE. Well, I do not know that I could make that any plainer.

Mr. BYRNS of Tennessee. Mr. Chairman, I would like to ask the gentleman a question in regard to this amendment. I heard it read but I could not understand it fully. Does this amendment seek to fix the maximum rate or does it give to the Interstate Commerce Commission the right to fix the rates?

Mr. McKENZIE. It does not fix any rates. It gives them the right to fix the rates.

Mr. BYRNS of Tennessee. But does it give them the right to fix the maximum rate or does it give them the right to fix the rate at which the power shall be sold?

Mr. McLAUGHLIN of Michigan. The first paragraph of my amendment practically, in effect, simply recognizes the right of the State through its duly constituted authorities, to regulate and control these matters the same as any other company furnishing electric current or power; and as to interstate commerce, it recognizes the right of the States that are directly concerned to exercise the same measure of control, and if they can not agree, and only while they are in disagreement, the Interstate Commerce Commission shall take jurisdiction of the matter. There is nothing in this amendment in regard to maximum or minimum rates.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BYRNS of Tennessee. Why not fix the maximum rate in the interest of the consumer?

Mr. McLAUGHLIN of Michigan. This leaves the matter to your State to determine. It recognizes the rights of the State.

Mr. BYRNS of Tennessee. Why not give to Mr. Ford, or to anybody else the right to reduce rates? I think they ought to be the maximum rates.

Mr. McKENZIE. Mr. Chairman, I move that all debate on this amendment and the substitute close in five minutes.

Mr. OLIVER of Alabama. I would like to have five minutes.

Mr. DAVIS of Tennessee. I would like to have five minutes.

Mr. McKENZIE. Mr. Chairman, I move that all debate on the amendment and the substitute to the amendment close in 10 minutes.

Mr. HILL of Maryland. Mr. Chairman, I submit a preferential motion. I move that all debate close now on this amendment.

The CHAIRMAN. The question is on the motion of the gentleman from Maryland, amending the motion of the gentleman from Illinois.

The question was taken, and the motion was agreed to.

The CHAIRMAN. The question is on the motion as amended.

Mr. HILL of Maryland. Mr. Chairman, a parliamentary inquiry. Is this a vote on the McLaughlin amendment?

The CHAIRMAN. The vote is on the motion of the gentleman from Illinois [Mr. McKENZIE] to close debate in 10 minutes, which was amended by the motion of the gentleman from Maryland to close the debate at once, which was carried, and the question now is on the original motion as amended by the motion of the gentleman from Maryland [Mr. HILL] to close debate.

The question was taken; and on a division (demanded by Mr. QUIN) there were—ayes 80, noes 70.

Mr. HOCH. Mr. Chairman, I ask unanimous consent that my amendment may be again reported.

The amendment was again reported.

The CHAIRMAN. The question now is upon the substitute of the gentleman from Michigan [Mr. McLAUGHLIN] for the amendment of the gentleman from Kansas [Mr. HOCH].

The question was taken; and on a division (demanded by Mr. BYRNS of Tennessee) there were—ayes 68, noes 86.

So the substitute was rejected.

The CHAIRMAN. The question now is on the original amendment of the gentleman from Kansas [Mr. HOCH].

The question was taken; and on a division (demanded by Mr. HOCH) there were—ayes 61, noes 95.

Mr. HOCH. Mr. Chairman, I demand tellers.

The question was taken, and tellers were ordered. The Chair appointed as tellers Mr. HOCH and Mr. McKENZIE.

The committee again divided; and the tellers reported that there were 67 ayes and 117 noes.

So the amendment was rejected.

Mr. McKENZIE. Mr. Chairman, on line 3, page 6, there is a misprint. I ask unanimous consent that the word "and," following the figure 3 in said line, be stricken out.

The CHAIRMAN. Without objection, it will be so ordered.

There was no objection.

The Clerk read as follows:

SEC. 8. The company will further pay to the United States during the period of the lease of Dam No. 3, $20,000 annually, in installments, quarterly in advance, for repairs, maintenance, and operation of Dam No. 3, its gates and lock; it being understood that all necessary repairs, maintenance, and operation thereof shall be under the direction, care, and responsibility of the United States during the said 100-year period; and the company, at its own expense, will make all necessary renewals and repairs incident to the efficient maintenance of the power house,

substructures, superstructures, machinery, and appliances appurtenant to said power house and will maintain the same in efficient operating condition.

Mr. BURTON. Mr. Chairman, I desire to offer an amendment. It is similar to the one I offered before, and, as far as I am concerned, I am willing to submit it without discussion.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amendment proposed by Mr. BURTON: On page 6, in section 8, strike out lines 4 to and including the word "period," in line 11, and insert in lieu thereof the following: "The company during the period of this lease shall, at its own expense, provide for the necessary repairs, replacements, maintenance, and operation of Dam No. 2, its gates, and locks."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio, Mr. BURTON.

The question was taken; and on a division (demanded by Mr. BURTON) there were 54 ayes and 90 noes.

So the amendment was rejected.

The Clerk read as follows:

SEC. 9. At all times during the period of the lease of Dam No. 3 the company will furnish to the United States, free of charge, to be delivered at any point on the lock grounds designated by the Chief of Engineers, United States Army, electric power necessary for the operation of the said lock, but not in excess of 100 horsepower.

Mr. HILL of Maryland. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 6, line 22, after the word "lock," strike out the words "but not in excess of 100 horsepower."

Mr. HILL of Maryland. Mr. Chairman, section 9 purports to require the Ford company to furnish electric power necessary for the operation of the lock. It then qualifies that language by the insertion of the following entirely irrelevant and limiting words, "but not in excess of 100 horsepower."

Section 9 would be construed by any court to mean that the sole obligation of the Ford corporation was to furnish 100 horsepower. It does not say whether the 100 horsepower shall be furnished every time a lock is open; it does not say whether that 100 horsepower shall be furnished every week, or whether that 100 horsepower shall be furnished every year or only during the 100 years of the contract. If the Ford proposition means what it is advertised to mean and what the people at large believe it to mean, that section 9 provides the Ford corporation shall actually furnish the actual "necessary" horsepower these words of limitation "not in excess of 100 horsepower" should be stricken out.

I hope you will adopt my pending amendment, to which no one can object who wants necessary power furnished. [Applause.]

Mr. BOWLING. Mr. Chairman, I rise in opposition to the amendment. Mr. Chairman and gentlemen, the Alabama Power Co. have covered my district like the dew. There is not an important town in it in which it does not either own an electric-light plant or furnish the power. The two great rivers of Alabama that furnish the water power of the State run through my district. One of the largest counties in my district is Tallapoosa and is on the Tallapoosa River, one of the greatest water powers in the State. The Alabama Power Co. is building on that river a $7,000,000 dam. They have many friends there and have done much to develop that section of Alabama. At the same time, my attitude with respect to this Ford offer is well known both in Alabama and in Washington. I have told those who are sufficiently interested and who have asked me that I thought the Ford offer was a good one and I desired to support it and that I am in favor of this bill. To-day I am in receipt of a telegram from gentlemen of my district whom I esteem very highly. They desire it to be put in the RECORD, and I will ask, in deference to them, who are fine men and good citizens, that it go into the RECORD and be read by the Clerk in my time. They all know that I am in favor of the Ford offer and will continue to be.

The Clerk read as follows:

ALEXANDER CITY, ALA., *March 8, 1924.*

Hon. W. B. BOWLING,

House of Representatives, Washington, D. C.:

We most respectfully protest news dispatches out of Washington which seek to discredit the Alabama Power Co., whose operations in this State have been of untold benefit to fast-growing industries. We can see no reason why they should be condemned, as they are in the press dispatches, for an offer which they and other power companies submitted for Muscle Shoals. In our opinion that offer is far more attractive than that submitted by Ford. We fail utterly to see why Ford should be permitted to exploit such a great national asset as Muscle Shoals and thereby localize its usefulness. We request that this protest be placed in the RECORD.

J. SANDFORD MULLINS.	CHAS. A. DEAN.
L. B. DEAN.	DR. W. E. MAXWELL.
J. F. FUNDERBURK.	A. J. WARREN.
A. A. WORTHY.	E. J. DUNCAN.

Mr. BOWLING. Supplementary to that I will say that the people whom I represent are anxious for Henry Ford to come into Alabama and protect us from the monopoly and combine established by the Alabama Power Co. They own and control all the power of the two great rivers of Alabama, the Coosa and the Tallapoosa. Nobody else can get in. We do not desire to be subjected to the uncontrolled power of that great financial interest.

Mr. LAGUARDIA. Let me say to the gentleman that perhaps Mr. Ford will break up the monopoly of the Democratic Party.

Mr. BOWLING. Well, there is not a better man in the United States who could break it, but it will not be broken. [Applause.]

The CHAIRMAN. The time of the gentleman from Alabama has expired. The question is on the amendment offered by the gentleman from Maryland [Mr. HILL].

The question was taken, and the amendment was rejected.

The Clerk read as follows:

SEC. 10. For the purpose of enabling the Government to create and provide a sinking fund to retire the cost of Dam No. 3 at the end of the lease period the company will at the beginning of the fourth year of the lease period, and semiannually thereafter for the remaining term of the lease, pay to the United States Government the sum of $3,505; and for the purpose of enabling the Government to create and provide a sinking fund to retire the cost of Dam No. 2 at the end of 100 years the company will at the beginning of the seventh year of the lease period, and semiannually thereafter for the remaining term of the lease, pay to the United States Government the sum of $19,868.

Mr. HULL of Iowa. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read:

The Clerk read as follows:

Amendment offered by Mr. HULL of Iowa, page 6, line 23: Strike out all of section 10 and insert in lieu thereof the following:

"SEC. 10. For the purpose of enabling the Government to create and provide a sinking fund to retire the cost of Dam No. 3 at the end of the lease period the company will at the beginning of the fourth year of the lease period, and semiannually thereafter for the remaining term of the lease, pay to the United States Government *such* sum *as may be necessary for such purpose computed by standard amortization tables;* and for the purpose of enabling the Government to create and provide a sinking fund to retire the cost of Dam No. 2 at the end of *the lease period* the company will at the beginning of the seventh year of the lease period, and semiannually thereafter for the remaining term of the lease, pay to the United States Government *such* sum *as may be necessary for such purpose as computed by standard amortization tables.*"

Mr. HULL of Iowa. Mr. Chairman and gentlemen of the committee, this is an amendment which will do exactly what the bill purports to do in section 10. I do not intend to take up very much of your time. I simply want to call attention to the fact that section 10 will not amortize Dam No. 2. It pretends to do this and to pay back to the Government $50,000,000. It will pay back to the Government $4,337,378 in 100 years. You must invest that money in such a manner as to make up the other $45,000,000. If you will adopt this amendment you will protect the Treasury of the United States, and at the end of the time Dam No. 2 will be really amortized.

Mr. TAYLOR of Tennessee. Mr. Chairman and gentlemen of the committee, up to this time I have refrained from occupying any of the time of the committee by participating in the discussion of this very important legislation, because it has been apparent to me from the beginning that a large majority of the committee is in favor of the passage of this bill without material amendment, and, therefore, a discussion of it by me would simply delay its final passage to that extent. The special rule under which this bill is being considered at this time afforded ample opportunity to both its adherents and its opponents for its full discussion. Notwithstanding the fact that 10 hours were consumed in general debate, we find a disposition on the part of those in opposition to this measure to block and obstruct its passage.

My colleagues, I confess that I feel a very deep and vital interest in the passage of this legislation. My interest has not been based on any personal or selfish consideration or on account of the fact that I come from a Southern State which will,

in the very nature of things, be directly affected by the development of the Muscle Shoals project. My chief concern exists in my desire to see a large part of our population—our basic industry, if you please, the farmers of the land—given at least a modicum of relief in the way of cheaper fertilizer. In fact, my interest in this proposition has been so great and keen that, although not a member of any congressional committee charged with the duty of a personal inspection of this great project, upon my own volition and at my own personal expense I went to Muscle Shoals and studied this colossal undertaking first hand.

I will not consume your time by giving you in detail my observations and impressions of this gigantic proposition. Suffice it to say that when completed the Muscle Shoals institution will be the greatest hydroelectric power development in the whole world. It is an accepted fact that, notwithstanding repeated and persistant efforts on the part of the War Department to interest some one in Muscle Shoals, no one would consider the proposition except that great wizard of industry, Henry Ford. Everybody else declared the deliberation to be impracticable and impossible. But just as soon as it developed that the Government was about to negotiate a contract with the automobile genius, these selfish power companies began to prick up their ears and get busy with a campaign of propaganda. Every species of propaganda known has been resorted to and employed in an effort to poison and prejudice the mind of the great American public against Henry Ford and the Ford proposition. But this desperate effort has failed, and signally failed, and Muscle Shoals will be turned over to Ford under the terms provided in this measure before you. [Applause.] My friends, I do not desire to inject politics into the consideration of this purely economic measure. No political issue is involved in this proposition. It is a national issue and a national emergency, and while I would not inject politics into the consideration of this measure, I desire to say that in my opinion the warning uttered by the gentleman from Illinois yesterday to the Republicans of the House was entirely appropriate and timely and has my cordial approval.

Gentleman of the House, this is a great national issue—yea, it is a great national emergency. [Applause.] The Republican Party is, in fact or in theory, in control of this body and is responsible for legislation. If this measure is defeated or its efficacy destroyed or impaired by unfriendly amendments, its blood will be upon our hands. The gentleman from Kansas a few minutes ago called attention to the "few Republicans" collaborating with the Democrats in the passage of this bill. I am delighted to be among those few Republicans referred to by the distinguished Kansan. [Applause.] I am a Republican of the old-fashioned stand-pat variety and I am proud of the fact. I have the honor to represent a district that has not sent a Democrat to Congress since the great Civil War, and I suspect that this is a boast that very few Members on this side of the Chamber can make, be they from the great rolling West or even from Yankee-Doodle herself. [Applause.] I have no apologies to offer for associating with Democrats in the passage of this legislation. This is a meritorious measure that rises above the plane of sordid politics, and it is to be regretted and deplored that some gentlemen can not divorce their politics and feelings of sectionalism long enough to give sober and patriotic consideration to a measure that means so much to our national defense and to our most vital and essential industry—agriculture. [Applause.]

Mr. JAMES. Mr. Chairman, I move that all debate upon this paragraph and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Iowa [Mr. HULL].

The question was taken, and the amendment was rejected.

Mr. BURTNESS. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment proposed by Mr. BURTNESS: On page 8, in lines 8 to 10, strike out the words "but the company shall not be obliged to operate nitrate plant numbered 1 as an air nitrogen fixation plant."

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Dakota.

The amendment was rejected.

The Clerk read as follows:

SEC. 11. The company agrees to purchase from the United States, and the United States will sell the following properties, namely:

(a) All of the property constituting nitrate plant No. 2 (as officially known and designated), including lands, power plants, buildings, material, machinery, fixtures, equipment, apparatus, appurtenances, tools, and supplies, and the right, license, and privilege to use any and all of the patents, processes, methods, and designs which have been acquired and may be transferred or assigned to a purchaser of nitrate plant No. 2 by the United States, together with the sulphuric acid units now in storage on the premises.

(b) All of the property constituting nitrate plant No. 1 (as officially known and designated), including lands, power plants, buildings, material, machinery, fixtures, equipment, apparatus, appurtenances, tools, and supplies, and the right, license, and privilege to use any and all of the patents, processes, methods, and designs which have been acquired and may be transferred to a purchaser of nitrate plant No. 1 by the United States, but the company shall not be obliged to operate nitrate plant numbered 1 as an air nitrogen fixation plant.

(c) All of the property constituting the Waco Quarry (as officially known and designated), including rights of way and buildings, material, quarry tracks, machinery, railroad tracks, appurtenances, tools, and supplies.

Mr. HILL of Maryland. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Amendment offered by Mr. HILL of Maryland: Page 7, line 12 after the words "Sec. 11," strike out "The company agrees to purchase from the United States, and the United States will sell" and insert in lieu thereof the following: "The United States will lease to the company for a period of 50 years and for an annual rental of $1."

Mr. HILL of Maryland. Mr. Chairman and gentlemen of the House, section 11 provides that nitrate plant No. 1, which the chairman of the Chemical Research Laboratory has recently stated could now be used for air nitrates under the Haber process; that nitrate plant No. 2, which was used during the war by the cyanamide process, and that the Waco Quarry, which was acquired so that the proper stone could be obtained for nitrates, be all absolutely deeded to the Ford corporation. Those sections of the bill are as follows:

SEC. 11. The company agrees to purchase from the United States, and the United States will sell the following properties, namely:

(a) All of the property constituting nitrate plan No. 2 (as officially known and designated), including lands, power plants, buildings, material, machinery, fixtures, equipment, apparatus, appurtenances, tools, and supplies, and the right, license, and privilege to use any and all of the patents, processes, methods, and designs which have been acquired and may be transferred or assigned to a purchaser of nitrate plant No. 2 by the United States, together with the sulphuric acid units now in storage on the premises.

(b) All of the property constituting nitrate plant No. 1 (as officially known and designated), including lands, power plants, buildings, material, machinery, fixtures, equipment, apparatus, appurtenance, tools, and supplies, and the right, license, and privilege to use any and all of the patents processes, methods, and designs which have been acquired and may be transferred to a purchaser of nitrate plant No. 1 by the United States but the company shall not be obliged to operate nitrate plant No. 1 as an air nitrogen fixation plant.

(c) All of the property constituting the Waco Quarry (as officially known and designated), including rights of way and building, material, quarry tracks, machinery, railroad tracks, appurtenances, tools, and supplies.

You are asked to deed to the corporation to be created by Mr. Ford a great instrument of national defense, ready at any moment to furnish sufficient nitrogen for two field armies, or 1,000,000 men. Bear that clearly in mind. We have that now in nitrate plant No. 2 and the Waco Quarry. We do not need a new Ford or any other kind of corporation to give us what we now have; and, on the other hand, we should not deed away this great necessity for national defense. Here is a letter from the Secretary of War which you should read carefully as to the Ford offer in its relation to national defense. Note also what the Secretary says about the price for this sale:

The proposed return to the Government for nitrate plant No. 1, nitrate plant No. 2, the Waco Quarry, and the proposed Black Warrior plant, if its transfer is intended, would be less than the Government has already obtained for a minor element of the plant No. 2 development, that is, the Gorgas plant.

We need the Muscle Shoals property for national defense. I hope you will ponder carefully the letter of the Secretary of War, which is as follows:

JANUARY 30, 1924.

Hon. GEORGE W. NORRIS,
Chairman Committee on Agriculture and Forestry,
United States Senate.

MY DEAR SENATOR NORRIS: Referring further to your letter of December 24, 1923, and to my acknowledgment under date of January 8, 1924, in regard to Senate 139, after further examination of the various provisions of that bill I desire now to submit my views as follows:

The purpose of the bill is to authorize and direct the Secretary of War to accept the offer of Henry Ford of May 31, 1922, for lease of

certain Government dams and power properties on the Tennessee River and for purchase of the nitrate plants and properties near Muscle Shoals

The offer of May 31, 1922, is substantially the same as Mr. Ford's former offer as last modified January 25, 1922, and the bill now under consideration embraces the terms of the May offer, except paragraph 12 and subparagraph (d) of paragraph 11, which relate to the Gorgas plant and transmission line which have been sold by the Government. The bill, in lieu of transferring to Mr. Ford the Gorgas plant and line or the rights of the United States therein, proposes to provide an equivalent on the Black Warrior River near Dam No. 17, and a transmission line to Muscle Shoals; and thus qualifying the offer to accept it.

The following synopsis of the bill will clarify it:

Section 1 provides that Mr. Ford form a company to effectuate his order.

Section 2 provides that the company shall complete for the United States at actual cost and without profit to the company Dam No. 2, Muscle Shoals.

Section 3 provides that the company shall lease Dam No. 2, its power house, equipment, and appurtenances for 100 years from the date when 100,000 horsepower is installed and ready for service and will pay therefor $200,000 annually for the first six years, and thereafter annually 4 per cent of the cost of the properties to the United States, exclusive of the amounts expended or obligated by the United States to the date of acceptance of the offer.

Section 4 provides that the company shall pay $35,000 annually during the lease period to provide for repairs, maintenance, and operation by the United States of Dam No. 2, its locks and gates; the repair and maintenance of the power house and its equipment to be cared for by the company at its own expense.

Section 5 provides that the company shall furnish the United States electric power in an amount necessary for the operation of the locks at Dam No. 2, but not in excess of 200 horsepower.

Section 6 provides that the company shall construct for the United States, at actual cost and without profit to the company, Dam No. 3, Tennessee River, its lock, power house, and all necessary equipment.

Section 7 provides that the company shall lease Dam No. 3, its power house, equipment, and appurtenances, the lease to begin when the structures and power equipment to produce 80,000 horsepower are ready for service, and to expire at the same date as the lease for Dam No. 2, and shall pay therefor for the first three years of the lease period $160,000 annually, and thereafter annually 4 per cent of the cost of the properties to the United States.

Section 8 provides that the company shall pay $20,000 annually during the lease period to provide for repairs, maintenance, and operation by the United States of Dam No. 3, its lock and gates; the repair and maintenance of the power house and its equipment to be cared for by the company at its own expense.

Section 9 provides that during the lease of Dam No. 3 the company will furnish to the United States the electric power necessary for the operation of the lock at Dam No. 3, but not in excess of 100 horsepower.

Section 10 provides for the establishment of sinking funds to amount at the end of the lease periods, with interest payable semiannually at the rate of 4 per cent per annum, to $8,152,137 in the case of Dam No. 3 and to $40,919,798 in the case of Dam No. 2. The amount of the sinking fund provided for in the case of Dam No. 2 corresponds to Mr. Ford's estimate of the cost of that dam, but the sinking fund provided for in the case of Dam No. 3 corresponds to the cost of that dam as first estimated by Mr. Ford, viz., $8,152,137, and not to his later revised estimate of $19,000,000.

Section 11 provides for the purchase by the company from the United States of all property constituting nitrate plant No. 2, all of nitrate plant No. 1, and all of Waco Quarry.

Section 12 provides that the purchase price for the properties referred to in section 11 shall be $5,000,000, and stipulates how this price shall be paid and what deeds shall be given.

Section 13 provides that the purchase price of those properties shall not be diminished for their depreciation between the date of the offer and its acceptance, that no inventory of the properties need be made, and qualifies the deeds of conveyance.

Section 14 provides for the manufacture by the company of nitrogen and other commercial fertilizers at plant No. 2, or equivalent plant or plants in the vicinity, for certain research work in connection with the manufacture of fertilizers, and for the maintenance by the company of the plant in a state of readiness for the manufacture of material necessary in time of war for the production of explosives.

Section 15 provides for fixing the price for fertilizers.

Section 16 provides for the temporary recapture of plant No. 2 by the United States for national defense when necessary for the production of materials needed in the manufacture of explosives or other war materials.

Section 17 provides that the company shall have the preferred right to negotiate for the lease or purchase of the dams and power properties at the termination of the lease period.

Section 18 provides a method of procedure for the termination of contracts made in furtherance of the offer in case of violation of the provisions of the contract and for the enforcement of their provisions.

Section 19 provides that the United States shall contract with Mr. Ford or the company to build a steam electric power plant at or near Dam No. 17, Black Warrior River, and a power transmission line to Muscle Shoals at a capital cost to the United States not to exceed $3,472,487, in order to provide a plant equivalent to the Gorgas steam plant.

Section 20 provides that the instruments necessary to effectuate the acceptance of the offer shall be binding upon the United States and jointly and severally upon Henry Ford, his heirs, representatives, and assigns, and the company, its successors and assigns.

Section 21 authorizes the appropriations necessary to carry out the bill.

Section 22 repeals any laws in conflict with the bill.

My views as to the advantages and disadvantages to the United States of the offer of January 25, 1922, were expressed in a letter written under date of February 1, 1922, to the Speaker of the House of Representatives, printed in House Report No. 1084, Sixty-seventh Congress, second session.

As stated in that report, I consider that it is peculiarly the province of Congress to weigh the consideration which will pass to the respective parties to the proposed arrangement and to determine whether the advantage to the Government in having nitrate plant No. 2, or an equivalent plant, maintained in readiness for the manufacture of explosives, and in actual production of fertilizer, is of sufficient importance to justify the proposed departure from the present policy of the law in regard to dealing with the water-power resources of the Nation, and the acceptance of a return manifestly of itself inadequate for the water-power installations and the properties for the fixation of nitrogen from the air.

That policy is to invite competition by advertising the power privileges for lease for a term not in excess of 50 years. I am still of the opinion that it will be better to limit a grant of the power privileges to a term of 50 years, and I believe that the public interests will be best conserved if competitive offers for the privileges sought by Mr. Ford are invited, received, and canvassed, and that offer accepted which may be competently found to be most adantageous to the United States.

If the end sought is merely to dispose of the nitrate properties and power privileges on the most advantageous terms embracing all the varied Government interests in one proposition, but requiring that nitrate plant No. 2 be used for the manufacture of fertilizers and be held available for the production of materials necessary in the manufacture of explosives or other war materials, I would suggest that Congress can by specific legislation enable the Federal Power Commission, which is composed of the Secretary of War, the Secretary of the Interior, and the Secretary of Agriculture, after advertisement in the manner prescribed in the water power act, to enter into suitable leases and contracts and to execute all instruments necessary to accomplish the end.

It is my strong conviction that the Government should continue work on Dam No. 2 and carry it to completion as early as practicable, and that it should be expected that if meanwhile Congress has made no special provision for the disposal of the power available therefrom it will be advantageously leased by the Federal Power Commission under the terms of the Federal water power act.

If the proposition embraced by the bill is favorably considered, I would suggest the following amendments as being necessary to more clearly define the rights and responsibilities of the contracting parties.

Section 2 should be omitted for the following principal reasons:

The Government has a going organization now engaged in the construction of Dam No. 2; the work is progressing rapidly and satisfactorily and will have reached a stage where approximately 100,000 horsepower will probably be available soon after January 1, 1925; the dam and power house will, it is expected, be entirely completed in the fall of that year, with eight main generating units of a capacity of 260,000 horsepower installed; there are numerous contracts outstanding, some of which will run until the work is nearly completed; a change in administration of the work at this time would, it is believed, be to the disadvantage of the Government, as it would delay its completion without decreasing the cost.

SEC. 3. Omit the words "except the locks" in line 7, and change the word "either" in line 9 to "the power house." The locks do not form part of the power development and are on the opposite side of the river from the power house. In connection with the operation of the lock and navigation facilities, it is desirable that the Government retain the land at the lock end of the dam.

In connection with the word "completing" in line 15, and in lines 16, 17, and 18 the words in parentheses reading "but not including expenditures and obligations incurred prior to approval of this proposal by Congress," your attention is invited to the fact that the consideration if equitable at any past date are disparate now, for the reason that since the date of the submission of Mr. Ford's offer there

had been expended on Dam No. 2 approximately $10,000,000, and that these expenditures are now continuing at the rate of $30,000 per day. Senate bill 139 takes no cognizance of the expenditures made since the date of the original offer. By reason of funds already spent since the date of this offer the return to the Government would be approximately $400,000 per year less than when the offer was submitted.

SEC. 7. Omit the words "except the lock," in line 16, and change the word "either," in line 18, to "the power house."

A like reason applies to this as to a similar change in section 3.

Sections 11 to 14, inclusive, provide for the purchase by Mr. Ford, or by a company to be formed by him, of all of the property constituting nitrate plant No. 2, all of nitrate plant No. 1, and all of the Waco Quarry. They state the price to be paid, the method of payment, stipulate the deeds to be given, and set forth the guaranties provided by Mr. Ford in his offer to maintain nitrate plant No. 2 at its present state of readiness for immediate operation in the manufacture of nitrates in time of war for the production of explosives.

By section 14 (b) Mr. Ford binds himself to produce at nitrate plant No. 2 a certain quantity of nitrates for fertilizer purposes and "to maintain nitrate plant No. 2 at its present state of readiness or its equivalent for immediate operation in the manufacture of materials necessary in time of war for the production of explosives." The inclusion of the phrase "or its equivalent" makes this provision in some respects ambiguous and susceptible to more than one construction, whereas it should be a direct and unqualified obligation on the part of Mr. Ford and his company to keep nitrate plant No. 2, or its equivalent, ready for the production of nitrates for explosives at least up to its present capacity. In view of the long period of time that the contract runs and the likelihood of radical improvement in the production of nitrates, it is believed that this provision might better be changed to read as follows:

> "To keep and maintain nitrate plant No. 2, or an equivalent plant, in a state of readiness to immediately produce nitrates for munition purposes to an amount equivalent to its present capacity."

There is, however, in the offer no security for the performance of this obligation other than the promise of the contractor and the remedy provided for in section 18. It is my opinion that a specific provision should be made that in case Mr. Ford or his company fails to live up to this provision of the contract, or the provision for the production of fertilizer, that nitrate plant No. 2, the Waco Quarry, and the Black Warrior power plant shall revert to the United States, and that the United States shall be entitled to cancel and terminate the leases of the dams and power plants covered by the proposal. The importance of nitrate plant No. 2 and the Waco Quarry to the defense of the United States is indicated by the fact that as they now stand they would furnish sufficient nitrogen for two field armies, or 1,000,000 men. It is therefore of the utmost importance to the national defense that this plant or its equivalent be ready for immediate operation in case of war. By the terms of the Ford offer and the bill under consideration, title to nitrate plants Nos. 1 and 2 and to the Waco Quarry will pass to Mr. Ford or his company. It is true that in section 12 it is provided that the deeds conveying these properties "shall refer to or contain the provisions of this offer and said deeds shall be so drawn as to make such provisions covenants running with the land." I believe that the importance of this feature of the contract is such that every possible safeguard should be placed in the contract to insure compliance therewith, and that there should be added to the last-quoted provision the words

> "and such deed shall also provide that in case the grantee shall fail to operate said nitrate plant No. 2, as provided herein, or shall fail to maintain the same in its present state of readiness, or its equivalent, for immediate operation in the manufacture of materials necessary in time of war for the production of explosives, or if said grantee shall fail to comply in any other respect with the terms of the contract between the United States and Henry Ford or his company, as evidenced by his offer of May 31, 1922, and its acceptance by Congress, then the title and right to possession of said nitrate plant No. 2, the Waco Quarry, and the Black Warrior power plant shall immediately revert to and revest in the United States of America, and the United States shall be entitled to a cancellation and termination on the lease or leases to Dams Nos. 2 and 3 and their power plants."

If the suggestion made above for a change in wording of paragraph 14 (b) is adopted, the language of the reverter clause last quoted above should be changed accordingly.

In disposing of the property enumerated in the bill under consideration, it is essential to the military preparedness for the defense of this Nation that provision be made to guard against each or both of the following contingencies:

(a) That United States nitrate plant No. 2, with a reliable method of fixing nitrogen, be altered to convert it into a plant employing some other processes chosen by Mr. Ford, with resulting failure of those processes and subsequent closing down of the new plant.

(b) An entire abandonment of the fixation of nitrogen at Muscle Shoals and the passing of the nitrate plants to other processes, since under this act (S. 139) the United States does no longer own either of the plants.

In regard to (a) if Congress desires to control the process of producing nitrate at plant No. 2 more fully than by the general terms quoted above, it could provide, if Mr. Ford would consent, that no change in process of fixation could be made without consent of the Secretary of War. This would provide against the contingency listed under (a). As to the contingency of entire abandonment of the fixation of nitrogen at Muscle Shoals, the provision for a reversion of title and possession to the United States, together with cancellation and termination of the dam and power plant leases, would probably be the best solution that would be assented to by Mr. Ford.

Section 14 of the bill provides:

> "The company expressly agrees that continuously throughout the lease period, except as it may be prevented by reconstruction of the plant itself, or by war, strikes, accidents, fires, or other causes beyond its control it will manufacture nitrogen, etc."

I am advised that from a legal point of view the phrase, "or other causes beyond its control," for the sake of clarity should be changed to read "or other like causes beyond its control." Three lines further in the same section there is inserted the phrase, "or its equivalent," the meaning of which as used is not quite clear, and I therefore suggest that this language also be clarified.

Section 19. If it is the intention of Congress as is presumed to furnish to the company a steam electric plant equivalent to the Gorgas plant, provision should be made for the conveyance of the proposed Black Warrior plant to the company. The bill as drawn does not contain such provision.

In view of the large number of bills on this subject before Congress, and of the fact that, according to the public press, the Ford interests are in direct communication with the chairman of the Committee on Military Affairs of the House of Representatives, and expect to appear before that committee in the near future with a definite statement as to Mr. Ford's attitude on the whole matter, it has not seemed to me desirable at this time to attempt to redraft as a whole Senate 139 to meet the views set forth above. It may be said, however, that the legislative intent might better be expressed by reciting the terms of the offer by way of preamble and its acceptance and modification in the body of the bill.

With a view to limiting the length of this communication and to avoid repeating information already before the committee of Congress in documentary form, I have omitted many facts and statistics pertinent to the consideration of the proposed contract from a business point of view. However, from the statements included herein and from other data already available to the committee, the following general conclusions are evident:

a. That the Gorgas plant, or an equivalent steam plant, is not necessary for any probable development of the Muscle Shoals properties for public purposes, and therefore should not be replaced.

b. That the progress of the construction of Dam No. 2 is such that it should be completed by the Government.

c. That the offer by Mr. Ford for the facilities at Muscle Shoals is much less than their present value, not only by reason of the investment the Government has made in the properties since the offer was first submitted, nor because the yearly return for power, considering Dam No. 2 alone, would be only a fraction of its sale value, but also because the proposed return to the Government for nitrate plant No. 1, nitrate plant No. 2, the Waco Quarry, and the proposed Black Warrior plant, if its transfer is intended, would be less than the Government has already obtained for a minor element of the plant No. 2 development, i. e. the Gorgas plant.

d. That there is no present need for the construction of Dam No. 3, and its construction should be deferred until the requirements for power and navigation in that region have developed sufficiently to warrant its being built, and, further, that there is no basis for an estimate of the cost of the dam.

e. That there is no necessity for the first provision contained in the preamble to the bill, namely, that for national defense in time of war any action should be taken along the lines proposed in Mr. Ford's offer, for the reason that the United States can now produce nitrates to provide itself with ingredients for explosives to the extent contemplated by this bill by using the plant now installed at Muscle Shoals, including the steam power available. The cost of production will, of course, be modified when the water power is in operation, but the means have been provided and proven already for such requirement.

(f) That to insure the availability of the facilities for the fixation of nitrogen in condition for prompt operation in an emergency, the enabling act in the case of the Ford offer, or of any other offer considered, should contain provisions as to ownership of capital stock and executive control considered sufficient by Congress to preclude the possibility of ownership or executive control other than by citizens of the United States.

Sincerely yours, JOHN W. WEEKS, *Secretary of War.*

Gentlemen, you are asked to deed absolutely to the Ford interests these nitrate plants and the Waco Quarry, which are essential for national defense.

I hope that you will not do this. I hope that you will vote for my pending amendment for lease and against the Ford demand for sale. [Applause.]

If you lease these plants to Mr. Ford under this amendment, they will be available at all times for development of fertilizer, but they will be more available to the United States for national-defense purposes. If you deed these plants to Mr. Ford, the offer and the contract as set forth in the pending bill provide that he need not maintain; that he may, if he desires, entirely demolish nitrate plant No. 1 with all of its great setting. I ask you to vote for this amendment.

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

Mr. McKENZIE. Mr. Chairman, I desire to say simply that the amendment of the gentleman from Maryland would destroy the security provided in this bill for the protection of the people of the United States. I therefore ask for a vote and move that all debate upon this section and all amendments thereto do now close.

The CHAIRMAN. The gentleman from Illinois moves that all debate upon the section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland.

The amendment was rejected.

Mr. BURTON. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. BURTON: Page 8, lines 8 to 10, strike out the words "but the company shall not be obliged to operate nitrate plant No. 1 as an air-nitrogen station plant.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Ohio.

The question was taken; and on a division (demanded by Mr. BURTON) there were—ayes 33, noes 76.

So the amendment was rejected.

The Clerk read as follows:

SEC. 12. As the purchase price for the foregoing plants and properties to be conveyed to the company by the United States the company will pay to the United States $5,000,000 in five installments, as follows: One million dollars upon the acceptance of this offer and $1,000,000 annually thereafter until the purchase price is fully paid, with interest at the rate of 5 per cent per annum on deferred payments, with the privilege of anticipating any or all such payments, possession to be delivered upon payment of the first of said installments and deeds of conveyance to be delivered when full payment for said property has been made. Each of said deeds shall refer to or contain the provisions of this offer, and said deeds shall be so drawn as to make such provisions covenants running with the land.

Mr. LAGUARDIA. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. LAGUARDIA: Page 9, line 5, strike out period and insert the following: "And such deed shall also provide that in case the grantee shall fail to operate said nitrate plant No. 2, as provided herein, or shall fail to maintain the same in its present state of readiness, or its equivalent, for immediate operation in the manufacture of materials necessary in time of war for the production of explosives, or if said grantee shall fail to comply in any other respect with the terms of the contract between the United States and Henry Ford or his company, as evidenced by his offer of May 31, 1922, and its acceptance by Congress, then the title and right to possession of said nitrate plant No. 2 and Waco Quarry and the Black Warrior power plant shall immediately revert to and revest in the United States of America, and the United States shall be entitled to a cancellation and termination on the lease or leases to Dams Nos. 2 and 3 and their power plants."

Mr. LAGUARDIA. Mr. Chairman, just one moment. I want to tell my Republican associates that this is not my amendment; it is an amendment suggested by the Secretary of War, Mr. Weeks, in his letter to Senator NORRIS of January 30, 1924. I asked the distinguished gentleman from Illinois [Mr. McKENZIE], who took the floor during the discussion of the tax reduction bill and made an appeal to us to stand by the Secretary of the Treasury, now, with the same fervor, to ask his colleagues to stand by the Secretary of War. I do not know of anything more important—and I hope the gentleman from Georgia, who is seeking recognition, agrees with me—than to keep intact and maintain in good condition this plant, so that in the event of an emergency the War Department may step in and use it for the purposes for which it is intended. I urge my colleagues on this side of the House to stand by the recommendation of your own Secretary of War, and, on the other side of the House, if you really desire to maintain this plant and want to protect the people of this country and you are sincere in what you say, to vote for this amendment.

Mr. McKENZIE. Mr. Chairman, I simply wish to say to my progressive Republican friend from New York that on some things I am willing to accept the opinion and advice of the Secretary of War, that of John W. Weeks, but I am firmly convinced, and have been for some time, that our distinguished Secretary of War is no friend of this proposition. I learned early in life to beware of the Greeks bearing gifts. [Applause.]

Mr. BUTLER. Where did the gentleman learn a thing like that?

Mr. BURTNESS. If the gentleman will yield, what do the words "this offer," in line 3, page 9, refer to?

Mr. McKENZIE. Mr. Chairman, I move that debate on this section do now close.

The CHAIRMAN. The gentleman from Illinois moves that debate on this section do now close.

Mr. SPROUL of Kansas. I have an amendment which I wish to offer.

Mr. McKENZIE. This motion will not interfere with that.

The question was taken, and the motion was agreed to.

The CHAIRMAN. The question is upon the amendment offered by the gentleman from New York [Mr. LAGUARDIA].

The question was taken, and the amendment was rejected.

Mr. SPROUL of Kansas. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amendment by Mr. SPROUL of Kansas: Page 9, line 4, after the word "provisions," insert the word "and," and after the word "covenants" strike out the word "running" and insert the words "to run."

Mr. SPROUL of Kansas. May I explain?

The CHAIRMAN. All debate is closed. The question is on the amendment offered by the gentleman from Kansas.

The question was taken, and the amendment was rejected.

The Clerk read as follows:

SEC. 13. This proposal contemplates and it is agreed that the purchase price for the property aforesaid shall not be diminished by reason of depreciation due to use or wear of buildings, machinery, and equipment or to the action of the elements, nor shall any claim be made for losses in or diminution of quantity of tools and supplies due to upkeep and maintenance during the period between the date hereof and the date of delivery of possession of said property, it being further understood that no inventory of the property need be taken, but that due care will be exercised by the United States in preserving and safeguarding the aforesaid real and personal property intact until possession thereof passes to the company. If any part or parts of the aforesaid plants necessary for proper operation of same have been removed by the United States, said part or parts shall be returned when possession of said plants passes to the company. Deeds of conveyance of real property shall warrant the title to be good and unencumbered, but in accordance with and subject to the provisions set forth in paragraph 12 hereof.

Mr. BURTON. Mr. Chairman, I desire to introduce an amendment at the close of section 13, which I will ask the Clerk to read.

The Clerk read as follows:

Amendment proposed by Mr. BURTON: Insert at the end of section 13: "It is made an express provision of this grant that not less than half of the water power, as well as the steam power, generated or created under the provisions of this act shall be disposed of to public or private users other than the grantees or companies owned or controlled by the grantees herein, or individuals or corporations affiliated with them, at prices to be determined by the Federal Water Power Commission or commissions of the States in which such power is utilized, and as a condition hereof the grantees herein shall construct and maintain the necessary transmission lines for the distribution of such power."

Mr. BURTON. Mr. Chairman, let us have what is ordinarily known as a show-down. It has been asserted in public and it has been loudly proclaimed upon the floor of this House that if Mr. Henry Ford obtains this privilege he would build transmission lines of the most improved type, scattering this power over a wide area. Now, what do we see here to-day? The gentleman in charge of this bill, to whose courtesy and honesty I must give exceptional praise, admits that Mr. Ford is not compelled to send a single horsepower away from the central plant; that he can use it all himself; that all he is compelled to use is for the manufacture of fertilizer, leaving

a very large surplus for other uses. Now let us understand about this. If you propose to give one of the most valuable installations of water power in the country or in the world over to one man, giving him a monopoly of this plant, then vote down this amendment. I would be willing to modify and make it read half the amount over and above that required for the manufacture of fertilizer.

Mr. OLIVER of Alabama. Will the gentleman yield for a moment? The gentleman, then, is asking to do something that the Federal power act did not confer even upon the power commission to require any licensee to whom they might give a license?

Mr. BURTON. The gentleman from Alabama is in error because in their licenses they can make provision as to distribution. Here is another thing: What has this committee done just within a few minutes? It has absolutely jumped upon and voted down propositions providing for the revision or supervision of rates and that only whenever the company proposes to dispose of any power, taking it for granted that it may dispose of power or not as it sees fit. Now, that action seems to me little short of monstrous.

Mr. STRONG of Kansas. If the gentleman will yield, inasmuch as one of the authors, a representative of one of the great farm corporations who is behind this proposition, has said that Henry Ford would use this power to distribute it to the farmers and take the drudgery out of farm life by the use of electricity, so does not the gentleman think it ought to be adopted?

Mr. BURTON. What bit of drudgery would it take out of farm life? Not a particle will be distributed outside of his own works in the manufacture of whatever he requires in his business. Let us not tolerate such an excuse for favoring this bill, for it is a humbug.

The object of this amendment is nothing except that part of this power shall be circulated for the good of the people. And let it be distinctly understood that without such a provision you are giving a monopolistic power to one man the like of which this Congress has not voted for many years. Talk about political issues. I do not seek any better one. I am willing to go before the farmers in my own State and district and appeal to them, for they are not easily wheedled, because they have good sense and intelligence, and they would condemn a man who took a position than that which I have taken.

Mr. McSWAIN. Then that would tend to prove that a man who has a farm of 50,000 acres is a menace?

Mr. BURTON. Well, that depends. A man who has so much land is likely to attract attention.

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

Mr. BURTON. Yes.

Mr. BYRNS of Tennessee. I want to ask the gentleman if the Farm Bureau, which is said to be the greatest farm organization in the United States, has not indorsed the Ford offer?

Mr. BURTON. It appears so from their literature. I have known cases where I have stood out against organizations of farmers, chambers of commerce, and so forth, and have finally convinced them that they were in error and obtained their support. [Applause.]

Mr. McKENZIE. Mr. Chairman, I move that all debate on this section and all amendments thereto close in five minutes.

The CHAIRMAN. The gentleman from Illinois moves that all debate on this section and all amendments thereto close in five minutes. The question is on agreeing to that motion.

The motion was agreed to.

Mr. DAVIS of Tennessee. Mr. Chairman and gentlemen of the committee, although I am vitally interested in the passage of this bill, yet I was so anxious that its passage might be expedited that I had not intended to consume any time by speaking on it. But in view of the fact that I represent a district adjoining the congressional district in which Muscle Shoals is located, I wish to modestly suggest that I am quite as much interested in that section as the gentleman from Ohio [Mr. BURTON], who has just preceded me and who is doing everything he can to defeat the whole proposition by destructive amendments, and yet who expresses very great solicitude about the citizens in the territory contiguous to Muscle Shoals getting surplus power therefrom. I am primarily interested in this bill from the standpoint of fertilizer production and distribution and the manufacture of nitrates for explosives in time of war, as provided in the original bill, under which this great development was authorized and made.

I am not so much concerned about what may be done with the surplus power as some of the gentlemen, although I reside in a district so near at hand that it would get the use of any surplus power that might be distributed over these long transmission lines. And I want to say that my position is this: First, because there is an ample amount of undeveloped power sites and resources in the South to amply supply that entire section with hydroelectric energy, even if Mr. Ford utilized every bit of the surplus power at Muscle Shoals for the development of his own individual enterprises.

Now, if he wants to utilize that power in part or wholly, I have no objection, even though that development would be confined to a section in Alabama. I trust that he may find it possible to distribute part of that power, not because it is especially needed but because it would come into competition with the great power monopoly which we have to combat. And in this connection I want to say this, that the objections now urged to this bill are not the objections which were first heard, and later abandoned. We did not hear any great hue and cry over this surplus energy until Mr. Ford announced that he expected to distribute it to the public over long transmission lines, and yet immediately after that announcement the associated power companies got very busy, busier than ever, in an effort to defeat the bill, not because they were afraid that he would not develop and sell the power in competition with them but because they were afraid that he would do so. [Applause.]

Now what have they done? That fight to defeat this bill by amending it to death is not only being made here, but it is being made in the entire Muscle Shoals section, and they have flooded my district and surrounding territory with this same kind of solicitous (?) propaganda that is being disseminated here, that it is to the public interest to get these amendments incorporated in this bill. What is the result? The people have not been deceived. They are onto the game of the allied power companies, led by the Alabama Power Co., and their allies in and out of Congress.

That entire section has been aroused. They have been holding indignation meetings. My distinguished colleague from Tennessee [Mr. BYRNS] read to you a telegram showing the result of a poll on the question in Nashville and vicinity. I have just received a telegram from the Lewisburg Chamber of Commerce, J. F. Murrey, president, one of the towns in my district, as follows:

Chamber of commerce unanimously indorse Ford proposition.

To which I replied, as follows:

Replying to your telegram, I beg to advise that I am whole-heartedly and unequivocally in favor of the acceptance of Ford offer for Muscle Shoals, as I have been all along. I am opposed to any amendment or other methods designed to delay or defeat consummation of lease to Ford.

I have also received the following telegram from another town in my district:

The Shelbyville Lions Club unanimously indorses Ford proposition for Muscle Shoals.

The attitude of the farmers in my State is expressed in a letter from the Tennessee Farm Bureau Federation, as follows:

COLUMBIA, TENN., *March 1, 1924.*

Hon. EWIN L. DAVIS,
Washington, D. C.

DEAR MR. DAVIS: As the time approaches when we are to have a vote in the House on the Ford offer for Muscle Shoals, I want to reassure you that the farmers are for the Ford offer, despite the efforts that have been made in this State recently to enlist the farmers' interest in the offer of the power companies and of the efforts to induce all of our Congressmen to support it.

I am informed that a number of business men over the State who have recently become active in behalf of the power companies' offer are stockholders in these companies.

* * * * * * *

Second, the very companies who are offering to buy, and say they can make cheap fertilizer, have persistently claimed that Ford could not manufacture fertilizer economically at Muscle Shoals, which is an indication of insincerity.

Unfortunately, the great masses who favor the acceptance of Ford's offer over any other that has been made do not write letters or send telegrams to their Congressmen. It is for these that I desire to speak, and if the acceptance of Ford's offer is a mistake, they must bear the responsibility, as they stand for it, and it has been aired before them for lo, these many months.

I sincerely appreciate the views expressed in your answer to a letter I wrote you some time ago.

With kindest regards,

TENNESSEE FARM BUREAU FEDERATION,
J. F. PORTER, *President.*

These expressions are typical of the sentiment prevailing in every walk of life among those closest to Muscle Shoals and most familiar with the situation.

It has been shown in the numerous meetings held and polls taken that the people are practically unanimous in favor of the acceptance of the Ford offer and opposed to any efforts or methods which may hazard same, and it further appears that practically the only ones in my State opposing the Ford offer and favoring destructive amendments are the officers, stockholders, and attorneys of the associated power companies. [Applause.]

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

Mr. DAVIS of Tennessee. Under the general leave granted to extend remarks on this subject, I insert the following telegram received from Maj. E. B. Stahlman, owner of the Nashville Banner:

NASHVILLE, TENN., *March 11, 1924.*

Hon. EWIN L. DAVIS, M. C.,
Washington, D. C.:

People of Tennessee and of South highly appreciate your unswerving loyalty in behalf of their interests and welfare of South in your support of Ford offer. As your fellow Tennesseean, I congratulate you upon great popular victory in House to which you contributed. Banner polls on Muscle Shoals closed last night. Vote, counted up to noon, stood: Ford, over 53,000; for power companies offer, 45; for Government ownership, 16.

E. B. STAHLMAN.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Ohio [Mr. BURTON].

The question was taken, and the Chairman announced that the noes appeared to have it.

Mr. BURTON. A division, Mr. Chairman.

The CHAIRMAN. A division is called for.

The committee divided; and there were—ayes 41, noes 99.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 14. Since the manufacture, sale, and distribution of commercial fertilizers to farmers and other users thereof constitute one of the principal considerations of this offer, the company expressly agrees that, continuously throughout the lease period, except as it may be prevented by reconstruction of the plant itself, or by war, strikes, accidents, fires, or other causes beyond its control, it will manufacture nitrogen and other commercial fertilizers, mixed or unmixed and with or without filler, according to demand, at nitrate plant No. 2 or its equivalent, or at such other plant or plants adjacent or near thereto as it may construct, using the most economical source of power available. The annual production of these fertilizers shall have a nitrogen content of at least 40,000 tons of fixed nitrogen, which is the present annual capacity of nitrate plant No. 2. If during the lease period said nitrate plant No. 2 is destroyed or damaged from any cause, the company agrees to restore such plant, within a reasonable time, to its former capacity and further agrees:

(a) To determine by research whether by means of electric-furnace methods and industrial chemistry there may be produced on a commercial scale fertilizer compounds of higher grade and at lower prices than farmers and other users of commercial fertilizers have in the past been able to obtain and to determine whether in a broad way the application of electricity and industrial chemistry may accomplish for the agricultural industry of the country what they have economically accomplished for other industries; and if so found and determined, to reasonably employ such improved methods.

(b) To maintain nitrate plant No. 2 in its present state of readiness or its equivalent for immediate operation in the manufacture of materials necessary in time of war for the production of explosives.

Mr. STEAGALL rose.

Mr. BEGG. Mr. Chairman, I have an amendment to offer.

Mr. HILL of Maryland. Mr. Chairman, I have an amendment from the committee. I am a member of the committee.

The CHAIRMAN. The gentleman from Maryland offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. HILL of Maryland: Page 10, line 8, after the word "other," insert the word "such."

Mr. HILL of Maryland. Mr. Chairman and gentlemen of the committee, this is a clause which was subject to much debate in the committee. I ask you to consider a part of the testimony in reference to this clause which appears on page 3563 of the RECORD, in which our colleague in the former House, Mr. Parker, of New Jersey, expressed the opinion as a very capable and experienced lawyer that the substitution of the words "causes beyond its control" for the words of the original Ford offer, which were "acts of Providence," did not mean what the original offer meant.

The provision as at present—and this is very important for the gentlemen who favor this bill—is as follows: The manufacture of fertilizer is not to be discontinued except as it may be prevented—and now I quote from the McKenzie bill—

by reconstruction of the plant itself, or by war, strikes, accidents, fires, or other causes beyond its control.

It is a matter of very grave doubt as to what the words "other causes beyond its control" mean. It was stated to the committee that that might mean a number of things. It might mean that a heavily falling market would be a cause beyond the Ford corporation's control. It was agreed by everyone that the words "or other causes beyond its control" were intended to mean what are known in law as acts of God or acts of Providence.

Gentlemen, I propose the addition of the word "such." After the word "other" insert the word "such." The word "such" relates to the previous words "war, strikes, accidents," and "fire."

Mr. BURTNESS. Will the gentleman yield?

Mr. HILL of Maryland. Yes.

Mr. BURTNESS. What would the gentleman say to the use of the phrase "like causes beyond its control"?

Mr. HILL of Maryland. I think it is good, but immaterial whether you use the word "such" or the word "like." But I think there should be, in the interest of the protection of the users of fertilizers, some such amendment as this in order to guarantee absolute certainty as to what this means. The original Ford offer contained the words "acts of Providence," but they were changed to the words "or other causes beyond its control."

Mr. WRIGHT. Will the gentleman yield?

Mr. HILL of Maryland. Yes.

Mr. WRIGHT. Does not the gentleman recognize that under the legal construction of these phrases the words "causes beyond its control" are more binding than the words "acts of Providence"?

Mr. HILL of Maryland. There is so much confusion that I can not hear the gentleman from Georgia.

Mr. WRIGHT. Does not the gentleman understand that according to the legal definition and construction placed upon these words—words which are usually used in contracts—the words "causes beyond its control" are more binding upon the obligor than the term "acts of Providence"?

Mr. HILL of Maryland. I will say to the gentleman that is not my understanding, and as I read them they are not as binding, and that is borne out by the statements which were made by insurance men and others before the committee.

Mr. WRIGHT. Then I will say for the information of the gentleman that what I have said is true, and he will find it is true if he will examine the definitions and legal construction placed upon such words.

Mr. HILL of Maryland. I will say to the gentleman that as a good lawyer he knows that we are not able to say anything is "true" in law, but it depends upon what the court says.

Mr. WRIGHT. Then I will say that is what the court says.

Mr. HILL of Maryland. No court has yet passed on the bill and no court has "said" as yet. There should be in the bill absolutely clear language which will mean "acts of Providence."

The CHAIRMAN. The time of the gentleman has expired.

Mr. McKENZIE. Mr. Chairman, I simply wish to say that there are a number of amendments to be offered to this section, and they will take some little time. I want to hurry along, because we are going to finish this bill to-night and are going to vote on it. [Applause.]

I want to say, furthermore, that the amendment of the gentleman from Maryland is one of those fine-spun, hair-splitting propositions that are raised by lawyers. This matter was fought out and worked out in the committee, and we decided that the language in the bill is stronger than any other language that can be included in the bill, and therefore I ask for a vote on the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. HILL].

The question was taken, and the amendment was rejected.

Mr. WILLIAMS of Michigan. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Michigan offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. WILLIAMS of Michigan: Page 10, line 9, after the word "will," strike out the words "manufacture nitrogen and other commercial fertilizers, mixed or unmixed, and with or

without filler, according to demand," and insert in lieu thereof the words "each year manufacture nitrogen and other commercial fertilizers, mixed or unmixed, and with or without filler, containing in the aggregate at least the amount of fixed nitrogen hereinafter stated, and supply and offer the same for sale in accordance with the demand that may from time to time exist for the various kinds of fertilizer, whether mixed or unmixed, and with or without filler."

Mr. WILLIAMS of Michigan. Mr. Chairman, I am strongly for the Ford proposal. [Applause.] I have consistently voted against every amendment offered which has had the purpose of changing the proposed contract as worked out between the representatives of the Government and Mr. Ford. I feel, however, that there is some ambiguity in this part of section 14, which should be cleared up. I think the words "according to demand"—which have been by some gentlemen construed as meaning that if the cost of producing fertilizer in this plant were very large there might not be any demand, and, therefore, Mr. Ford might be excused from making fertilizer—should be changed, and I think the amendment I have offered clears up any ambiguity there might be about that.

I desire also to have appear in this portion of section 14—reciting that the manufacture of fertilizer is one of the principal considerations for this contract—a definite and affirmative agreement upon the part of Mr. Ford to do the things contemplated by this arrangement. [Applause.]

Gentlemen, I wonder whether we realize what Mr. Ford has undertaken to do in connection with this contract? Those of us living in Michigan have great confidence in the business ability of Mr. Ford and in his great organization. [Applause.] And yet how many gentlemen are there upon the floor of this House who, if they stood in Mr. Ford's position, would be willing to undertake the great obligations imposed upon him by this contract? I venture the assertion that there is not a single one here who would be willing to do it, but he is willing to do it notwithstanding the fact that his estate will be subject to a very large inheritance tax, and 40 per cent was recently proposed by this House, which would take $300,000,000 or $400,000,000 out of his estate.

Now, Mr. Ford undertakes to make fertilizer for a period of 100 years in a vast quantity.

It has been stated here that this amount of fertilizer is not very great, but when we realize that it provides for an amount of nitrate that will make 2,000,000 tons of ordinary commercial fertilizer per year then we realize that means that if we load cars to the extent of 100,000 pounds to a car that Mr. Ford agrees continuously each year for a hundred years to produce 40,000 carloads of fertilizer. Why, gentlemen, that is equivalent to 400 freight trains containing 100 cars each.

Under this contract Mr. Ford agrees to produce such a quantity of nitrates as will force him and his successors to take advantage of every development of science. He will be compelled to meet competition in this field, both foreign and domestic. To make a success of the matter it will be incumbent upon him at all times to have such an efficient and completely modernized plant and such large production as to enable him to sell at a sufficiently low price to meet this competition. Furthermore, the amount to be produced, in order to insure the success of the plant, will naturally have to be much in excess of the amount of nitrates stipulated in the contract. Large production, as no one knows better than Mr. Ford himself, is one of the most important elements in bringing about a low cost.

It is quite apparent that there are but few, if any, Members of this House who would be willing to vote to accept the proposal of the allied power companies. No one has brought to the attention of the House any proposal which could be seriously considered as preferable to the offer of Mr. Ford. Years have elapsed since this matter has been first publicly discussed. There is then but only one alternative, so far as we are presently advised, if the Government is not authorized to accept the offer of Mr. Ford, and that is Government operation. This alternative is one which, in my judgment, should not be entered upon.

During the debate reference was made to the possible earnings under Government operation. I venture the assertion, based upon our past experiences, that the losses from the operation of such a great enterprise, if the plans of Mr. Ford were to be at all followed by the Government, would amount to a colossal sum during the 100 years contemplated.

Those who are urging that an arrangement should only be entered into within the terms and under the meaning of the water power act, and who urge that the making of this arrangement with Mr. Ford would tend to change our national policy as represented by that act, entirely overlook, it seems to me, the fact that Mr. Ford, in assuming the great responsibilities imposed upon him under this bill with reference to the manufacture of nitrates, will be doing something far different than what is contemplated in an ordinary license for the production of power under the water power act. This guaranty as to the manufacture of nitrates and the fact that in the event of war we would have this great efficient and modern plant immediately at the disposal of the Government are features which make this arrangement distinctly unique and a great benefit to the public.

We should not hesitate to vote for this bill. We should be glad of the fact that Mr. Ford is willing to take this great perplexing problem off the hands of the Government and is willing to place back of his agreement the responsibility represented by his large fortune. No one but a man of great vision and courage and a high regard for public interest would be willing to do what he has proposed. [Applause.]

Mr. HOWARD of Nebraska. Mr. Chairman——

The CHAIRMAN. Does the gentleman wish to be heard on this amendment?

Mr. HOWARD of Nebraska. Yes; I would like to be heard.

Mr. Chairman and gentlemen of the House, here is an occasion where I may get an opportunity to vote for this bill in behalf of the Ford proposition. I may vote for it anyhow; but, oh, I can vote for it so much more graciously if you will adopt this amendment. I occupy a peculiar position, my friends. All my life long I have been preaching the gospel of Government ownership of the waters of the rivers of our country. In my own State I see the people gagged, bound, and delivered year after year by electricity trusts and coal trusts, simply because we have fixed our State constitution in a manner so that the people may not take advantage of the wonderful asset which is theirs in the swiftly flowing rivers in Nebraska. We have two rivers there more regularly flowing than any rivers ever gauged by any reliable government in all the world, and yet we can not use them because we have been handicapped and hamstrung by a constitution which forbids the people from exercising the right to raise money with which to build water-power plants for the use of the people. Do you know that in Nebraska there is not a pound of coal underneath the surface of the earth, and yet I am a believer in the goodness of God. He did not give us any coal out there, but He gave us a wonderful substitute, and if only we might harness the waters in those wonderful ri ers and set them to the task of generating electric energy and furnishing it to the people, we might light and heat every home on the farms and in the cities and the towns. We might turn all the wheels of all the stationary machinery in the State, and then we might have enough electricity left to cook all the food for all the people, and yet we can not do it. We could have it all at a cost so low that the people of my prairie State would not care to burn coal, even if they could get it for a dollar a ton. This great plant down here at Muscle Shoals would do for all that vast section surrounding it what we might do if we could harness the waters in the rivers of Nebraska, but our State can not harness those waters and our Government seems desperately slow about harnessing the waters at Muscle Shoals. Now, what am I going to do as an advocate of Government ownership and operation of such an asset? I have been down in this country for three different winters. I have discovered millions of acres of untilled land, and they tell me that the land is idle because the Fertilizer Trust will not permit them to buy fertilizer at a price at which they will feel justified in tilling the land. Now, will this Ford proposition give those people opportunity to get fertilizer at reasonable rates quicker than we dare hope to get it through Government operation? Oh, I do not know. I want to do that which is best for the people most involved.

The CHAIRMAN. The time of the gentleman has expired. The question is on the amendment offered by the gentleman from Michigan [Mr. WILLIAMS].

The question was taken; and on a division (demanded by Mr. BURTON) there were—ayes 72, noes 103.

So the amendment was rejected.

Mr. HULL of Iowa. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Iowa [Mr. HULL] offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. HULL of Iowa: Page 11, line 8, after the word "numbered," insert "one and."

Mr. HULL of Iowa. Mr. Chairman and gentlemen of the committee, this amendment is proposed in order that you might understand what you are doing in this bill. In the first place, you are permitting the destruction of the best means of securing fertilizer. You are permitting the destruction of plant No. 1. I listened to the hearings when we had hearings on

this bill, and some gentlemen seem not to be able to understand why it was that at one time I was an enthusiastic supporter of the Ford proposition and now oppose this bill. I want to tell you that one of the first things that shocked me was when Mr. Mayo, the engineer who was sent here by Mr. Ford, told us that he intended to take plant No. 1 and convert it into an automobile factory. I thought that was unheard of—a great plant built for national defense, and yet they were going to convert it into an automobile factory. Then I started to investigate, and the more I have investigated the more confirmed I have become in the belief that it is a tremendous blunder to permit such a thing. Not only is it the cheapest process for the manufacture of nitrates, so necessary in war, but it is the cheapest process for the manufacture of the compounds that go to make fertilizer. There is not one line of testimony by any expert that shows you can use plant No. 2 and manufacture fixed nitrogen as a commercial fertilizer. Every one of the experts, both the Government experts and the private individuals who have come before our committee, has told us that all the advance in the art that they are making to-day is that the Haber process is the one hope of the world for the production of food, and yet you gentlemen are permitting in this bill the destruction of the thing that is essential for your children in the next generation.

Mr. STEAGALL. Mr. Chairman, the main proposition in which the friends of this measure are interested is that the original purposes for which the large expenditure of Government funds was entered upon in the development of Muscle Shoals shall be carried out. The two chief purposes originally in view were the manufacture of explosives for national defense and the manufacture of fertilizers for the development of agriculture. We must not lose sight of the accomplishment of these ends. The amendment under consideration would tie the hands of Mr. Ford by committing him to various and sundry methods to be employed in the production of fertilizers. It is obvious that he could not make as good offer under such provisions as he can when we release him as to details and allow him, as the bill provides to manufacture fertilizers, mixed and unmixed, to meet the public demand for these materials. That is what will be accomplished under the bill without amendment. We are not concerned with the methods to be employed nor any details governing the work to be done. The result is what we are after.

I do not think the amendment now before us would help the bill; but even if I did think so, as a friend of the measure I should have to oppose it. I could not support an amendment which might endanger the whole undertaking. We must not overlook the fact that if we fail to avail ourselves of the opportunity now at hand we shall find ourselves in a situation where the only thing left us will be Government operation of this property and the completion of the undertaking at Government expense. I should regret exceedingly to have the matter take that course. We must remember that no Member of this House advocates the acceptance of any offer for private development other than that of Mr. Ford. That is the situation that confronts us after five years of effort on the part of the War Department to secure a more desirable bid, and after all the remarkable efforts of those opposed to the acceptance of the Ford offer to defeat its acceptance. I think it is fair to say that nothing has been left undone to present some plan that would command sufficient support to defeat his offer. Surely, no one would expect the opponents of the Ford offer to come forward with a better bid after his offer has been rejected. It is misleading to contend that the Government is about to turn over to Mr. Ford $107,000,000 worth of property for $5,000,000. His offer was to purchase nitrate plant No. 1, nitrate plant No. 2, the Waco Quarry and transmission line, and the Gorgas plant for $5,000,000 cash and other obligations set forth in his contract. The investment of the Government is $85,000,000 on the basis of war-time construction cost. But this investment must be lost unless the Government spends an additional amount of $84,000,000 and $25,000,000 for the construction of Dam No. 3, which must be built if enough power is to be produced to manufacture fertilizers in sufficient amounts to meet the demand.

If the Government is to continue the development of this property and undertake to carry out the program outlined in the Ford contract, it is estimated that the various expenditures necessary will run the total to $191,000,000, which does not include the construction of Dam No. 3, estimated to cost $25,000,000. If we accept the Ford offer, the Government will have to expend only $50,000,000 to complete the Wilson Dam and construct Dam No. 3. This would make the total Government expenditure only $157,000,000. The offer of Mr. Ford proposes to maintain the power houses and all equipment and return them unimpaired at the end of the lease. He contracts to pay $55,000,000 annually for maintenance, repairs, and operation of the dams. The offer is to pay $200,000 annually as rent alone for Dam No. 2 for the first six years, and after that 4 per cent interest on all funds expended for the completion of the dam, power house, machinery, and acquirement of land and flowage, and to pay $160,000 annually as rent for Dam No. 3 the first three years, and after that 4 per cent interest on the total cost of construction, power house, machinery, and purchase of lands and flowage rights. The offer embraces an agreement to establish a sinking fund by the payment of $23,723 semiannually, which, if compounded at 4 per cent, is estimated to return $49,071,935. The offer further provides that 200 horsepower for operating locks at Dam No. 2 and 100 horsepower for locks at Dam No. 3, which, according to the estimates, would save the Government $35,000 to $85,000 annually. The contract provides that not less than 40,000 tons of fixed nitrogen shall be manufactured at nitrate plant No. 2 for a period of 100 years; or the manufacture of fertilizers to the full capacity of nitrate plant No. 2 at a profit not to exceed 8 per cent on actual cost of production and to supply such fertilizers, mixed or unmixed, according to demand. The manufacture of mixed fertilizers will necessitate the construction of a phosphoric-acid plant by Mr. Ford, which, it is estimated, will cost $15,000,000.

The contract provides for the employment of all improved methods for the manufacture of fertilizers that may be found successful. The contract also provides that nitrate plant No. 2 shall be kept at all times in up-to-date operating condition for the use of the Government in event of war.

It is estimated that the annual expenditure of the farmers of America for fertilizers is not less than $300,000,000. It is insisted on good authority that the use of Muscle Shoals makes it practicable to reduce the cost of fertilizers to our people 50 per cent. During the year just passed the consumers of America imported 896,998 long tons of nitrate of soda. We paid the Chilean Government a tax amounting to $11,239,384.94. This tax alone amounts to an interest rate of more than 5 per cent on the total cost necessary to complete the development of Muscle Shoals for the successful manufacture of fertilizers.

Mr. Chairman, let us not forget that it was the offer of Henry Ford for Muscle Shoals that breathed into this great project the breath of life when we were being told on every hand when the war ended that this vast property would have to be junked and that the large sums expended for its development would have to be charged off as part of the cost of war. It was this offer more than anything else that aroused public interest and brought a realization of the value of this vast asset of the Nation. Everyone recognizes now that we should lose no time in taking proper steps to insure the completion of this great program of development. No other offer having been made which any Member of Congress is now willing to support, the only question that remains to be settled is whether this important work shall be carried out by the Government or intrusted to Mr. Ford. For my part I think it most fortunate that the Government has an opportunity to intrust the work to private hands with reasonable assurance that it will be successfully handled for the accomplishment of the original purposes of national defense and the promotion of agriculture.

The people have confidence in the ability of Mr. Ford as an industrial leader as well as in his character, and the contract which it is proposed we shall accept is binding not alone upon the corporation which he is to organize with a capital of $10,000,000 but upon him, his heirs, and his vast estate. The people of Alabama are almost of one mind in favor of the acceptance of the Ford offer. The farmers of Alabama, who have suffered so much in recent years from the ravages of the boll weevil, face an accentuated need for the employment of modern methods of cultivation and intense fertilization. They believe that the acceptance of the Ford offer presents the only hope of the immediate future for the solution of the fertilizer problem, which is inseparably connected with the permanent prosperity and independence of agriculture. This view is shared by the farmers of the whole country. It is worthy of consideration that the people of Alabama have such faith in this citizen of a distant State, this man of different environment, one whose political affiliations are entirely at variance with theirs, a man of vast wealth, toward whom we are told the plain people cherish envy. Yet the masses in Alabama, the farmers and laboring people everywhere who earn their living by honest toil, have turned to Henry Ford as the one man to undertake the development of these great resources which a wise Providence has placed in our hands. I am glad to give my support to this bill and to stand with the delegation from Alabama, every Member of which, including the two distin-

guished Senators from our State, are enthusiastic in support of the Ford offer. [Applause.]

Mr. McKENZIE. Mr. Chairman, I move that all debate on this amendment be now closed.

The CHAIRMAN. The gentleman from Illinois moves that all debate on this amendment be now closed.

The question was taken, and the motion was agreed to.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Iowa [Mr. HULL].

The question was taken; and on a division (demanded by Mr. HULL of Iowa) there were—ayes 24, noes 64.

So the amendment was rejected.

Mr. TEMPLE. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 10, lines 10 and 11, after the word "unmixed," in line 10, and after the word "filler," in line 11, strike out the commas.

Mr. TEMPLE. Mr. Chairman, I do not wish to make an argument, but simply to explain the purpose of this amendment. The phrase "according to demand" has been given two interpretations or applications in the course of this debate, some holding that it means Mr. Ford will manufacture according to demand and others holding that the nitrates which he will manufacture will be mixed or unmixed according to demand. The fact that the application of this phrase is not clear is evidenced by the fact that the sentence in which it occurs is interpreted in both ways in the course of this debate. The purpose of this amendment is to make it clear so that the phrase "according to demand" will not be separated from the phrase it is intended to qualify by the presence of the commas, which I propose to strike out. If we strike out the comma after the word "unmixed" and after the word "filler," then it will make the clause hang together. I believe that was what was intended when the bill was written, because at the beginning of this section it declares "since the manufacture of, the sale and distribution of, commercial fertilizers the farmers and other users thereof constitute one of the principal considerations of this offer the company expressly agrees that continuously throughout the leased period," and so forth, "it will manufacture nitrogen and commercial fertilizers, mixed or unmixed, and with or without filler, accordng to demand," and so forth. If we strike out the two commas, the other interpretation can not be put on the phrase.

Mr. McKENZIE. Mr. Chairman, I have great respect for the ability of the gentleman from Pennsylvania, but I wish to say to the Members of this House that this particular provision, and particularly the exact spot in which to put the commas, gave the committee a great deal of trouble. We finally agreed with the representatives of the farm organizations of the United States, who are particularly interested in this section and the following section, that as the bill is written it provides just what they want in the bill.

Mr. TEMPLE. Will the gentleman yield?

Mr. McKENZIE. Yes.

Mr. TEMPLE. Is not the gentleman convinced that it does not when one construes it one way and one another?

Mr. McKENZIE. I understand that is true.

Mr. TEMPLE. The gentleman does not want to go to the court that way.

Mr. McKENZIE. It is sometimes pretty difficult for two lawyers even to determine or agree where a comma shall be placed. We finally determined that in the committee, and I think it is well enough to let the bill be as it stands.

Mr. LAGUARDIA. What is the gentleman's interpretation?

Mr. McKENZIE. My interpretation is that the bill as written will carry out the purposes for which it is intended. [Laughter.]

Mr. BURTNESS. What do the words "mixed or unmixed" modify, in the gentleman's opinion?

Mr. McKENZIE. Fertilizer.

Mr. BURTNESS. And they have no bearing upon the manufacture of it?

Mr. McKENZIE. Not at all.

Mr. BURTNESS. What do the words "according to demand" modify?

Mr. McKENZIE. They mean they shall manufacture in either mixed or unmixed form as the demand of the farmers requires.

Mr. BURTNESS. So the qualification is to the nature of the fertilizer and not with reference to the amount to be manufactured?

Mr. McKENZIE. The amount is fixed below 40,000 tons.

Mr. HILL of Maryland. Mr. Chairman, will the gentleman yield?

Mr. McKENZIE. Yes.

Mr. HILL of Maryland. Does not the gentleman remember that Mr. Mayo said it might mean either quantity or quality?

Mr. McKENZIE. I do not remember all that Mr. Mayo said, I am frank to say. Mr. Chairman, I move that debate upon this amendment do now close.

The CHAIRMAN. The gentleman from Illinois moves that debate upon this amendment do now close.

The motion was agreed to.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Pennsylvania.

The question was taken; and on a division (demanded by Mr. JAMES) there were—ayes 53, noes 76.

Mr. BEGG. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. BEGG: Page 11, line 11, after the word "explosives," strike out the period and insert a semicolon and add the following: "*Provided*, That if Henry Ford, his heirs, successors, or assigns, or the 'company' so to be organized, its successors or assigns, fail for two consecutive years, unless prevented by the action of the Government of the United States in the exercise of its rights under section 16 of this bill, to manufacture annually 40,000 tons or more of fixed nitrogen for exclusive use as fertilizer, then, and in that event, every contract of sale or lease made by the said United States with said Henry Ford, his heirs, successors, or assigns, or with said 'company' named in section 1, its successors, or assigns, shall, at the option of the United States, be void, such option to be exercised by Executive proclamation, and all property, real or personal, leases, rights, and other privileges held by any of the above-named persons at said Muscle Shoals shall revert to and become the property of the Government of the United States. The conditions herein provided shall become operative and in full force on and after two years from the date when structures and equipment of a capacity of 100,000 horsepower are constructed and installed and ready for service.

"This provision is intended and shall be construed as merely supplemental to all other rights and remedies of the United States as contained herein, and in no sense as an impairment or abridgment of such other rights and remedies of the United States, but as additional thereto, nor is this provision intended, nor shall it be construed, to in any way change or modify any of the promises, undertakings, and obligations assumed by and imposed on Henry Ford, his heirs, representatives, and assigns, and the company to be incorporated by him, its successors and assigns, but they are to be held bound to the same strict and faithful performance of every promise, undertaking, and obligation set out in this bill just as fully as they would be in the absence of this provision."

Mr. BEGG. Mr. Chairman and gentlemen of the committee, the other day when I presented my amendment for information only the gentleman from Mississippi [Mr. QUIN] practically stated that he would accept it. The next morning he called me up and stated that he would like to have me overcome the objection made by the gentleman from Arkansas and the gentleman from South Carolina, namely, that I would not in any way by my amendment curtail any rights or any of the actions that the Government now has under the bill. I think I have done that, and I believe and hope that I have met the objections of the gentleman from Mississippi [Mr. QUIN] as well as all other members of the committee in such a way as to make it possible to adopt this amendment. My purpose in introducing this amendment is not to change the bill in any particular, but it is to establish beyond any question of doubt the judgment that the United States Government could get in case Henry Ford or the company to be organized by him defaulted in the manufacture of fertilizer.

I believe that if this amendment is written into this bill, and if in 50 years from this date the company fails to manufacture the minimum amount of 40,000 tons of fixed nitrogen for use in commercial fertilizer, then the only action the Government of the United States has to establish is to go into court and prove the defalcation in the manufacture of nitrogen to the extent of 40,000 tons. If that is done, we do not get a judgment for $10,000, or anything, but we get a reversion of all of the property. A good many of the gentlemen for whom I have great respect have argued that the bill is drawn so as to give the Government that right to go into an equity court and get a reversion. You gentlemen who are lawyers know that without a specific reason for reversion it is a difficult proposition to get in a court of equity, and in a court of law you can hardly ever get it. The United States Government is giving away enough in this proposition, in return for which it expects to get a minimum of 40,000 tons of nitrogen for use in commercial fertilizer; so that we ought to have the right to tie them up absolutely tight, so that in the event they default in 20 years, or 70 years, in the specific performance

of furnishing fertilizer for the farmer, the great American people will be entitled to that property back for use as may seem wise at that particular time.

Someone has questioned why I have made it over a period of two years. That is easily answered. I want to be absolutely fair. If you made it only one year, suppose they had an explosion in the plant and he could not build for a year; one year would go by without the manufacture of 40,000 tons of fixed nitrogen, in which case he would be liable for reversion. In making it two years I admit that technically he can manufacture one year and lie idle one year, and so on; but if he does that the United States has recourse for damages under other sections of the bill, and is not withheld from any action even to going into a court of equity. If he defaults for two consecutive years for any reason other than war or the Government's interference, then the only requirement of the Government to get the property back is to go into a court and prove failure to manufacture for sale 40,000 tons of fixed nitrogen per year.

I believe that is all that is necessary. Everybody has had an opportunity to study this amendment, and I believe that it safeguards the rights of the Government, provides a specific reversion clause, and in no wise damages the contract in so far as Mr. Ford or his company are concerned, if they really intend to manufacture fertilizer.

Mr. WINGO. Mr. Chairman, I offer an amendment to the amendment of the gentleman from Ohio, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. WINGO to the amendment offered by Mr. BEGG: Insert, after the word "fertilizer," in line 6 of said amendment, the following words: "or failure to comply with any of the other conditions and agreements set out in this act."

Mr. WINGO. Mr. Chairman, I appreciate the temper of the committee, and therefore realize that I am flying in the face of that Biblical injunction set out in the sixth verse of the seventh chapter of the Gospel according to St. Matthew, but I am not responsible to Mr. Worthington or to Mr. Ford, both of whom I respect, or to the Alabama Power Co., or to anyone else except my God and my country. [Applause.]

I am one of those who have felt that the wisest thing to do from the standpoint of the public is to put this great proposition in the hands of Ford, whose genius I admire, and whose character I respect. At all times I have said, gentlemen, that the expectancy of the life of Henry Ford was only 11 years, that he would not live 100 years, the term of this contract, and that the right to recapture and reenter this property upon default by his company after Henry Ford is dead and gone should be preserved by the American Congress, and if we did not do so we would be derelict in our duty. Now, the gentleman from Ohio has met some of the contentions I raised the other day. If the gentleman will accept the amendment I have offered, it will not meet all of my objections, but it will, at least, give some protection 25 or 30 years from now when human nature asserts itself, as it has the right to assert itself, in the selfish natural interest of the corporation. Then in that hour when Henry Ford is dead and gone if they do not comply, not alone with the fertilizer agreement but with that agreement which is important to the national security, to keep this plant in a state of readiness for immediate operation for materials necessary in time of war and for the production of explosives the Government can step in and recapture the plant. That is necessary. If they fail to comply with either one of those major agreements, we ought to have the right to recapture. Now, gentlemen, I believe it would be a great deal better, and I have prepared an amendment if my amendment is not accepted, to come in as a separate section at the end of the bill, which is to this effect:

The continuous compliance by the company with each and every substantial requirement of this act, except as it may be prevented by reconstruction of the plant itself, or by war, strikes, accidents, fires, or other causes beyond its control, shall constitute conditions subsequent upon which the right of the company shall depend; and a failure to meet any of such material conditions shall give the United States, in addition to any other rights it may have, the right to declare the lease forfeited and be entitled to reenter and recapture the properties covered by the contracts and leases.

Now, gentlemen, why do I say it is necessary to go further than the gentleman from Ohio goes? It is necessary, as you know, you lawyers, who are familiar with the decisions upon this question, especially with the more recent decision involving the rights of the State of South Carolina, where the Supreme Court of the United States decided against the right of the State to recapture a canal. Why? Because the legislature in one small provision of the law put in a recapture clause and did not put such a provision on any other requirement of the grant, and so the Supreme Court of the United States overruled the State courts and restated an old rule that is absolutely clear to every lawyer who is familiar with it, but I have not time to read the decisions.

Mr. BEGG. Will the gentleman yield?

Mr. WINGO. I can not. I have notice that they are going to run through and trust to the Senate to correct our neglect, so I must utilize as much time and proceed as rapidly as possible. I desire to refer you to a decision of the Supreme Court, volume 261, the case of the Columbia Railway, Gas & Electric Co. against the State of South Carolina, and on this point, if you adopt the gentleman's amendment, it destroys the right of the Government to recapture upon the failure to comply with any other of the material agreements than the fertilizer agreement. Now, let us see.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WINGO. I ask that I may have an additional five minutes.

The CHAIRMAN. The gentleman from Arkansas asks unanimous consent to proceed for an additional five minutes. Is there objection? [After a pause.] The Chair hears none.

Mr. WINGO. This decision, page 250, reads:

The proviso for a forfeiture in the one case is at least strongly persuasive of an intention not to impose it in other cases not so qualified. When, in addition to this, we consider all the circumstances, including the fact that the sale to the defendant was absolute and for a valuable consideration, that there are no express terms creating a condition, no clause of reentry, nor words of any sort indicating such purpose, the conclusion is unavoidable that the obligation in question is a covenant and not a condition subsequent. (Board of Commissioners v. Young, 59 Fed. 96; opinion by Judge, afterwards Justice, Lurton.) We quote from page 105:

"That the grantor ever contemplated a reverter is not to be presumed, in the light of the presence of absolute words of conveyance and quitclaim and the absence of any provision for a reverter or reentry."

The courts have time and again held it is not to be presumed the grantor has the right of reversion upon default of the grantee in compliance with an agreement.

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

Mr. WINGO. I will.

Mr. BEGG. I want to ask in what way could this company default other than to make fertilizer except by the furnishing of power and operating the dam——

Mr. WINGO. But——

Mr. BEGG. Let me finish the question. If there is a default in furnishing the power, does not the Government have the right to be protected under the following sections?

If they defaulted in the furnishing of power—and I believe that is the only additional way they could default—does not the Government have the right of damage under a following section?

Mr. WINGO. My friend overlooks the other major provisions of the bill. Furnishing power is not the only one. The paragraphs (a) and (b) of section 14, I think, are just as important to the country as that of furnishing power for the dam. In other words, there are two major propositions in this act. One is major from the standpoint of the public or the Government, and the other is major from the standpoint of the farmer. There are two major propositions: One is to maintain this plant down there, as expressed in subdivision (b), on page 11—

to maintain nitrate plant No. 2 in its present state of readiness, or its equivalent, for immediate operation in the manufacture of materials necessary in time of war for the production of explosives.

Is not that the major agreement that the general public is interested in? The next major agreement, in which the farmers are interested, is the fertilizer proposition. I am not going to sit here and simply be content to take a recapture provision on that one provision, because I represent the farmers, and then overlook the national defense and the security of my Government in maintaining and using this plant in time of war.

Oh, the gentleman says that sovereignty can go and sue for damages. Just what damages can we allege and prove? The gentleman should read the decisions on that proposition. It is necessary to put in my amendment because the gentleman, by the very words of his amendment, specifically provides almost in exact language that all the other conditions of the law shall be deemed to be covenants and not conditions subsequent.

Read the last paragraph of the Begg amendment; and, in the light of the language used, if you do not adopt my amendment, when the court rules on this question it would have to overrule all other decisions if it did not say that the only way the Government could recapture this plant was by proving failure to manufacture a small amount of nitrate for fertilizer.

I say to you that Henry Ford is willing to do this, because I believe he is sincere. He is willing for the Government to recapture this property if selfish interests in his corporation after his death seek to violate the agreement he made in good faith. I challenge any man to question the good faith of Ford by saying he will not accept this provision to safeguard the rights of the Government by requiring his successors to keep the promise he has made. [Applause.]

Mr. LOZIER. Mr. Chairman, I move to strike out the last word.

Mr. MILLER of Washington. I rise in opposition to the amendment to the amendment.

The CHAIRMAN. The gentleman from Washington is recognized.

Mr. MILLER of Washington. Mr. Chairman and gentlemen of the committee, much of the phraseology of this paragraph was prepared by the gentleman from Georgia [Mr. WRIGHT] and myself. There were two things we tried to make positively sure in this paragraph. One of them is the steady flow of fertilizer for peace purposes in peace times and the other is the constant readiness of the plant to produce ammonia nitrate in war time.

Now, the amendment embodies two things. Both of them are very dangerous. One is a forfeiture clause and the other is a rule of construction. Any man that has had anything to do with large and substantial investments, large matters of concern, knows that those are two things always to be avoided—a forfeiture clause and a rule of judicial construction. The provisions of the bill provide for an annual production of 40,000 tons of nitrogen content for fertilizer in time of peace; that is, 40,000 tons every year—a yearly flow. The amendment of the gentleman from Ohio provides for the production of fertilizer every other year if Mr. Ford or the lessees desires to so manufacture it. You will notice the phraseology of this section, that it shall be annually manufactured.

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

Mr. MILLER of Washington. For a short question. I do not want a speech.

Mr. GRAHAM of Illinois. I agree with the gentleman. I want to call attention to the language on page 10:

> The annual production of these fertilizers shall have a nitrogen content of at least 40,000 tons of fixed nitrogen.

How can there be any doubt but that that means annual manufacture?

Mr. MILLER of Washington. There is no doubt about it.

Mr. GRAHAM of Illinois. Then why can there be any query about two years when it will not be manufactured?

Mr. MILLER of Washington. What is the use of putting in there language about manufacturing it every other year if the paragraph already provides for manufacturing it every year?

Mr. BEGG. The reason is that that puts in a forfeiture clause in case he fails to manufacture for two years.

Mr. MILLER of Washington. Apparently the gentleman wants to kill the bill.

Mr. BEGG. I have been standing here in good faith attempting to perfect the bill.

Mr. MILLER of Washington. Your amendment is intended to muddy the water.

Mr. BEGG. In the bill you provide no recourse on the part of the United States in case he fails.

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

Mr. MILLER of Washington. Yes.

Mr. LOZIER. Under the bill as reported it requires the production of 40,000 tons of fertilizer annually for a hundred years. Under the terms of the amendment offered by the gentleman from Ohio the Ford Co. can comply with the contract by manufacturing only half of that amount—that is, by manufacturing 40,000 tons every other year—and under the Begg amendment the Government would be "hog tied," because it only allows a forfeiture in the event of the company failing for "two consecutive years" to supply annually the required 40,000 tons.

Mr. MILLER of Washington. If they are to manufacture annually 40,000 tons of fixed nitrogen, any court on God's earth knows what you mean and any man knows what you mean. When you say this is an annual production, any man or any court knows what you mean. When it says plant No. 2 shall be kept in readiness for the production of war-time material, any court knows what you mean and we know what is meant. Now, if you are going to look with favor upon this lease to Mr. Ford and the sale to Mr. Ford, take the terms of the bill, gentlemen; and if you are going to knock it on the head, knock it on the head at once and do not try to bleed it to death by giving it a dozen different stabs in different parts of the bill.

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

Mr. MILLER of Washington. Yes.

Mr. CARTER. As I understand the amendment of the gentleman from Ohio, he imposes the penalty of forfeiture in case there is no manufacture. What forfeiture would there be in case the Begg amendment is not adopted?

Mr. MILLER of Washington. I do not know; and there is no lawyer who knows until he knows the character of the violation of the contract. You can not tell what remedy to apply, either in law or in equity, until you know the character of the violation.

Mr. BYRNS of Tennessee. If the gentlemen will turn to section 18, they will find all the remedies that could possibly be granted.

Mr. COLLINS. Will the gentleman yield?

Mr. MILLER of Washington. Yes.

Mr. COLLINS. As a legal proposition, has the Government sufficient interest to enforce specific performance under the provisions of this section?

Mr. MILLER of Washington. I suppose so. I suppose specific performance, a mandatory injunction, or whatever you might call it, could be enforced. There are an infinite number of remedies.

The only thing I am opposed to, gentlemen, is to write into the bill, first, a forfeiture, which is a dangerous thing and to be avoided always; and, second, what is more dangerous, making a rule of judicial construction in a piece of legislation.

Mr. LOZIER. Mr. Chairman, I offer a substitute.

The CHAIRMAN. The gentleman from Missouri offers a substitute, which the Clerk will report.

The Clerk read as follows:

> Amendment offered by Mr. LOZIER as a substitute to the amendment offered by Mr. BEGG: Page 11, line 11, after the word "explosives," strike out the period and insert a semicolon and add the following: "*Provided*, That if Henry Ford, his heirs, successors, or assigns, or the company so to be organized, its successors or assigns, fail to manufacture annually not less than 40,000 tons of fixed nitrogen"——

Mr. LOZIER. Mr. Chairman, the rest of the language is the same as the last part of the Begg amendment offered Thursday, March 6, but very different from the amended Begg amendment offered to-day. As I will preface my remarks by reading my substitute, I ask unanimous consent that the remaining portion thereof be not read by the Clerk at this time.

The CHAIRMAN. Without objection, the rest of the substitute will not be read.

Mr. LOZIER. Mr. Chairman, my substitute is as follows:

> Amendment offered by Mr. LOZIER: Page 11, line 11, after the word "explosives," strike out the period and insert a semicolon and add the following: "*Provided*, That if Henry Ford, his heirs, successors, or assigns, or the 'company' so to be organized, its successors or assigns, fail to manufacture annually not less than 40,000 tons of fixed nitrogen for exclusive use as fertilizer, then, and in that event, every contract of sale or lease made by the said United States with said Henry Ford, his heirs, successors, or assigns, or with said 'company' named in section 1, its successors or assigns, shall be void, and all property, real or personal, leases, rights, and other privileges held by any of the above-named persons at said Muscle Shoals shall revert to and become the property of the Government of the United States. No contracts shall be entered into pursuant to the provisions hereof unless they embody as a part thereof these provisions. The conditions herein provided shall become operative on and after six years from the date such contracts are entered into."

The Begg amendment was offered Thursday; it was discussed then and yesterday. Since very serious objections to that amendment were pointed out in debate, the gentleman from Ohio [Mr. BEGG] has denatured and emasculated the first part of his amendment, and he now presents it in a modified form, less vicious than in its original form, but nevertheless highly objectionable in that it weakens the bill very materially and waives the right of the Government to invoke a forfeiture for failure to produce 40,000 tons of fertilizer each and every year. The amendment is not in the interest of the farmer nor in the interest of the Government.

In rewriting the forfeiture clause, the gentleman from Ohio has added a provision which, if adopted, will absolutely destroy the bill. I refer to the provision authorizing the President, by Executive proclamation, to declare the contract null and void for failure or alleged failure to comply with the contract. This is a dangerous and vicious provision, and by no process of reason or logic can its inclusion in this bill be jus-

tified. It, in effect, gives a President more power than was ever conferred by any legislative act or by the Federal Constitution—power to arbitrarily cancel a contract and confiscate property worth millions of dollars, because under this language the courts are not permitted to determine whether or not there has been a breach of the contract, but the President is made judge and jury to determine a fact and decree forfeiture.

Neither the Ford Co. nor any other group of sensible men would accept a contract containing this provision. I say that if the Ford Co. fails to comply with its contract in a substantial particular, then the Government should have the right and power to rescind the contract and recapture or recover possession of the property. But the question as to whether or not there has been a violation of the contract should not be left to the President or any other one person, but should be determined by the courts.

Yesterday I warned the House that the first Begg amendment was a vicious and dangerous provision, and to-day I am telling you again that the last or amended Begg amendment, especially the last part of it with reference to the power of the President, is tenfold more vicious than the original amendment. I ask you to carefully read the Begg amendment now pending, and if you do this you will undoubtedly vote to reject it.

Under the bill as it came from the committee the Ford Co. is obligated to produce for the use of the American farmers "annually" a supply of fertilizer having a fixed nitrogen content of at least 40,000 tons. This language means that quantity must be produced each and every year, and under the bill as it now stands a forfeiture can be invoked for a substantial and persistent failure to comply with this very essential provision of the contract.

This right of forfeiture accrues to the Government under the well-established law of the land, and inevitably follows, if the provisions of this contract are fairly construed and enforced.

Under the bill as it came from the committee, amended as proposed by my substitute, if the Ford Co. fails for any one year to supply the required amount of fertilizer, with the amount of fixed-nitrogen content mentioned in the contract, such failure will be a violation of the contract in a very substantial particular and will justify proceedings by the Government to vitiate the contract and recover possession of the Muscle Shoals property.

The bill as reported by the committee is much stronger than it will be should the Begg amendment be adopted. The first amendment offered by the gentleman from Ohio provided for a forfeiture only after the Ford Co. had failed for "three consecutive years" to manufacture 40,000 tons of fixed nitrogen annually. This would have allowed the Ford Co. to skip two years out of three, four years out of six, six years out of nine, and so so. In other words, the original Begg amendment provided for a forfeiture and recovery of the property only after there had been a failure for "three consecutive years" to manufacture 40,000 tons of fixed nitrogen fertilizer annually. This would have reduced the maximum amount required of the Ford Co. by two-thirds, and would only require the production of the 40,000 tons one year out of every three.

If the original Begg amendment had been adopted, let us see how it would have worked: Mr. Ford or his company could refuse to produce a single pound of fertilizer for two years in succession, and then on the third year produce 40,000 tons; then skip two more years without producing any fertilizer, and on the sixth year produce 40,000 tons; in the six-year period he has not produced annually 40,000 tons, but has only produced 80,000 tons in the six years instead of 240,000, or 40,000 tons annually; but under the original Begg amendment the Government would be "hog tied" and unable to forfeit the contract, because the failure had not been for "three consecutive years"; mark the expression, "for three consecutive years." The Ford company could point to the Begg amendment and say, "yes; it is true, we have only produced 40,000 tons in three years, and only 80,000 tons in six years, but what are you going to do about it, for we have not failed 'for three consecutive years,' and Congress has said by this amendment that there can be no forfeiture for failure to comply with the contract unless such failure continued for 'three consecutive years.'" And this is the amendment the gentleman from Illinois [Mr. MCKENZIE] and the gentleman from Mississippi [Mr. QUIN] "swallowed raw" on the floor of the House day before yesterday, as soon as it was presented, without its effects being considered, and, in the face of a threat by the gentleman from Ohio [Mr. BEGG], to vote against the bill unless the House accepts his amendment. I believe these gentlemen now realize the vice of the Begg amendment and will vote to reject it when the final vote is taken.

Now, the bill as reported by the committee required the Ford Co. to produce for the American farmers at least 40,000 tons of fixed nitrogen annually, or 4,000,000 tons in the lease period of 100 years. The original Begg amendment would have permitted an evasion of this duty and would have left the Government in a position where it could not have invoked a forfeiture if the Ford Co. produced only one-third of that quantity, provided the company produced 40,000 tons every third year. The amended Begg amendment provides for a forfeiture only after the Ford company has failed for "two consecutive years" to manufacture 40,000 tons annually. This is an improvement over the first Begg amendment, but as it now stands it is highly objectionable and is a waiver of substantial rights which the original bill and my substitute safeguard.

The gentleman from Ohio [Mr. BEGG] has just admitted that under his amendment the Ford Co. can skip a year, or every other year, without producing fertilizer, provided it produces one year out of every two the required 40,000 tons of fertilizer.

In support of his amendment the gentleman from Ohio [Mr. BEGG] said:

> In making it two years I admit that technically he can manufacture one year and lie idle one year, and so on; but if he does that the United States has recourse for damages under other sections of the bill and is not withheld from action, even to going into a court of equity.

Here is a candid admission that under the Begg amendment the Ford Co. "can manufacture one year and lie idle one year, and so on," which gives the Ford Co. a right and privilege not given by the bill as it came from the committee and not permitted by my substitute, if it should be adopted. Moreover, the amendment gives the Ford Co. a privilege which it has never demanded; a privilege that weakens the bill and limits the rights and prerogatives of the Government; a privilege that is a dagger pointing straight at the heart of the American farmers; and a privilege which, if exercised by the Ford Co., will reduce by one-half the maximum amount of fertilizer produced during the hundred-year period, or involve the Government in constant litigation in an effort to enforce the production of the required amount of fertilizer annually.

But the gentleman from Ohio says the Government would still have the right to sue the Ford Co. for damages if it fails to produce annually the required amount of fixed nitrogen for fertilizing purposes. In other words, the gentleman's amendment would force the Government to bring a multiplicity of suits for damages year in and year out, which would be an expensive, vexatious, and an unsatisfactory method, and would not afford adequate relief to the Government or to the agricultural classes. The gentleman would relegate the Government to actions for damages for breach of contract in courts of law, where archaic procedural rules would materially delay and ultimately defeat the ends of justice.

I believe that under the bill as reported by the committee, and most certainly as amended by my substitute, the Government can compel the production of the 40,000 tons of fixed nitrogen annually—that is, each and every year—and if the Ford Co. fails to comply with this provision the Government can enforce a forfeiture and recover the property passing under this lease.

Under my substitute the Government can demand a forfeiture if the Ford Co. fails or refuses for one year to produce the required 40,000 tons of fixed nitrogen, but under the amendment of the gentleman from Ohio the Ford Co. must be in default for two years in succession before the Government can exercise its right of rescission or ask the courts to decree a forfeiture.

Under the original bill, as amended by my substitute, the Government has two hands with which to fight and protect itself and with which to compel the Ford Co. to produce annually for the American farmers the amount of fertilizer mentioned in the contract, but the amendment of the gentleman from Ohio ties one of the hands of "Uncle Sam," deprives him of substantial rights, and affords the Government and the farmers only 50 per cent protection.

While in my opinion, under the well-established law of the land, the bill as reported by the committee will authorize a forfeiture and recovery of the property in the event the Ford Co. should flagrantly fail and refuse to produce the required amount of fertilizer "annually," I do not object to a provision being inserted in the bill for specifically authorizing a forfeiture, and I am not opposing the latter portion of the Begg amendment but only that part thereof which permits a forfeiture only after

the Ford Co. has failed "for two consecutive years" to manufacture "annually" 40,000 tons of fixed nitrogen. I also oppose that part of the Begg amendment vesting in the President the autocratic power to declare the contract forfeited.

My substitute is substantially the same as the Begg amendment with the words "for two consecutive years" eliminated. Under my substitute the Government can demand a forfeiture if the Ford Co. fails for one year to furnish the required 40,000 tons of fixed nitrogen, while under the Begg amendment the Government can not exercise the right of forfeiture unless the Ford Co. defaults "for two consecutive years" to comply with this very important contractual obligation. My substitute also differs from the Begg amendment in that under the Begg amendment the President can arbitrarily declare the contract forfeited, while under my substitute it would be left with the courts to ascertain whether or not there had been a violation of the contract.

Under my substitute if the Ford Co. fails for one year to produce the required quantity of fertilizer the Government can undoubtedly proceed immediately and ask the courts for a decree forfeiting the rights of the Ford Co. and restoring the Muscle Shoals property to the Government. But under the Begg amendment the Government would be compelled to withhold action until the company had defaulted for two years in succession. This means that under the amendment now being considered the Ford Co. can skip every other year and the Government will be without a remedy because the Begg amendment provides that there shall be no forfeiture or recapture or recovery of the property unless and until the Ford Co. fails "for two consecutive years" to manufacture the required 40,000 tons annually. Now, why give the Ford Co. this right and privilege for which it has not asked? As suggested by the gentleman from Illinois [Mr. GRAHAM], section 14 requires the annual manufacture of at least 40,000 tons. Now, why permit the Ford Co. to "skip" a year or "skip" every other year?

The object of the contract is to require the Ford Co. to manufacture each and every year at least 40,000 tons of fertilizer, and that is what the original bill provides; and if you reject the Begg amendment and adopt my substitute, the Government can demand the production of at least 40,000 tons each and every year and enforce a forfeiture for failure to comply with this provision.

The production of 40,000 tons annually is the heart and essence of this contract. It is the prime consideration which the Government demands in exchange for the property it proposes to turn over to the Ford Co. This contract should not directly or indirectly permit an evasion of this important duty of supplying the 40,000 tons of fertilizer each and every year. As this is the real consideration for this contract, a forfeiture and recovery of the property for a breach of this provision should be enforced unless the failure to produce the required amount of fertilizer was the result of "reconstruction of the plant, war, strikes, accidents, fires, or other causes beyond its control." If the original bill does not provide sufficient protection—which I think it does—my substitute affords the Government every possible protection and cures whatever ambiguity, if any, there may be in the original bill.

Under the bill as reported by the committee the Ford Co. must produce annually at least 40,000 tons of fertilizer unless prevented by one of the causes I have just enumerated.

If you adopt the Begg amendment, you are creating a condition which may result in the reduction by one-half of the maximum quantity of fertilizer produced by the Ford Co. for the 100-year lease period. The Begg amendment waives the right of the Government to invoke a forfeiture except where the Ford Co. for two years in succession fails to produce the required 40,000 tons of fixed nitrogen.

If the Begg amendment is adopted, let us see how it will operate. The Ford Co. can manufacture the first year 40,000 tons, the second year nothing, the third year 40,000 tons, the fourth year nothing, the fifth year 40,000 tons, the sixth year nothing, the seventh year 40,000 tons, the eighth year nothing, the ninth year 40,000 tons, and the tenth year nothing, and so on. Now, in these 10 years the total production is only 200,000 tons, or an average of 20,000 tons annually, just one-half of the amount this bill seeks to compel the company to produce.

But if the Government at any time during the 10-year period should institute proceedings to forfeit the contract and recover the Muscle Shoals property for violation of the provisions of the contract, such proceedings would be determined adversely to the Government, because the Ford Co. could point to the "Begg amendment" and say that while it only produced one-half of the fertilizer it promised to produce, yet the Government can not invoke a forfeiture, because the failure at any time has not been "for two consecutive years." The Government could say, "You are not complying with this contract; you are not manufacturing 40,000 tons annually," to which the Ford Co. would reply, "We have not failed for two consecutive years to comply with our contract."

No one can read sections 14, 15, 18, and 23 of the bill as reported by the committee and as modified by my substitute, if adopted, and for one minute doubt the power of the Government to demand the production "annually" of fertilizer having a nitrogen content of at least 40,000 tons of fixed nitrogen and to declare a forfeiture of the contract should the annual production be less than 40,000 tons, and the courts would undoubtedly sustain this forfeiture, rescind the contract for noncompliance with its terms, and restore possession of the leased property to the Government. The pending amendment absolutely destroys the right of the Government to ask for a forfeiture of the contract for failure to produce "annually" 40,000 tons of fertilizer and only gives the Government the right of rescission in the event of the company failing or refusing for "two consecutive years" to comply with the terms of the contract as set forth in section 14 of the bill.

The gentleman from Ohio [Mr. BEGG] says that the plant might be destroyed by fire and considerable time might be required to rebuild it, and on that ground he justifies his amendment. Let me call his attention to the fact that section 14, as reported by the committee, covers contingencies such as fires, strikes, war, reconstruction, and other similar preventing causes. So there is no reason why the company should be permitted to skip one year or every other year without inviting a forfeiture of the contract.

The adoption of the Begg amendment will be construed as a legislative construction of the contract. It is a solemn declaration that "continuously," as used in section 14, does not mean without interruption or intermission, but means occasionally; and that "annually" or "each year" means every other year. The adoption of this amendment will prevent a forfeiture just so long as the Ford Co. does not "fail for two consecutive years" to furnish the required 40,000 tons of fertilizer annually.

In my opinion the amendment of the gentleman from Ohio in its present form should be rejected, because it confers more power on the President than kings and emperors now exercise and it surrenders a substantial right which the Government has to demand a forfeiture in the event the Ford Co. fails for one year to produce the required amount of fertilizer; and if the Begg amendment is adopted, the words "for two consecutive years" should be stricken out, so the right of forfeiture may at its option be exercised by the Government in the event the Ford Co. fails or refuses to produce each year the 40,000 tons of fixed nitrogen for fertilizer purposes, and the provision granting the President power to cancel the contract should be eliminated.

I do not pretend to have a very great knowledge of the law, but I believe I understand the meaning of the simple and unambiguous language used in the original bill, and I have some little knowledge of the rules of statutory construction and of the decisions construing contracts and the circumstances under which they may be rescinded and forfeited.

While I favor inserting a specific forfeiture clause in this contract, I insist that the clause be one that will strengthen and not weaken the bill, one that will not waive any rights the Government has to demand a forfeiture by judicial decree for failure of the Ford Co. to comply with the contract each and every year. My substitute will furnish the desired guaranties without surrendering any of the rights of the Government or imposing harsh and arbitrary conditions. The Begg amendment affords only 50 per cent protection, as it permits a forfeiture only in the event the Ford Co. fails "for two consecutive years" to comply with its contract. Why should the Government give up this valuable right and powerful leverage? Why should Congress adopt the proposed amendment when its author, the gentleman from Ohio, admits that the amendment will permit the Ford Co. to "manufacture one year and lie idle one year, and so on"?

The substitute that I have offered provides for a forfeiture in the event the Ford Co. fails to produce "annually" fertilizer having a nitrogen content of at least 40,000 tons of fixed nitrogen. Under my substitute the Ford Co. will be required and compelled to keep its contract and to produce 40,000 tons of fertilizer each and every year, while under the Begg amendment the company can, if it so desires, skip one year out of every two and thereby reduce by one-half the maximum quantity of fertilizer that Mr. Ford is required to produce under this contract.

The Begg amendment is 50 per cent anarchy, because it vests in the President the arbitrary power to cancel the contract by Executive proclamation, without the courts having found that the contract had been violated in any substantial particular.

I am supporting the Muscle Shoals bill for the following reasons:

First. It looks to and safeguards our national defense. Under the pending bill the tremendous productive capacity of this great plant will be kept in shape so it may be instantly transformed into a mighty instrumentality for the production of war materials, if such a calamity as war should again come to our Nation.

Second. Because as an inevitable result of this legislation the stupendous volume of power that has been wasted for ages at Muscle Shoals will be harnessed and utilized by man, and used in the industrial, agricultural, and commercial development not only of the South but of our entire Nation.

Third. Because the contract requires "continuously" through the lease period the production of cheap fertilizer for the American farmer in quantities of at least 40,000 tons of fixed nitrogen content annually.

Now, I do not look for another war in the next hundred years, nor at any time. I know some able men reject this view and many believe that another great war is inevitable. But I believe the world's lust for war has been satisfied for all time and that ways will be found to avoid military conflict, except inconsequential clashes between the new or smaller nations. Until the world emerged from the late war it never had an adequate understanding of the tremendous cost of war in treasure, blood, and man power, and the lesson the world has learned will not be soon forgotten. So while I do not believe our Nation will ever be engaged in another great war, still if such a calamity should come to our people it would be of supreme importance to have the great Muscle Shoals plant in shape to be instantly converted to use incident to our national defense, especially as the Ford Co. will, in effect, keep the plant in condition to be utilized for war purposes in an emergency. While this alone might justify Congress in sanctioning the Ford contract, it is, to my mind, not the strongest or controlling reason.

Undoubtedly if this contract with the Ford Co. is consummated, Muscle Shoals and the adjacent territory will become a great industrial and commercial center. Factories will be built up and down the river for many miles and cheap electric power will be transmitted for hundreds of miles, enabling comparatively distant communities to become industrial centers. The location of this great plant is close to the coal and iron supply of the South and it is in the heart of the cotton-growing States.

Cheap raw material can be found in abundance close at hand. As the years go on, less of the southern cotton will be shipped to northern States or to Europe to be converted into cloth, and in time practically all the iron deposits of the South will be manufactured into useful commodities in the South and much of the cotton will be manufactured into fabrics in the region where it is grown. From an industrial and commercial standpoint Muscle Shoals means much to the South, and to all parts of the United States would accrue a portion of these benefits. This argument alone might justify the contract we are now considering, but, to my mind, it is not the strongest or most persuasive reason why this bill should be enacted.

To my way of thinking, the strongest argument in support of the pending bill is that the American farmer will be the chief beneficiary and will be furnished cheap fertilizer if this project is consummated.

The most important paragraphs in the bill are sections 14 and 15. Note the language of section 14—

> Since the manufacture, sale, and distribution of commercial fertilizers to farmers and other users thereof constitute one of the principal considerations of this offer, the company expressly agrees that, continuously throughout the lease period, except as it may be prevented by reconstruction of the plant itself, or by war, strikes, accidents, fires, or other causes beyond its control, it will manufacture nitrogen and other commercial fertilizers, mixed or unmixed, and with or without filler, according to demand, at nitrate plant No. 2 or its equivalent, or at such other plant or plants adjacent or near thereto as it may construct, using the most economical source of power available. The annual production of these fertilizers shall have a nitrogen content of at least 40,000 tons of fixed nitrogen, which is the present annual capacity of nitrate plant No. 2.

It seems to me that this is not only the principal consideration but the outstanding and controlling factor in this legislative equation. The fundamental and vital part of this contract is that part which looks toward better and more profitable agricultural conditions. Agriculture is the most important basic industry. Our entire economic life and prosperity as a nation depends upon the prosperity of the agricultural classes.

I believe it is the duty of the Government to adopt a legislative program that will restore agriculture to the class of profitable occupations. Furnishing the farmer an abundant supply of cheap fertilizer will materially aid him in meeting the demand of the world for an adequate supply of foodstuffs. For several generations we have been robbing our soil of its fertility. We are not putting back into the soil anything like what we have withdrawn from it by the constant growing of grain crops. Moreover, as a result of constant cultivation, a considerable part of the soil is annually wasted away and the productivity of our land is being each year materially impaired.

The western farmer has not to any considerable extent used fertilizer to increase production and restore fertility to the soil for the reason that the cost of good fertilizer has been so exceedingly high as to be prohibitive. But the time is coming when the mid-west farmer must resort to the use of fertilizer to a considerable extent; otherwise the crop yields will grow less and less each year.

Now, the contract we are considering, if consummated and not emasculated by objectionable amendments, will afford annually to the American farmer a supply of cheap fertilizer with a nitrogen content of at least 40,000 tons of fixed nitrogen. This will be manufactured by cheap power generated at the Muscle Shoals Dam and power plant, and the fertilizer will be sold to the farmers at a price to be established by a board on which the three leading representative farm organizations will have representatives, namely, the American Farm Bureau Federation, the National Grange, and the Farmers' Educational and Cooperative Union of America. Now, this will mean much to the American farmers. It will enable them to increase and in many instances double or treble the yield per acre of grain and vegetable crops. It will enable the farmer to maintain the fertility and increase the productivity of his land. It will enable the farmer on a few acres to produce a larger crop than he can now produce on double the number of acres. It will reduce the expense and investment of the farmer and in many ways promote his welfare.

I grant you there are some features in this bill that do not meet with my unqualified approval; but, all things considered, I believe the bill as a whole is a good one and should have my support.

From a financial standpoint the Government can well afford to make this contract. We now have Muscle Shoals on our hands. It has cost much money. It is idle and will require the expenditure of tremendous sums to keep it in repair and operate it, if the Government retains it. Mr. Ford's offer has been before Congress and the American people for several years. It has been discussed in Congress, in the public press, on the platform, and in every community throughout the Nation. The Government has invited other companies and individuals to submit competing propositions. So far not one has come forward with a better proposition, and at present there is no prospect of the Government being able to make a better contract at any time in the future. If we reject the Ford proposal we have nowhere to turn for a better or even as good a proposition. Something must be done with the Muscle Shoals proposition and done quickly, if the Government is to save further expense and avoid great loss in the future. The Government can not afford to operate the plant permanently. I believe the Government operation for a hundred years would prove exceedingly unsatisfactory and expensive. The Ford Co. has the financial resources and efficient business organization to successfully and economically operate the Muscle Shoals plant. By the pending contract the national defense is safeguarded, the farmers guaranteed an abundant supply of cheap fertilizer, and the industrial, agricultural, and commercial development of our country materially stimulated. These considerations influence me to vote for the pending measure unless the integrity of this contract should be impaired by the adoption of ill-considered amendments of such a character as to emasculate the bill and mutilate its beneficent provisions.

The CHAIRMAN. The time of the gentleman has expired.

The gentleman from Ohio [Mr. MOORE] is recognized.

Mr. MOORE of Ohio. Mr. Chairman, this debate has been instructive, and I have followed it with interest and concern.

When the consideration of the Ford proposal for Muscle Shoals began I fully expected to support the proposition. I still hope that it will be in such shape when we take a final vote that I may do so. By this, I mean that those of us who want to support the Ford proposal expect the language of

this bill to be in such form and in unequivocal terms that it will compel Mr. Ford and the company he will organize to do what the people of the country understand he has promised to do.

It is admitted that the Government has spent more than $83,000,000 for what Henry Ford proposes to purchase for $5,000,000. The property he would get consists of the following, according to the minority report:

Dam No. 2 and hydroelectric installation of 18 units will, when completed, be the largest dam in the world and represent an investment of more than $51,000,000.

Nitrate plant No. 1 represents an investment of more than $12,000,000. It includes 1,900 acres of land. In addition to nitrate plant No. 1 there are large permanent substantial buildings for various smaller manufacturing purposes. Located on this tract are 125 permanent residences with all modern improvements; also 9 miles of macadam roads; also 8 miles of sewerage; also 4 miles of standard-gauge railroads with necessary locomotives, cars, repair shops, etc. There are paved streets and waterworks.

Nitrate plant No. 2, including the Waco Quarry, represents an investment of more than $67,000,000. It includes 2,300 acres of land. On this tract are 186 permanent residences, many of them with two bathrooms, including expensive electric-lighting fixtures, water supply, sewers, etc. These great nitrate works include the largest buildings of their kind in the world. There are also a number of permanent buildings for various small manufacturing purposes, such as sawmills, blacksmith shops, etc.

On this tract comprising nitrate plant No. 2 there is a hotel which is completely furnished and equipped, containing more than 100 rooms. On this tract there are 24 miles of improved roads and cemented sidewalks and streets; there are on this tract about 40 miles of standard-gauge railroad tracks; there are 20 miles of sewers; there is also on this tract a complete waterworks and sewerage system; and there is attached to this nitrate plant No. 2 a steam plant for the generation of electricity, known as the Sheffield steam plant, which alone cost more than $12,000,000. This plant is in high-class running order to-day and is being used. There should be included in this picture the fact that there is $500,000 worth of platinum in storage at the United States subtreasury in New York belonging to the nitrate plants for use in a catalyst for extracting nitrogen from the air. There is also cash in the United States Treasury amounting to $3,472,487.25, recently received by the Government for the sale of the Gorgas steam plant, which it is proposed under the committee bill with the Madden amendment to immediately spend in behalf of Mr. Ford's offer for the construction of an auxiliary steam plant for his benefit.

In return for all the above, including the platinum valued at $500,000 and the $3,472,487.25 cash now in the United States Treasury, Mr. Ford proposes to pay to the United States Government $5,000,000, and that only in several annual installments.

In other words, Mr. Ford proposes to pay $5,000,000 for the following property:

Nitrate plant No. 2, costing	$66,252,392.21
Nitrate plant No. 1, costing	12,887,941.31
Waco quarry, costing	1,302,962.88
Cash from sale of Gorgas plant	3,472,487.25
Total	83,915,783.65

The Government, if it wants to part with the steam plant for the generation of electricity attached to nitrate plant No. 2, known as the Sheffield steam plant, is now offered by one of the bidders appearing before Congress in this matter the sum of $4,500,000 spot cash for this one unit alone.

I have an interest in the farmer and many of them live in my district. It should be our aim and purpose in every proper way to encourage agriculture which is struggling along under very discouraging circumstances. However, we are entitled to know, and the public is entitled to know, just what the particular bill before us provides and just what it does not contemplate. If there is some sentiment in the country—and I think there is—for the Henry Ford proposal, it grows out of the fact that the farmers of the country expect that he will produce nitrates at Muscle Shoals that will give them cheap fertilizer and, furthermore, permit the United States, in case of war, to still have the use of Muscle Shoals for the preparation of explosives.

The farmer thinks that Henry Ford has agreed to purchase Muscle Shoals and has guaranteed to manufacture nitrates and insure the farmer cheap fertilizer. There is nothing in this bill that makes that absolutely certain, and that is what I want to do, and if that is done I want and expect to support this bill, otherwise I shall feel impelled to vote against it.

What will the farmer think when we tell him that by the provisions of this bill, in section 14, nitrogen that will produce nitrates for fertilizer will be manufactured "according to demand," and in section 15 that the maximum "net profit" shall not exceed 8 per cent in the manufacture and sale of fertilizer. Certainly the farmer is entitled to fair consideration, and there is no need trying to deceive him by making him believe that he is guaranteed something, whereas the proposition is still open to experiment—the question of demand, and also profit.

It must be kept in mind that all farm organizations have not indorsed the Ford offer. The National Grange has not done so, and I am led to believe that the farm organizations that have indorsed the proposal have done it with the full expectation that the bill we pass shall be in such form as to make certain that the thing will be done that they are most desirous of accomplishing and that is to provide cheap fertilizer. I observe in this discussion that most of the Members of Congress from the great agricultural States of the West and Northwest are against this bill in its present form, and to pass the bill in its present form might deceive the farmer. Furthermore, the people of the country generally think that this is a sale to Henry Ford personally, whereas the bill before us provides in the very first paragraph that "Henry Ford will form a corporation to effectuate this agreement."

Assume that Henry Ford may dominate and control the corporation during his lifetime, who will control the corporation when Henry Ford is gone? Mr. Ford is past 60 years of age, and this lease of Muscle Shoals is for 100 years. To-day he is one of the wealthiest men in the world. A quarter of a century ago Henry Ford was a poor man. Who knows, if he is living in 10 years from now, whether he will be rich or poor. His expectancy of life is not likely more than 12 years and we must not hastily permit any personality, even one so outstanding as Mr. Ford's, to confuse our judgment in surrendering a great national asset like Muscle Shoals unless the rights of the Government are secure.

Oh, it is said by some, the gentleman of Illinois [Mr. MADDEN], and others, that Mr. Ford wants "to leave a monument of his success." That may be, but there is nothing in this bill that indicates it; nothing that states he will do anything unprofitable. We are dealing with a business man in business language and considering proposals and profits. Mr. Ford has made a business proposal and I believe he is looking at it in a businesslike way. He is undoubtedly a great business man. What evidence have we that he is going to make any fertilizer if he can not make a profit on it. I would not be unkind, yet duty compels me to be frank and say that the whole history of the activities of Mr. Ford, so far as I am advised, does not indicate that he is unusually generous or takes part in enterprises unless he makes money out of them. Since he is looking at this proposition in a cold-blooded way, I believe it becomes our imperative duty to look at it in the same way for our constituents.

Think of the friends of Mr. Ford coming to us as representatives of the people and telling us that this is his proposal, and we must either take it just as it is or leave it. Why has Mr. Ford any more right to submit a proposal, that can not be changed, to the millions of people in this country than we have as representatives of the people to offer suggestions in the way of amendments to him. The proposition should be so worded that it will carry out what our constituents expect. We hear it whispered around in the cloakroom that we should pass this proposal and that it can be "fixed up" in the Senate. I am answerable to my constituents for voting upon this proposal as it is submitted finally in the House, and not voting in anticipation of what may or may not be done by the Senate.

I maintain and insist that if Mr. Ford is to secure all of this property, for which we have expended more than $83,000,000, and he in turn offers to give $5,000,000, we should make sure that the further consideration of making nitrates for fertilizer is written into the bill in no uncertain terms, and if he does not so make these nitrates, then the Government ought to have the right to forfeit the lease and retake the property. I hope the friends of Mr. Ford will permit us to at least write into this bill a forfeiture clause, as proposed by the gentleman from Ohio [Mr. BEGG], and strengthened by the amendment offered by the gentleman from Arkansas [Mr. WINGO], which provides that if Mr. Ford or the company formed by him does not produce nitrogen for fertilizer, as contemplated, for three successive years, that all rights under the lease shall be forfeited and the property returned to the United States. If Mr. Ford intends to produce cheap fertilizer he ought to consent to this. If this amendment or a similar amendment is not accepted it seems that we would be justified in concluding that he only means to attempt to produce fertilizer if profitable, and that is contrary to what the people think the Henry Ford offer is.

We are told that both Mr. Ford and his estate will be bound by the terms of the contract. We insist that the bill

as now written binds neither Mr. Ford nor his estate after the contract is consummated. Do you think Mr. Ford would consent to bind his estate for 100 years, and how would it be accomplished? Assume that he dies in 10 years from now, how would you keep open and bind his estate for 90 years? After his estate was divided among his beneficiaries and heirs, how do we know that anything could be realized by the Government from anyone? I think these are all timely, proper, and necessary questions, and that we ought to resolve any doubt in favor of our constituents rather than sentimentally decide this matter because Mr. Ford is the proponent. If the proponents and friends of this bill mean what they say, why not write the provisions in the bill so the country will understand? [Applause.]

The gentleman from Ohio [Mr. BURTON], who has made a study of this and related subjects, calls attention to the fact that this proposal is contrary to the policy of our Federal water power act which limits franchises to 50 years and seeks to control excess profits. The friends of Mr. Ford insist that this lease must be for 100 years, and that they will not accept it for 50 years or any number of years under 100. That is a long period of time, and why should a contract be given to Mr. Ford if it ignores the Federal water power act?

When we think what has happened in the last 100 years and then contemplate the possibilities and probable necessities of the next hundred years it should make us cautious in surrendering a great national asset like Muscle Shoals without proper safeguards. This great project at Muscle Shoals has untold water power. We are advised that the property and rights which Henry Ford would get are capable of producing 800,000 horsepower. This is a powerful and valuable industrial asset and capable of producing tremendous electric power. This is a time when people are anxious about making proper conservation for our country. We know that a great deal of the oil, timber, and coal of the country is in private hands, and we must not recklessly part with one of the greatest water-power agencies in the country without making sure that the rights of the people are protected.

We all believe that we are only in the dawn of electrical development. Electric current is to-day transmitted successfully 275 miles for use, and who will dare say what the developments in this field will be in the next hundred years?

The friends of Mr. Ford refuse to write into this proposal that if he sells current or electric power the cost thereof shall be regulated by the utilities commission of the State where the plant is located; or if he should deal in interstate commerce, to be regulated by some Federal agency. Why grant these unusual and extraordinary powers without regulation to a corporation for 100 years, a span of time which must run under the lease long after Mr. Ford shall have passed off the stage of action?

As the Representatives of the people let us look carefully to this proposal to make sure that the farmers get what they have been promised—cheap fertilizer—and that the rights of the country are protected in case of war. [Applause.] I realize that the easy thing and perhaps the popular thing would be to vote for this bill regardless of its provisions. However, I refuse to be guided by sentiment alone, but feel it my imperative duty to make sure that the rights of our country are protected before I shall consent to lease property that belongs to our Government for a hundred years and which has such unlimited possibilities of wealth and power. I want to vigorously protest against an attitude that refuses to permit any amendment to this bill which attempts to carry out Mr. Ford's offer.

To my mind the words of the offer are not as sacred as the rights of the people. [Applause.]

Mr. WRIGHT. Mr. Chairman and gentlemen of the committee, I am opposed to the Wingo substitute and also to the amendment offered by the gentleman from Missouri [Mr. LOZIER], and in its present form I favor the Begg amendment, and in this connection I believe I am authorized to say that the Democratic members of the Military Affairs Committee will now accept the Begg amendment in its present form.

Gentlemen, when the Begg amendment was first offered, in its original form, I was opposed to it. I believe every Democratic member of the committee was opposed to it; but since it has been modified you will see from an examination of it in connection with the bill, it does not alter the terms and provisions of the original bill in a single particular, but simply creates an additional or cumulative remedy looking to the enforcement of the obligations to be undertaken by Mr. Ford for the manufacture of fixed nitrogen.

The great objection to the amendment as originally drawn was that it provided unconditionally for a forfeiture of all these properties to the Government and the Government was to be reinvested with the title in the event Mr. Ford failed, or his company failed, to manufacture 40,000 tons of fixed nitrogen at Muscle Shoals consecutively for a period of three years. As modified, the failure to manufacture fixed nitrogen for two years at Muscle Shoals consecutively would not void the contract unless the Government elected to proceed to have a forfeiture declared, and as modified further, it is expressly set out that none of the rights or remedies of the United States as set forth in the original contract is in any way altered or abridged by the terms of this amendment.

Mr. BYRNS of Tennessee. Will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. BYRNS of Tennessee. I do not know that I understood the amendment, but if I understood it correctly it provides for a forfeiture of all the property that is to be conveyed to Henry Ford or to this company.

Mr. WRIGHT. That is true.

Mr. BYRNS of Tennessee. That, in effect, creates a lien for 100 years upon all of that property no matter what it may be, a house and lot or any particular property that may be conveyed, even though it may have no connection with the nitrate plant and nothing to do with the operation of the nitrate plant. Does the gentleman believe that a company investing this immense amount of money would want to put its money into a proposition and into property that it could not transfer or could not make any conveyance of.

Mr. WRIGHT. I think the bill as originally drawn contained provisions which amply protected the Government.

Mr. BYRNS of Tennessee. That is true.

Mr. WRIGHT. I do not think this provision in the Begg amendment alters any of the provisions of the original bill in the least or that it specially creates any additional remedy except the forfeiture.

Mr. BYRNS of Tennessee. It does do so by this forfeiture.

Mr. WRIGHT. I will call the gentleman's attention to section 12 of the bill. You will note that the last sentence of that section provides that "each of said deeds shall refer to or contain the provisions of this offer and said deeds shall be so drawn as to make such provisions covenants running with the land." So that an examination of that provision discloses that this so-called lien was already created.

Mr. BYRNS of Tennessee. If that be true, then why adopt the Begg amendmnt? The committee evidently, when it reported the bill, thought the language covered it.

Mr. WRIGHT. As I said, I think provisions of the original bill were ample to protect the interests of the Government, but there seems to be a desire to have a forfeiture clause inserted in the deed; that is, a specific forfeiture clause.

Mr. BYRNS of Tennessee. From the discussion I have heard and from what the gentleman from Missouri has said, I am opposed to the Begg amendment.

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

Mr. McKENZIE. Mr. Chairman and gentlemen of the committee, if you will give me your attention just a moment I will promise to be very brief. One of the provisions in the proposed contract is that Henry Ford or the corporation must manufacture annually 40,000 tons of said nitrogen. That is in section 14. In section 18 there is a provision that in addition to all the remedies now possessed by the United States for the enforcement of contracts, the Government shall have the right to go into the District Court of Northern Alabama and by mandamus or other special proceedings bring Mr. Ford in for the purpose of compelling him to comply with the conditions of the contract, one of which is that he shall annually manufacture 40,000 tons of nitrogen. In addition to that, my good friend from Ohio [Mr. BEGG], and a few other gentlemen of the House, felt that we did not have Mr. Ford tied down quite tight enough and that notwithstanding the fact that we provided that if he failed to manufacture nitrogen annually to the extent of 40,000 tons he could be taken into a court of equity and finally, probably, the property forfeited, the gentlemen whom Mr. BEGG represents, and others who I am sure join with them, desire that Mr. Ford shall be required to comply with this condition of the contract and wish to have as a supplemental section a provision that a forfeiture can be declared at the end of two years without any further proceeding. This is all there is in the Begg amendment. I think it is drastic enough. I do not think there will be much danger without it, but I have said to the gentleman from Ohio [Mr. BEGG] that being one of those who are interested in the farmers of this country, and who are standing for this proposition more on account of the fertilizer provision in it than any other, I want Mr. Ford and the corporation which he shall organize bound to perform under the contract, and the amendment of the gentle-

man from Ohio [Mr. BEGG] will only tighten the thing up a little tighter. In other words, it will take another half hitch in the rope by which we have the corporation tied.

Mr. GARRETT of Texas. Mr. Chairman, I do not mind saying that I have some misgiving whether this amendment will tighten it up. The bill provides that he shall manufacture fertilizer annually, 40,000 tons, and now you put in a cumulative clause in which he is not in default unless he fails for two years. If he fails for one year—and I am interested that he shall not fail for any year, because gentlemen know that if there is one thing that I am interested in it is the production of fertilizer—suppose he does not manufacture for one or for two years, what are we going to do about it?

Mr. McKENZIE. We have the remedy provided for in section 18, and the Begg amendment refers to that and says that this provision in the amendment is supplemental and shall not repeal section 18.

Mr. BYRNS of Tennessee. If you have it in section 18, why adopt this amendment?

Mr. McKENZIE. Because I think it makes it stronger.

Mr. LOZIER. Is it not true that under the Begg amendment the court can not invoke the provisions of that amendment and ask a forfeiture except the company fails for two years in succession, and is not it true under the legislative construction of the contract Henry Ford can manufacture 40,000 tons one year, then skip a year, manufacture 40,000 tons another year, and skip a year, and you are relieving him by the amendment from the obligation.

Mr. McKENZIE. I think the gentleman is entirely wrong in the construction of the amendment offered by the gentleman from Ohio. In my judgment it would strengthen the bill, and I have said to the gentleman from Ohio that I will support it, and I hope the friends of this measure will support it and that it will be adopted. I move, Mr. Chairman, to close the debate in five minutes.

The CHAIRMAN. The gentleman from Illinois moves that all debate on this section and all amendments thereto close in five minutes.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment of the gentleman from Arkansas [Mr. WINGO] to the amendment offered by the gentleman from Ohio [Mr. BEGG].

The question was taken; and on a division (demanded by Mr. QUIN) there were 96 ayes and 75 noes.

Mr. McKENZIE. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. McKENZIE and Mr. WINGO.

The committee again divided; and the tellers reported that there were 98 ayes and 79 noes.

So the amendment of Mr. WINGO to the amendment of Mr. BEGG was agreed to.

The CHAIRMAN. The question now is on the substitute offered by the gentleman from Missouri [Mr. LOZIER].

The substitute was rejected.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Ohio [Mr. BEGG] as amended by the gentleman from Arkansas [Mr. WINGO].

The question was taken; and on a division (demanded by Mr. BYRNS of Tennessee) there were—ayes 123, noes 46.

So the amendment was agreed to.

Mr. GRAHAM of Illinois. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. GRAHAM of Illinois: Page 11, line 9, after the word "readiness," strike out the words "or its equivalent."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois.

The question was taken; and on a division (demanded by Mr. GRAHAM of Illinois) there were—ayes 54, noes 96.

So the amendment was rejected.

Mr. BURTON. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. BURTON: Page 10, lines 7 and 8, strike out the words "by reconstruction of the plant itself, or"

Mr. BURTON. Mr. Chairman, it is not included in the Ford offer.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Ohio.

The question was taken; and on a division (demanded by Mr. BURTON) there were—ayes 52, noes 104.

So the amendment was rejected.

The Clerk read as follows:

SEC. 15. In order that farmers and other users of fertilizers may be supplied with fertilizers at fair prices and without excessive profits, the company agrees that the maximum net profit which it shall make in the manufacture and sale of fertilizer products shall not exceed 8 per cent of the fair actual annual cost of production thereof. In order that this provision may be carried out, the company agrees to the creation of a board of not more than nine voting members, chosen as follows: The three leading representative farm organizations, national in fact, namely, the American Farm Bureau Federation, the National Grange, and the Farmers' Educational and Cooperative Union of America, or their successor or successors (said successor or successors to be determined, in case of controversy, by the Secretary of Agriculture), shall each designate not more than seven candidates for the board in the first instance and thereafter, for succession in office, not more than three candidates. The President shall nominate for membership on this board not more than seven of these candidates, selected to give representation to each of the above-mentioned organizations, said nominations to be made subject to confirmation by the Senate, and there shall be two voting members of said board selected by the company: *Provided*, That not more than one shall be nominated by the President from the same State; that if the Senate shall not confirm all of said seven nominees the President shall send additional names from the said list of candidates until the Senate shall have confirmed seven: *Provided further*, That if either or any of said farm organizations or its or their successors by reason of the expiration of its or their charter or ceasing to function or failing to maintain its organization or for any cause or reason should decline, fail, or neglect to make such designations, then the Secretary of Agriculture shall make such designation or designations for such or all of said organizations as may so decline, fail, or neglect to make such designation; and if such designation is made by the Secretary of Agriculture for only one or two of said organizations, then such designation shall be made so as to give the remaining organization or organizations the same right and in the same proportion to designate candidates for said board as in the first instance and just as though all of said organizations were making such designations: *Provided, however*, That a failure to make designations at any one time shall not thereafter deprive any organization of its original rights under this section: *And provided further*, That the terms of office of the first seven candidates nominated by the President and confirmed by the Senate on the designation of said farm organizations shall be as follows: Two for a period of two years, two for a period of four years, and the remaining three for a period of six years, and thereafter the nominations for membership on said board made by the President, except for unexpired terms, shall be for six years each. None of the members of said board shall draw compensation from the Government, except that any which may be nominated and confirmed on the designation of the Secretary of Agriculture under the provisions hereof shall receive from the Government their actual expenses while engaged in work on said board.

A representative of the Bureau of Markets, Department of Agriculture, or its legal successor, to be appointed by the President, shall also be a member of the board serving in an advisory capacity without the right to vote. The said board shall determine what has been the cost of manufacture and sale of fertilizer products and the price which has been charged therefor, and, if necessary for the purpose of limiting the annual profit to 8 per cent as aforesaid, shall regulate the price at which said fertilizer may be sold by the company. For these purposes, said board shall have access to the books and records of the company at any reasonable time. In order that such fertilizer products may be fairly distributed and economically purchased by farmers and other users thereof, the said board shall determine the equitable territorial distribution of the same and may, in its discretion, make reasonable regulation for the sale of all or a portion of such products by the company to farmers, their agencies, or organizations. If and when said board can not agree upon its findings and determinations, then the points of disagreement shall be referred to the Federal Trade Commission (or its legal successor) for arbitration and settlement, and the decision of said commission in such cases shall be final and binding upon the board.

Mr. LONGWORTH. Mr. Chairman, it seems that it will be inadvisable to attempt to reach a final vote on the bill to-night. I suggest to the gentleman from Tennessee [Mr. GARRETT] that we read a little further in the bill but with the understanding that a final vote shall be taken on Monday morning.

Mr. GARRETT of Tennessee. Mr. Chairman, if the bill is to be read further for amendment, and if amendments are to be voted on, it seems to me, if we are not going to have a final vote on it, we might as well rise now, because if we enter into any agreement Members will very soon leave the Chamber.

Mr. LONGWORTH. I think that might be the wisest thing to do.

Mr. GARRETT of Tennessee. As I understand it, the bill will be taken up for consideration again on Monday?

Mr. McKENZIE. Mr. Chairman, I ask the gentleman from Ohio if we will be permitted to continue with this bill on Monday, or will we be sidetracked with District day, or some other proposition, and not permitted to finish the bill?

Mr. LONGWORTH. That would be a matter for the House to decide. So far as I am concerned, I would favor proceeding with this bill.

Mr. McKENZIE. I regret to say that we have fooled away a great deal of this day with speeches when we could have had the bill passed.

Mr. LONGWORTH. I think a good deal of time has been wasted.

Mr. McKENZIE. Mr. Chairman, is Monday District day or suspension day?

Mr. LONGWORTH. The rule provides that on certain Mondays District business shall be in order. It is for the House to decide which it prefers.

Mr. GARRETT of Tennessee. Has the gentleman from Illinois any idea of how many more amendments are going to be offered?

Mr. McKENZIE. I think it would puzzle the Lord Almighty to answer that question.

Mr. HILL of Maryland. I understand the gentleman from Ohio will move on Monday that we go ahead and finish this bill?

Mr. LONGWORTH. I shall favor the motion of the gentleman from Illinois [Mr. McKENZIE] to go into the Committee of the Whole for the further consideration of the bill.

Mr. OLIVER of Alabama. Mr. Speaker, under leave to extend my remarks in the RECORD on the bill now pending for the acceptance of Henry Ford's offer for Muscle Shoals, and to include in such remarks two telegrams received relating to the discussion of the bill, I here set out first the telegrams, which are as follows:

UNIONTOWN, ALA., *March 8.*

Hon. W. B. OLIVER,
Washington, D. C.:

Please have read into the RECORD protest against unfair attack made on Alabama Power Co. by JAMES and MADDEN.

G. D. STOLLENWERCK,
President Chamber of Commerce.
VAL TAYLOR,
President Cane Brake Loan & Trust Co.
W. J. WHITE,
President Planters & Merchants Bank.
W. H. TAYLOR.
WILLIAM MUNFORD.
S. T. WHITFIELD.
A. C. DAVIDSON.
W. J. VAIDEN.
B. F. HATCH.
J. G. WHITE.

MARION, ALA., *March 8.*

Hon. W. B. OLIVER,
Washington, D. C.:

Kindly have the following read into the RECORD: "We, the undersigned, being citizens of a community served by the Alabama Power Co., being familiar with the methods of such company and believing the same to have been a great factor in the development of the State of Alabama, do condemn the unfair and unjust attacks made upon said company by Representatives JAMES and MADDEN."

J. B. HATCHETT,
W. L. HOGUE,
Deputy Solicitors.
J. F. GLASS, *County Commissioner.*
C. E. SUTTLE,
J. M. MOORE, *President,*
The Peoples Bank of Marion, Ala.
J. D. DENNIS,
GEORGE P. WHITE,
A. F. ARMSTRONG, *President,*
Marion Central Bank.
CHAS. C. JOHNSON,
Superintendent of Schools.

The gentlemen whose names are signed to the above telegrams are my personal friends and leading business men and representative citizens of Marion and Uniontown, Ala., in my district.

Since one of these telegrams makes reference to the part, in the belief of the sender, that the Alabama Power Co. has played in the development of the State of Alabama, I think it proper to insert the following statement made by me on that subject before the Military Affairs Committee of the House on March 8, 1922, as shown on page 994 of the hearings of the committee, and which views I still hold, and feel that a great majority of the people of my State still hold:

Mr. OLIVER. Mr. Chairman, the Alabama delegation has received a letter from Hon. B. M. Allen, of Birmingham, Ala., who presided at a large mass meeting in Montgomery on Wednesday last, at which certain resolutions were adopted, and he has requested that the resolutions be read to the committee, and I desire to now read them. They are very complete and informing, and set forth in a forceful, proper, and accurate way the attitude of the people of Alabama on the subject to which the resolutions relate.

MEMORIAL TO THE PRESIDENT AND CONGRESS OF THE UNITED STATES AND THE COMMITTEES OF CONGRESS, ADOPTED BY THE STATE-WIDE MASS MEETING HELD IN THE CITY AUDITORIUM AT MONTGOMERY ON WEDNESDAY, MARCH 1, 1922.

We, citizens of Alabama, 5,000 strong, representing county governments, municipal authorities, women's clubs, labor bodies, chambers of commerce, civic bodies, and farmers' organizations from every quarter of the State, in mass meeting assembled at Montgomery, with full confidence in both the justice and wisdom of the President and Congress, do hereby declare:

That while the entire Muscle Shoals stretch of the Tennessee River lies within the borders of this State, the right to control and regulate the river in the interest of the Nation's commerce has been ceded by the State of Alabama to the Federal Government. We recognize the fact that Muscle Shoals is the property of the Nation, belonging alike to the people of all the States, and, while we claim no greater right than any other State to say what shall be done with Muscle Shoals, we believe that we but exercise the guaranties of the Federal Constitution when we petition Congress that this great national asset be not employed by the Government as an instrumentality for fastening upon us and upon our children and our children's children the yoke of an oppressive and burdensome monopoly.

We affirm that the Alabama Power Co. now owns and controls a number of splendid power sites on the Coosa River in this State; that it owns and controls all of the available power sites on Little River in Alabama; and that it owns the wonderful power site at Cherokee Bluffs on the Tallapoosa River in this State; that in the 14 years since its incorporation it has built one power dam in this State and commenced work on one other dam; that at the present rate of developement of the power potentialities already under the control of this corporation more than 100 years will go by before all of these dormant water powers are harnessed; that it has been the policy of that corporation to develop only such power as can be sold in small units and at high prices; that controlling as it does all of the great water-power sites in a State blessed by God Almighty with wonderful power possibilities, it, a foreign-controlled corporation, is in position to litigate with any American-owned organization which may seek to develop any one of Alabama's wasting water powers, just as it now threatens to litigate with Henry Ford, or with the Government, if either seeks to build Dam No. 3 at Muscle Shoals, or to control the Government-built steam plant and transmission line at Gorgas; that in spite of the fact that this foreign-owned corporation has long enjoyed exemption from taxation in this State, it has been busy ever since its entrance into Alabama in preempting every great power site within our borders, and in so copper riveting its hold on all of Alabama's great hydroelectric potentialities as to prevent for all time their development by any possible competitor; that it has been its policy to buy these power sites at farm-land prices and to hold them in perpetuity as power sites; that it already controls the utilities in our principal cities and is year by year securing the control of the utilities in our towns and villages; and that if it secures Muscle Shoals it will have perfected its control of all of our great water powers and will hold in its selfish grasp all of these instrumentalities, placed within our borders by a beneficent Providence for the promotion of the commercial and industrial welfare of all the people.

We hold that it would be a travesty on legislation if, after many years of congressional consideration of how best to conserve the power in our navigable streams for the benefit of all the people and how most surely to preserve them from being used as instruments of monopoly, the Nation's greatest water power should be handed over to the Alabama Power Co. under the national water power act; and we further hold that it would be the quintessence of legislative folly for the Government, after 10 years of investigation as to how best to free the United States from its dependence upon a foreign power for its supply of nitrogen for explosives, in the event of war, and after spending millions of dollars in the construction of the greatest nitrogen fixation plant in the world, to turn over the only power capable of successfully operating the nitrate plant to a corporation owned and controlled by foreigners.

We remind Congress that just as the Alabama Power Co. has returned evil for good to the people of Alabama, so it is the one corporation whose dealings with our country in the grim emergency of

war was so shameless, selfish, and conscienceless that when its conduct was investigated by a select committee of Congress the minority members of this committee joined with the majority in denouncing its brazen and sordid betrayal of its duty to a war-beset nation.

Again affirming our utmost confidence in the ability and the desire of the President and the Congress of the United States and the committees of Congress to reach the soundest solution of the pending questions relating to the disposition of Muscle Shoals, we wish to express ourselves with regard to Mr. Henry Ford's proffered contract with the Government. The subject is of such vital interest to the people of Alabama that with greatest enthusiasm they have assembled in this meeting for the purpose of making this memorial:

Upon mature deliberation, we, as citizens, do express our firm conviction that it is to the best interest of the United States and to the interest of the people of Alabama that the offer of Henry Ford be accepted and concluded as a binding contract, and for the following, among other, reasons:

The acceptance of the Ford offer would insure the operation in Alabama of at least two great organizations engaged in the development and sale of hydroelectric energy, and would further insure competition in the distribution and sale of power throughout the territory which can be reached by transmission lines from the several power sites on the Tennessee River whose development is within the contemplation of the Ford offer.

The Ford offer insures the operation of United States nitrate plant No. 2 for a period of 100 years for the production of fertilizers in time of peace and for the production of nitrates for explosives in the event of war.

It insures to the millions of farmers throughout the United States, whose organizations have with unanimity indorsed the offer of Henry Ford, the continuous operation of this Government-built plant for the production of nitrate fertilizers in competition with the present producers of nitrates, by a company whose profits will be limited to 8 per cent, and in sufficient volume to have a controlling influence in fixing the price of nitrates and nitrate fertilizers for agricultural uses.

The Ford offer insures to the people of the United States the operation of nitrate plant No. 2 and its maintenance in such a constant state of readiness, with a trained force of operatives, as to guarantee to the Government and its citizens an independent, internal supply of nitrates, in exact accord with the announced intention of Congress as expressed in section 124 of the national defense act of 1916.

The Ford offer guarantees the construction of Dam No. 3, and makes provision for use by the people of the United States for purposes of navigation of one of the country's largest and most important rivers which is an integral part of the great Mississippi River waterway system.

In the consideration given to the various offers for Muscle Shoals much has been said about the profit and loss that would accrue to the Government of the United States and to its people from the acceptance or the rejection of the various offers. We respectfully urge that a plan which looks to a constant supply of cheap fertilizers for the farmers of the Nation through a period of 100 years, which insures to American industry during that period the use of nearly 1,000,000 horsepower of electric energy, which provides for the security of the Nation in the event of war, and which guarantees the navigability of one of the country's greatest rivers for all time. These continuing additions to the resources of the Nation, if it were possible to express them in terms of dollars, with interest at 4 per cent, will in the course of 100 years add so vastly to the wealth of the Nation and the prosperity of its people that any difference in the price of the nitrate plant as fixed in the several offers, and any difference between the purchase price offered and the estimated possible scrap value of the property, is dwarfed into insignificance.

With these considerations in view and having in mind the freedom of our own people from a galling and oppressive water-power monopoly, the freedom of the American farmer from a burdensome and grinding fertilizer monopoly, the opening of a great river to navigation, and the security of the country in the event of war, we urge the President and the Congress of the United States to accept the offer of Henry Ford, whom we verily believe seeks through his offer to dedicate to the American people and especially to the farmers of America his genius and his fortune.

We indorse the sentiment "America first" and Muscle Shoals first for Americans and, above all, for American farmers. Henry Ford is a typical American, who by his genius has done more for country people and country life than any other man of his time; a man who has the trust and confidence of the great masses of the common people, as evidenced by the resolutions adopted by every gathering of plain, ordinary Americans, including the representatives of 4,000,000 farmers, who have given voice to their sentiments in regard to his proposal for the development of Muscle Shoals.

We believe the issue in Congress is clearly drawn. It is a contest between the people and the interests which control the people's fertilizer and power resources.

On behalf of the army of the unemployed, in the interest of the great body of plain American citizens, in the name of millions of perplexed and burdened farmers, we beg our President and the Congress of the United States and its committees to promptly accept the offer of Henry Ford.

J. L. ANDREWS.
FRANCIS PATTERSON WALKER.
J. J. BUFFINGTON.
H. C. RANKIN.
EDW. A. O'NEAL.
S. P. MCDONALD.
CHAS. L. HAROLD.
EDWARD DOTY.

This resolution was unanimously adopted.

B. M. ALLEN, *Chairman.*
C. E. JOHNSON, *Secretary.*

MARCH 1, 1922.

This resolution, I feel, represents the overwhelming sentiment of the people of Alabama. The statement by Governor Taylor before this committee is evidence that it represents the sentiment of the people of Tennessee.

Mr. BANKHEAD. Mr. Speaker, under leave granted to print, the following telegrams are inserted in the RECORD in connection with the debate on the acceptance of the Ford offer for Muscle Shoals at the request of the senders thereof:

BIRMINGHAM, ALA., *March 10, 1924.*

Hon. W. B. BANKHEAD, M. C.,
Washington, D. C.:

I note in the press that certain Members of Congress have been making unjust and unfounded criticisms of Alabama Power Co. and its officials. You doubtless are aware that there is no basis for the bitterness and vindictiveness contained in such criticisms, and I trust that you will be good enough to see that these statements do not go unanswered. This company, as you know, is doing a great development work in this State and means much to the success and prosperity of industry.

JOHN S. STONE.

RUSSELLVILLE, ALA., *March 8, 1924.*

Hon. W. B. BANKHEAD, M. C.,
Washington, D. C.:

I regard the Alabama Power Co. as a useful institution. We are glad to have them serve us. They tend to develop this section. Please read this telegram into the CONGRESSIONAL RECORD.

W. H. KEY.

BIRMINGHAM, ALA., *March 8, 1924.*

Congressman W. B. BANKHEAD,
House of Representatives, Washington, D. C.:

We, as citizens of Alabama, earnestly request you to enter a vigorous protest on our part against the unfair and unjust criticism of the Alabama Power Co. by different Members of Congress, and we request you to see that this telegram be read into the records of the Ford hearing.

CHARLES F. DEBARDELEBEN.
MILTON H. FIES.

BIRMINGHAM, ALA., *March 8, 1924.*

Congressman W. B. BANKHEAD,
Care House of Representatives, Washington, D. C.:

We as citizens of Alabama vigorously protest against the unfair and unjust criticisms of Alabama Power Co. by different Members of Congress, and we request you to see that this telegram be read into the RECORD of the Ford hearing.

FRANK NELSON.
A. B. ALDRIDGE.

RUSSELLVILLE, ALA., *March 8, 1924.*

Hon. W. B. BANKHEAD, M. C.,
Washington, D. C.:

The press reports show that Congressman MADDEN in the debate on Muscle Shoals yesterday took the Alabama Power Co. to task about its attitude and standing in Alabama. I am for Ford for Muscle Shoals, but I am for the Alabama Power Co. for commercial power, and feel, as do a great many others, that there is plenty of room in Alabama for both companies. The information I get is that the Alabama Power Co. is constructive in its policy, and necessarily could not enter any town without the consent and desire of that town in the way of a franchise. If the press reports are correct, then Mr. MADDEN'S statements with reference to the Alabama Power Co. are unmerited. And if you will, I will ask you to read this telegram into the CONGRESSIONAL RECORD.

W. L. CHENAULT.

ANNISTON, ALA., *March 9, 1924.*

Hon. W. B. BANKHEAD, M. C.,
Washington, D. C.:

This body to-day passed the following resolution:

"Whereas it appears from the press reports received that Hon. MARTIN B. MADDEN, of the House of Representatives, attacked on March 6 the integrity of the Alabama Power Co.; and

"Whereas, in the opinion of this body, such attack was wholly unjustified by facts: Therefore be it

"*Resolved*, That the board of directors of the Anniston Junior Chamber of Commerce condemns such unfair and unwarranted attacks upon a public utility of this State that has done and is doing so much for the upbuilding of Alabama and especially this district.

"*Resolved further*, That this resolution, which shall not be construed as indorsing any particular offer for Muscle Shoals, shall be placed in the congressional records of the Muscle Shoals case, and that a copy of this resolution be wired to each Member of the Alabama delegation in Congress."

BOARD OF DIRECTORS JUNIOR CHAMBER OF COMMERCE.

RUSSELLVILLE, ALA., *March 8, 1924.*

Hon. WM. B. BANKHEAD, M. C.,
Washington, D. C.:

The citizens of Russellville and Franklin County are square behind Henry Ford for Muscle Shoals and heartily indorse Congressman MADDEN'S remarks in behalf of the Ford offer. Some few people here are stockholders in the Alabama Power Co., or have retainers from them. Excepting those, we are hundred per cent for the Ford offer. We consider MADDEN right on every statement. Read this wire into the RECORD.

C. D. Carter, Democrat; George W. Graves, postmaster; Arthur South, deputy collector; C. E. Wilson, jr., Democrat; C. E. Wilson, sr., Democrat; Y. M. Quinn, Democrat; J. D. Petree, judge of probate, Franklin County, Ala.; R. Hester, county committeeman; R. L. Bowen, State committeeman; John E. Orman, J. M. Clark, secretary chamber of commerce; J. C. Carter; W. W. Ramsey, mayor; Chas. R. Wilson; O. H. Crowell, Republican committeeman; Walter Denton, Republican; C. E. McAlister, Republican; J. L. Graves, Republican county chairman; J. Foy Guin, Republican State committeeman; Jessie Hovate; Jim Walston; Clif Roe.

ANNISTON, ALA., *March 8, 1924.*

Hon. W. B. BANKHEAD, M. C.,
Washington, D. C.:

This body to-day passed the following resolution:

Whereas the press of the country quoting Hon. MARTIN B. MADDEN, of the House of Representatives, on March 6, as attacking the integrity of Alabama Power Co., and whereas such attack, in the opinion of this body, is wholly unauthorized by the facts: Therefore be it

Resolved, That the board of directors of the Anniston Chamber of Commerce while indorsing no particular offer made for Muscle Shoals does nevertheless condemn such unfair and unwarranted attacks upon a public utility of this State that is doing so much for the upbuilding of the State and especially the Anniston district.

Resolved further, That these resolutions be placed in CONGRESSIONAL RECORD in Muscle Shoals case and a copy wired to each Member of the Alabama delegation in Congress.

ANNISTON CHAMBER OF COMMERCE,
By L. C. WATSON, *Secretary.*

JASPER, ALA., *March 8, 1924.*

Hon. W. B. BANKHEAD, M. C.,
Washington, D. C.:

Please get into the RECORD the protest of the undersigned against uncalled for assaults in Congress against Alabama Power Co. We are not sending this for or against any bid for Muscle Shoals, but in interest of fair play. Alabama Power Co. has spent huge sums in developing this State and is rendering useful and satisfactory service and has good will of people it serves.

W. D. MANASCO.	J. S. FREUEMAN.
GEORGE W. WOOD.	J. M. SHERER.
O. F. COBB.	R. A. SHERER.
C. V. RAINEY.	ELLIS CRANFORD.
MOSE NEWBURGER.	J. D. CONWELL.
R. D. ARGO.	R. O. CRANFORD.
T. B. DILWORTH.	O. M. SHERER.
ROBERT LANG.	

Mr. ALLGOOD. Mr. Speaker, by permission granted me to-day, under extension of remarks, I wish to have read into the RECORD the following telegrams from friends of mine who live in Alabama, all of whom I know to be men of the highest type. These gentlemen knew that I favored the McKenzie bill for Ford's offer for Muscle Shoals, and my position is fully set out in my speech to-day in the House, and desiring to give justice to all interested parties I hereby comply with their request:

GUNTERSVILLE, ALA., *March 8, 1924.*

Hon. MILES ALLGOOD, M. C.,
Washington, D. C.:

The constructive work of the Alabama Power Co. in Alabama for years past should refute the statement of Mr. MADDEN assailing their integrity. Their business standing in the cities they serve is unquestioned. Please read into the RECORD.

E. H. COUCH, *Mayor of Guntersville.*

BOAZ, ALA., *March 8, 1924.*

Hon. MILES ALLGOOD, M. C.,
Washington, D. C.:

A record of several years of constructive and upbuilding work for Alabama should refute the statements assailing the Alabama Power Co. made on the floor yesterday by some northern Congressman. Alabama citizens believe in fair play, and untrue statements should not go unchallenged. Please read into the RECORD.

JOHN W. BROWN, *Mayor of Boaz.*

GUNTERSVILLE, ALA., *March 8, 1924.*

Hon. M. C. ALLGOOD,
Washington, D. C.:

Don't permit MADDEN'S attack on Alabama Power Co. to go unchallenged. This company has already made itself indispensable to Alabama. Please read into the RECORD.

C. GENNELL, *Editor Democrat.*

ALBERTVILLE, ALA., *March 8, 1924.*

Hon. MILES ALLGOOD, M. C.,
Washington, D. C.:

I feel that charges made on the floor by some northern Congressmen against the integrity of the Alabama Power Co. were not just. The Alabama Power Co. has been a constructive and useful force in Alabama for several years. Please read into the RECORD.

THE SAND MOUNTAIN BANNER,
JAS. P. WHITMAN, *Editor.*

ALBERTVILLE, ALA., *March 8, 1924.*

Hon. MILES ALLGOOD, M. C.,
Washington, D. C.:

I feel that charges made on the floor by some northern Congressmen against the integrity of the Alabama Power Co. were unjust. The Alabama Power Co. has been a constructive and useful force in Alabama for several years.

THE SAND MOUNTAIN BANNER,
JAS. P. WHITTMAN, *Editor.*

ALBERTVILLE, ALA., *March 8, 1924.*

Hon. MILES ALLGOOD, M. C.,
Washington, D. C.:

Charges made on the floor against the integrity of the Alabama Power Co. by some northern Congressmen were unjust. The Alabama Power Co. has been a useful and constructive force in Alabama for several years. Please read into the RECORD.

E. M. HYATT,
Mayor of Albertville.

ANNISTON, ALA., *March 8, 1924.*

Hon. M. C. ALLGOOD, M. C.,
Washington, D. C.:

This body to-day passed the following resolutions:

"Whereas it appears from the press reports received that Hon. MARTIN B. MADDEN, of the House of Representatives, attacked, on March 6, the integrity of the Alabama Power Co.; and

"Whereas in the opinion of this body such attack was wholly unjustified by facts: Therefore be it

"*Resolved*, That the board of directors of the Anniston Junior Chamber of Commerce condemns such unfair and unwarranted attacks upon a public utility of this State that has done and is doing so much for the upbuilding of Alabama, and especially this district.

"*Resolved further*, That this resolution, which shall not be construed as indorsing any particular offer for Muscle Shoals, shall be placed in the congressional records of the Muscle Shoals case and that a copy of this resolution be wired to each Member of the Alabama delegation in Congress."

BOARD OF DIRECTORS, JUNIOR CHAMBER OF COMMERCE.

ANNISTON, ALA., *March 8, 1924*.

Hon. M. C. ALLGOOD, M. C.,
Washington, D. C.:

This body to-day passed the following resolutions:

"Whereas the press of the country quoting Hon. MARTIN B. MADDEN, of House of Representatives, on March 6 as attacking the integrity of Alabama Power Co.; and

"Whereas such attack, in the opinion of this body, is wholly unauthorized by the facts: Therefore be it

"*Resolved*, That the board of directors of the Anniston Chamber of Commerce, while indorsing no particular offer made for Muscle Shoals, does nevertheless condemn such unfair and unwarranted attacks upon a public utility of this State that is doing so much for the upbuilding of the State, and especially the Anniston district.

"*Resolved further*, That these resolutions be placed in congressional records in Muscle Shoals case and a copy wired to each Member of the Alabama delegation in Congress."

ANNISTON CHAMBER OF COMMERCE,
By L. C. WATSON, *Secretary*.

GADSDEN, ALA., *March 8, 1924*.

Hon. MILES C. ALLGOOD, M. C.,
Washington, D. C.:

We solemly protest against the statements made on the floor of the House by Representatives MADDEN and JAMES as to the Alabama Power Co. That company is clean and doing more to develop Alabama than any other. Its officers are among the best and leading citizens of the State. We ask that you read this into the RECORD.

J. L. HERRING.
E. S. CROSS.
C. W. VANCE.
A. A. TOMAS.
T. S. KYLE.
C. S. WARD.

Mr. HILL of Alabama. Mr. Speaker, by permission granted to extend my remarks in the RECORD on the bill providing for the acceptance of the offer of Henry Ford for Muscle Shoals I wish to have printed in the RECORD the following telegrams:

MONTGOMERY, ALA., *March 8, 1924*.

Hon. LISTER HILL, M. C.,
Washington, D. C.:

I am instructed by the board of directors of the Chamber of Commerce of Montgomery, in special meeting assembled at noon to-day, to convey the following sentiment: Note press reports relative to an attack made on floor of House yesterday against Alabama Power Co. This would indicate Alabama Power Co. is regarded by business interests of Alabama as being an outlaw and pirate and has no friends. We feel, as a representative business organization, it would be unfair if we did not protest against this attack. We regard the Alabama Power Co. as being one of our progressive corporations, and it enjoys the respect and confidence of a large part of our population. They are seeking in every honorable way to develop Alabama, and instead of being unjustly censured we feel they should be commended for their efforts in upbuilding this section. Please have this read in the records.

CHAMBER OF COMMERCE, MONTGOMERY, ALA.,
W. F. BLACK, *Secretary*.

WASHINGTON, D. C., *March 11, 1924*.

W. F. BLACK,
Secretary Chamber of Commerce, Montgomery, Ala.:

I received on Monday, March 10, your telegram protesting against attack made on Alabama Power Co., which telegram was published in the Montgomery Advertiser on Sunday morning, March 9. The attack referred to in your telegram can be construed to be the speech of Representative FINIS J. GARRETT, the Democratic leader of the House, or the speech of Representative MARTIN B. MADDEN, or the speech of Representative W. FRANK JAMES, or my speech delivered in the House on March 5 for the acceptance of the Ford offer. If your telegram refers to my speech I have no apologies to make. On the contrary, I wish to reiterate every word uttered in my speech to the end that the people of my State may know of the activities of the Alabama Power Co. in its effort to defeat the Ford offer to the great detriment of the people and to gain a monopoly of the water power of Alabama for its own selfish purposes. When a candidate for Congress I announced that I would fight the Alabama Power Co. so long as it stood between Henry Ford and Muscle Shoals. The people trusted me and elected me. I am now keeping faith with them. I am sending you a copy of my speech above referred to. Since you published your telegram to me, in order that my conduct in Congress may be publicly and fairly judged, I request that you publish this telegram to you, together with my speech and the following telegram sent by you to the Military Affairs Committee, of which I am a member, which telegram reads as follows:

"MONTGOMERY, ALA., *February 17, 1922*.

"Hon. JULIUS KAHN,
"*Chairman Military Affairs Committee*,
"*House of Representatives, Washington, D. C.*:

"Whereas it appears from the public press that the Alabama Power Co. is making bid to Government for the acquisition of Muscle Shoals and all subsidiary plants; and

"Whereas it is the opinion of the board of directors of Chamber of Commerce of Montgomery, Ala., that the Alabama Power Co. already has practically a monopoly on all water-power rights in Alabama, except Muscle Shoals, which rights now possessed will require years to develop, therefore we believe that any further grant of power to that company would be a calamity not only to Alabama but to the entire territory contiguous thereto, and will retard the development of this country commercially and agriculturally for years to come. We urgently request your committee not to consider the offer of the Alabama Power Co. as competitive with the offers made by other people for the development of Muscle Shoals.

"CHAMBER OF COMMERCE, MONTGOMERY, ALA.,
"W. F. BLACK, *Secretary*."

I am placing in the RECORD this telegram to you and your telegram to me as requested.

LISTER HILL, M. C.

Mr. McKENZIE. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. MAPES, 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. 518 and had come to no resolution thereon.

ORDER OF BUSINESS.

Mr. McKENZIE. Mr. Speaker, I ask unanimous consent that business in order on Monday, provided for in the calendar, shall be set aside until after the disposition of the pending bill.

The SPEAKER. The gentleman from Illinois asks unanimous consent that business in order on Monday next be set aside, and that this bill shall be in order. Is there objection?

Mr. REED of New York. Mr. Speaker, I object.

ADJOURNMENT.

Mr. LONGWORTH. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; and accordingly (at 5 o'clock and 36 minutes p. m.) the House adjourned until Monday, March 10, 1924, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

391. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the legislative branch of the Government for the fiscal year ending June 30, 1925; said estimate is for driving, maintenance, and operation of an automobile for the Vice President, which automobile is now used by the President pro tempore (H. Doc. No. 213); to the Committee on Appropriations and ordered to be printed.

392. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the Department of Agriculture for the fiscal year ending June 30, 1924, to repair damage by typhoon to buildings, fences, etc., of the agricultural experiment station on the island of Guam, $3,500, and for the protection of the so-called Oregon & California Railroad lands and Coos Bay Wagon Road lands, $11,990; in all $15,400 (H. Doc. No. 214); to the Committee on Appropriations and ordered to be printed.

393. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the Treasury Department for the fiscal year 1924, for miscellaneous expenses pertaining to the activities of the Federal Farm Loan Board, amounting to $5,000 (H. Doc. No. 215); to the Committee on Appropriations and ordered to be printed.

394. A letter from the Attorney General, transmitting letter in response to House Resolution 211, directing him to transmit to the House the names of the two Members of Congress mentioned in the report of the grand jury of the District Court of the United States for the Northern District of Illinois, and the nature of the charges made against such Members of Congress (H. Doc. No. 216); to the Committee on the Judiciary and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. VESTAL: Committee on Weights, Coinage, and Measures. H. R. 5259. A bill to authorize the coinage of 50-cent pieces in commemoration of the commencement on June 18, 1923, of the work of carving on Stone Mountain, in the State of Georgia, a monument to the valor of the soldiers of the South, which was the inspiration of their sons and daughters and grandsons and granddaughters in the Spanish-American and World Wars, and in memory of Warren G. Harding, President of the United States of America, in whose administration the work was begun; without amendment (Rept. No. 277). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. ROACH: Committee on War Claims. S. 129. A bill for the relief of the William D. Mullen Co.; without amendment (Rept. No. 276). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H. R. 3760) granting a pension to W. C. Merritt, 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. LITTLE: A bill (H. R. 7751) to provide for the erection of a Federal building at Paola, Kans.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 7752) to provide for the erection of a Federal building at Olathe, Kans.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 7753) to provide for the erection of a Federal building at Osawatomie, Kans.; to the Committee on Public Buildings and Grounds.

By Mr. HILL of Washington: A bill (H. R. 7754) to provide for the purchase of a site and the erection thereon of a public building at Oroville, Wash.; to the Committee on Public Buildings and Grounds.

By Mr. VINSON of Kentucky: A bill (H. R. 7755) for the purchase of a post-office site at Russell, Ky.; to the Committee on Public Buildings and Grounds.

By Mr. HAMMER: A bill (H. R. 7756) to prohibit the collection of a surcharge for the transportation of persons or baggage in connection with the payment for parlor or sleeping car accommodations; to the Committee on Interstate and Foreign Commerce.

By Mr. MADDEN: A bill (H. R. 7757) for the abandonment of a portion of the present channel of the South Branch of the Chicago River; to the Committee on Interstate and Foreign Commerce.

By Mr. HAUGEN: A bill (H. R. 7758) to further amend an act entitled "An act to regulate foreign commerce by prohibiting the admission into the United States of certain adulterated grain and seeds unfit for seeding purposes," approved August 24, 1912; to the Committee on Interstate and Foreign Commerce.

By Mr. DEAL: A bill (H. R. 7759) providing for the purchase of a site and the erection of a public building at Norfolk, Va.; to the Committee on Public Buildings and Grounds.

By Mr. HASTINGS: A bill (H. R. 7760) to reimburse certain Eastern Cherokees who removed themselves to the Cherokee Nation under the terms of the eighth article of the treaty of December 29, 1835; to the Committee on Indian Affairs.

By Mr. SCHNEIDER: A bill (H. R. 7761) to provide for the manufacture of explosives for the use of the Army and Navy, to provide for the manufacture of fertilizer for agricultural purposes, to incorporate the Federal Chemical Corporation, and for other purposes; to the Committee on Military Affairs.

By Mr. WINSLOW: A bill (H. R. 7762) to provide for the method of measurement of vessels using the Panama Canal; to the Committee on Interstate and Foreign Commerce.

By Mr. PORTER: Joint resolution (H. J. Res. 212) providing for the reduction of income tax payable in 1924; to the Committee on Ways and Means.

By Mr. BELL: Joint resolution (H. J. Res. 213) for the investigation of the advisability and cost of securing lands in the Southern Appalachian Mountains for perpetual preservation as a national park; to the Committee on the Public Lands.

By Mr. KENT: Resolution (H. Res. 214) providing for investigation of the receivership of the Lehigh Machine Co., Lehighton, Pa.; to the Committee on Rules.

By Mr. LINEBERGER: Resolution (H. Res. 215) providing for an additional clerk for Members of the House of Representatives not chairman of committees during the Sixty-eighth Congress; to the Committee on Accounts.

By Mr. CARTER: Memorial of the Legislature of the State of Oklahoma, favoring the enactment into law of an adjusted compensation bill; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS.

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

By Mr. BEEDY: A bill (H. R. 7763) granting a pension to Fairfield Tuttle; to the Committee on Invalid Pensions.

By Mr. CASEY: A bill (H. R. 7764) for the relief of John Bray; to the Committee on Military Affairs.

Also, a bill (H. R. 7765) granting an increase of pension to Hattie McGuire; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7766) granting an increase of pension to Lorenzo D. Smith; to the Committee on Pensions.

By Mr. DENISON: A bill (H. R. 7767) to provide for an examination and survey of the Mississippi and Ohio Rivers at or near Cairo, Ill., for the purpose of determining the practicability and estimating the cost of a tri-State highway bridge over said rivers; to the Committee on Interstate and Foreign Commerce.

By Mr. GARDNER of Indiana: A bill (H. R. 7768) granting a pension to Noah Rickard; to the Committee on Invalid Pensions.

By Mr. GARRETT of Tennessee: A bill (H. R. 7769) for the relief of Jacob D. Nelson; to the Committee on Claims.

By Mr. MANSFIELD: A bill (H. R. 7770) for the relief of R. E. Swartz, W. J. Collier, and others; to the Committee on Claims.

By Mr. OLDFIELD: A bill (H. R. 7771) granting an increase of pension to George L. Robinson; to the Committee on Pensions.

By Mr. ROBSION of Kentucky: A bill (H. R. 7772) granting an increase of pension to Richard B. Abston; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7773) granting a pension to Millard Barrett; to the Committee on Pensions.

Also, a bill (H. R. 7774) granting an increase of pension to Alfred D. Burns; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7775) granting a pension to James Fletcher; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7776) granting a pension to Alvin L. Piercey; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7777) granting an increase of pension to George Roberts; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7778) granting a pension to Robert Roberts; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7779) granting an increase of pension to Elizabeth J. White; to the Committee on Invalid Pensions.

By Mr. SCOTT: A bill (H. R. 7780) for the relief of Fred J. La May; to the Committee on the Public Lands.

By Mr. TINCHER: A bill (H. R. 7781) granting an increase of pension to John W. Garten; to the Committee on Pensions.

By Mr. YOUNG: A bill (H. R. 7782) for the relief of Anna Volker; to the Committee on Claims.

PETITIONS, ETC.

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

1596. By the SPEAKER (by request): Petition of the Board of Aldermen of the City of New York, favoring the passage of a bonus act for veterans of the World War; to the Committee on Ways and Means.

1597. Also (by request), petition of members of the Navajo Tribe of Indians residing in the vicinity of Toadlena, N. Mex., requesting that the eastern extension of their reservation be

granted to them and their children; to the Committee on Indian Affairs.

1598. By Mr. ALDRICH: Petition of South Providence Lodge, No. 328, I. O. B. A., Providence, R. I., protesting against the passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1599. Also, petition of Rhode Island Lodge, No. 287, P. O. W., Providence, R. I., protesting against the passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1600. By Mr. CABLE: Petition of Allen Lodge, No. 145, International Association of Machinists, of Lima, Ohio, favoring the passage of the Brookhart-Hull bill (S. 742 and H. R. 2702); to the Committee on Naval Affairs.

1601. By Mr. CONNERY: Petition of Young Men's Hebrew Association, Lynn, Mass., condemning the so-called Johnson bill; to the Committee on Immigration and Naturalization.

1602. By Mr. COOK: Petition of executive committee of the Marion Woman's Department Club, Marion, Ind., in support of the prohibition act; to the Committee on the Judiciary.

1603. By Mr. CORNING: Petition of the Gideon Lodge No. 140, I. O. B. B., Albany, N. Y., in opposition to the restrictive immigration bill introduced by Representative ALBERT JOHNSON; to the Committee on Immigration and Naturalization.

1604. By Mr. EVANS of Montana: Petition of Eric Peterson and other citizens of Deer Lodge, Mont., urging the enactment into law of legislation similar to or identical with the Brookhart-Hull bill (S. 742 and H. R. 2702) requiring that all strictly military supplies be manufactured in the Government-owned navy yards and arsenals and providing for the stabilizing of production and employment in Government industrial establishments by the use of these plants for the manufacture of articles required by other departments of the Government; to the Committee on Naval Affairs.

1605. By Mr. GALLIVAN: Petition of auxiliary to Lawrence Post, No. 15, American Legion, Lawrence, Mass., recommending early and favorable consideration of adjusted compensation for veterans of the World War; to the Committee on Ways and Means.

1606. Also, petition of city council, city of Worcester, Mass., recommending early and favorable consideration of legislation providing for increases in salaries of all postal employees; to the Committee on the Post Office and Post Roads.

1607. By Mr. GARBER: Petition of citizens of Alva, Okla., indorsing the adjusted compensation measure; to the Committee on Ways and Means.

1608. Also, petition of the American Wheat Growers' Association and the Export Commission Leagues of Idaho, Illinois, Iowa, Kansas, Minnesota, Nebraska, Montana, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming, expressing views on the McNary-Haugen bill as compared with the views of the Oklahoma Wheat Growers' Association; to the Committee on Agriculture.

1609. Also, petition of citizens of Lamont, Okla., and vicinity, indorsing the adjusted compensation measure; to the Committee on Ways and Means.

1610. Also, petition of citizens of Cherokee, Alfalfa County, Okla., and vicinity, indorsing the adjusted compensation measure; to the Committee on Ways and Means.

1611. Also, petition of a number of citizens of Jet, Okla., stating their approval of House bill 745, the Anthony bill, providing for free shooting grounds and game refuges; to the Committee on Agriculture.

1612. By Mr. LEAVITT: Petition of Beaverhead Post, No. 20, American Legion, of Dillon, Mont., favoring adjusted compensation; to the Committee on Ways and Means.

1613. Also, petition of Carbon Post, No. 17, American Legion, of Red Lodge, Mont., favoring an adjusted compensation measure with provisions that benefit therefrom may be received in the form of a cash payment, insurance, vocational training, farm or home aid, or land; to the Committee on Ways and Means.

1614. By Mr. O'CONNELL of Rhode Island: Petition of members of the South Providence Lodge, No. 328, I. O. B. A., of Rhode Island, opposing the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1615. Also, petition of members of the Rhode Island Lodge, No. 287, P. O. W., of Providence, R. I., opposing the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1616. By Mr. O'SULLIVAN: Petition of the American Legion, Department of Connecticut, favoring a five-year limit for tuberculosis on claims arising from service to the United States in the World War; to the Committee on World War Veterans' Legislation.

1617. Also, petition of the American Legion, Department of Connecticut, protesting against any time limit for the filing of mental claims arising from service to the United States in the World War; to the Committee on World War Veterans' Legislation.

1618. By Mr. PATTERSON: Memorial of Winfield Council, No. 63, Sons and Daughters of Liberty, Jersey City, N. J., favoring the immigration bill (H. R. 6540); to the Committee on Immigration and Naturalization.

1619. By Mr. STRONG of Pennsylvania: Petition of Council No. 149, Sons and Daughters of Liberty, Blairsville, Pa., in favor of House bill 6540, to further restrict immigration; to the Committee on Immigration and Naturalization.

1620. By Mr. YOUNG: Petitions of C. W. Fine and 31 other citizens of Sheyenne, N. Dak.; Alfred Haldi and other citizens of Glenburn, N. Dak.; H. A. Podoll and other citizens of Jud, N. Dak.; and E. W. Anderson and 69 other citizens of Alexander, N. Dak., urging the passage of the Norris-Sinclair bill; to the Committee on Agriculture.

1621. Also, petition of A. G. Sevareid and other citizens of Velva, N. Dak., and 36 citizens of Tappen, N. Dak., urging an increase in the duty on wheat from 30 to 60 cents per bushel, the repeal of the drawback provision and the milling-in-bond privilege, also the passage of the Wallace plan for the marketing of wheat; to the Committee on Ways and Means.

SENATE.

SUNDAY, *March 9, 1924.*

The Senate met at 11 o'clock a. m.

The Chaplain, Rev. J. J. Muir, D. D., offered the following prayer:

Our Father, with whom there is no beginning nor end of days, Thou art teaching us most frequently that the present life is but a shadow. We are inclined too often to number our days by the things of time and sense, and to measure life by heart throbs or figures on a dial. But we come this morning beseeching Thee that we may have before us that dateless life towards which all other forms of existence tend. We beseech of Thee to be with us we bear one to the other remembrances of past friendship and opportunity and possibility. We pray, our Father, that not only shall there be granted unto those that mourn the sweetness of infinite consolation but to those who have to do with the duties and bear the burdens of the present a new sense of responsibility, realizing that after all our tenure of office is not held in the presence of humankind alone but in Thy presence that determines life and its destiny. Hear us, be with us in this hour, and grant us Thy blessing now and always. Through Jesus Christ, our Lord. Amen.

NAMING A PRESIDING OFFICER.

The reading clerk (John C. Crockett) read the following communication:

UNITED STATES SENATE,
PRESIDENT PRO TEMPORE,
Washington, D. C., March 9, 1924.

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. LAWRENCE C. PHIPPS, a Senator from the State of Colorado, to perform the duties of the Chair this legislative day.

ALBERT B. CUMMINS,
President pro tempore.

Mr. PHIPPS thereupon took the chair as Presiding Officer.

THE JOURNAL.

On request of Mr. LODGE and by unanimous consent the reading of the Journal of the proceedings of Friday last was dispensed with and the Journal was approved.

MEMORIAL ADDRESSES ON THE LATE SENATOR NELSON.

Mr. SHIPSTEAD. Mr. President, I offer the following resolutions and ask for their adoption.

The PRESIDING OFFICER. The Secretary will report the resolutions.

The resolutions (S. Res. 187) were read, and considered as follows:

Resolved, That the Senate has heard with profound sorrow of the death of Hon. KNUTE NELSON, late a Senator from the State of Minnesota.

Resolved, That as a mark of respect to the memory of the deceased the business of the Senate be now suspended to enable his associates to pay tribute to his high character and distinguished public services.