

clean-up where infestation is 1 per cent; suggesting that more of the appropriations available be paid to farmers who do the work, less for impracticable machinery; urging adequate compensation for farmers in quarantine district for losses incident to campaign; requesting greater tariff protection on farm products; and asking for reduction of freight rates on farm products; to the Committee on Agriculture.

## HOUSE OF REPRESENTATIVES

SATURDAY, December 10, 1927

The House met at 12 o'clock noon.

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

Thy presence, O God, is meant to enrich and beautify all life. We praise Thee that the light of Thy Providence folds us in its sure embrace. Thy power is all about us. We breathe Thy air, we are warmed by Thy sun, we are awed by Thy glory, and we are kept by Thy daily care. We recall memories which we can not define and satisfactions which we can not analyze; yet we bless Thee. Clothed with the insignia of a great responsibility, God forbid that we should be untrue to our best selves. If greed and injustice exist, may it be said that they exist in defiance of our cherished principles. By fortitude, by patience, by a conscientious devotion to our country's welfare, help us to discharge the supreme claims which are upon us. Make our understanding a fortress safe and secure. Oh, may we give ourselves up to Thy wise and gentle guidance, through Christ.

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

### RECESS

COL. CHARLES A. LINDBERGH

Mr. TILSON. Mr. Speaker, we are honored to-day in having as a visitor in the Capitol a distinguished young American who has thrilled the world by a notable achievement. I refer to Col. Charles A. Lindbergh. [Applause.] In order that the membership of the House may have the privilege of meeting Colonel Lindbergh, I ask unanimous consent that the House stand in recess, subject to the call of the Speaker, and that the Speaker appoint a committee of two to wait upon Colonel Lindbergh and escort him to the Hall of the House.

The SPEAKER. The gentleman from Connecticut asks unanimous consent that the House stand in recess for the purpose indicated. Is there objection? [After a pause.] The Chair hears none. The Chair appoints the gentleman from Connecticut, Mr. TILSON, and the gentleman from Tennessee, Mr. GARRETT, to escort Colonel Lindbergh to the Hall of the House.

Accordingly, at 12 o'clock and 6 minutes p. m., the House stood in recess.

### DURING THE RECESS

Mr. TILSON and Mr. GARRETT of Tennessee escorted Colonel Lindbergh to the well of the House.

The SPEAKER. Gentlemen and gentlewomen of the House, I have the extreme pleasure now of presenting to you America's most attractive citizen. [Prolonged applause.]

Colonel Lindbergh assumed a stand on the Speaker's rostrum, and the Members and officials of the House were presented to him by Mr. TILSON.

### AFTER THE RECESS

At 12 o'clock and 34 minutes p. m. the House was called to order by the Speaker.

### CONGRESSIONAL MEDAL OF HONOR FOR COL. CHARLES A. LINDBERGH

Mr. SNELL. Mr. Speaker, there is only one more honor that this House can do to that lovable young man who has just been our guest, and that is at this time to pass the bill conferring upon him the Congressional Medal of Honor. [Applause.]

Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H. R. 3190) authorizing the President of the United States to present in the name of Congress a medal of honor to Col. Charles A. Lindbergh, which I send to the desk and ask to have read.

The Clerk read as follows:

*Be it enacted, etc.*, That the President of the United States be, and he is hereby, authorized to present in the name of Congress a medal of honor to Col. Charles A. Lindbergh, United States Army Air Corps Reserve, for displaying heroic courage and skill as a navigator, at the risk of his life, by his nonstop flight in his plane, the *Spirit of St. Louis*, from New York to Paris, France, on May 20, 1927, by which

he not only achieved the greatest individual triumph of any American citizen but demonstrated that travel across the ocean by aircraft was possible.

The SPEAKER. The bill is passed. [Applause.]

### MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Craven, its principal clerk, announced that the Senate had passed the following resolutions:

#### Senate Resolution 36

*Resolved*, That the Senate has heard with profound sorrow the announcement of the death of the Hon. WALTER W. MAGEE, late a Representative from the State of New York.

*Resolved*, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

*Resolved*, That as a further mark of respect to the memory of the deceased the Senate do now adjourn.

#### Senate Resolution 37

*Resolved*, That the Senate has heard with profound sorrow the announcement of the death of the Hon. LADISLAS LAZARO, late a Representative from the State of Louisiana.

*Resolved*, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

*Resolved*, That as a further mark of respect to the memory of the deceased the Senate do now adjourn.

#### Senate Resolution 38

*Resolved*, That the Senate has heard with profound sorrow the announcement of the death of the Hon. M. E. CRUMPACKER, late a Representative from the State of Oregon.

*Resolved*, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

*Resolved*, That as a further mark of respect to the memory of the deceased the Senate do now adjourn.

#### Senate Resolution 39

*Resolved*, That the Senate has heard with profound sorrow the announcement of the death of the Hon. WILLIAM N. VAILE, late a Representative from the State of Colorado.

*Resolved*, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

*Resolved*, That as a further mark of respect to the memory of the deceased the Senate do now adjourn.

### THE LATE REPRESENTATIVE CRUMPACKER

Mr. SINNOTT. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by printing therein an article from the Boston Transcript of August 8, 1927, regarding my deceased colleague, the late Representative MAURICE EDGAR CRUMPACKER, of Portland, Oreg.

The SPEAKER. Is there objection?

There was no objection.

Mr. SINNOTT. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following newspaper article from the Boston Transcript of August 8, 1927:

The sudden passing on of MAURICE EDGAR CRUMPACKER, of Portland, Oreg., Congressman, in late July, was a tragedy and a calamity. It was inexplicable to those who did not know the inside man. He was in his forty-first year. He had served one term in Congress. There his father had served before him, though from Indiana, where the family then lived. Hence the younger Crumpacker did not go to Washington as Congressman as a stranger. He knew the town. He was educated at the grade schools at Valparaiso, in Indiana, and the District of Columbia and at Culver. He was graduated from the University of Michigan. There he was a greater athlete than student. This is no reflection on his academic standing, for he is remembered there as one of its great figures on the gridiron. For wherever "Stub," so known because of his thick-knit build, saw virile life, there it was his nature to plunge in, head over heels. He was as much at home in a scrimmage as a young lawyer in an empty office, where the footprints of a client on the mat before the door provoke the same thrill as when Mr. R. Crusoe discovered the tracks of the savage, "Friday," upon his bathing beach.

CRUMPACKER was graduated at the Harvard Law School in 1912. He opened an office in Portland, Oreg. There his capacity was recognized. He was made special deputy district attorney. He was a captain in the World War. He was elected to Congress in 1924. His plurality was decisive. Even his neighbors voted for him. This is the last, hardest vote to win in a world which the Episcopal ritual intimates abounds in envy, hatred, malice, and all uncharitableness. So do they vote for another Congressman, of Gloucester, in Massachu-

setts, a race of fishermen, who is a St. Andrew, preeminent for his big hauls at the polls. Likely CRUMPACKER would have gone to the Senate. A wife and three young sons survive him.

While the life of CRUMPACKER was short as measured in years, it was long as measured by substantial accomplishment. In Congress he was a member of the Committee on Rivers and Harbors, of which the noted Mr. DEMPSEY, of Lockport, N. Y., is chairman. The merits of the positions which CRUMPACKER pressed in Congress were augmented by his personal charm, when others in this way less gifted than he would have made less progress with them. While in an estimate of the man this substantial accomplishment is recognized, it is not emphasized. This is not only because there are others in Congress who stand up to this test, and so he is not unique, but it is also because he was in another way preeminent and alone and as such only to be understood.

CRUMPACKER qualifies for a New England weekly, first because of his three years' residence in Cambridge at the law school. Then he came to be known by men prominent thereabouts to-day. These he held in strong bonds. For to see him was to fancy him. On his part, he wound his tentacles around the hearts of those who crossed his path. To them his loss to-day is almost as one of their own kin. CRUMPACKER again qualifies in a New England weekly because of his appearance before the Middlesex Club in the spring of 1925. He was the oasis of that dinner to all, whether they looked for the solidity of foundation matter or for the lighter touch of the turrets. To do this was to do much, for at the Middlesex Club, since the days of Sam Powers, of versatility and wit, and of the student, Louis Arthur Coolidge, the best talent of the country has appeared. President Proctor, who has kept the pace, will tell you this of CRUMPACKER, whether you ask him or not. Then CRUMPACKER sat for me, my first Washington portrait. This I was asked to do because of that dinner. I remember his caution: "Don't make your vivid colors of me that of a comedy."

CRUMPACKER, besides his substantial qualifications, was an entertainer, not the product of artifice, but so born. It was unavoidable. Nevertheless, he was keenly sensitive to its political dangers, from the days it destroyed Sunset Cox and defeated Job Hedges for Governor of New York. So he put the entertainer in his proper place. So this never jeopardized his political position. And one who has the power of amusement and controls it is greater than he who taketh a city. This CRUMPACKER did, but cheer oozed out of his system and made very many people very happy. He was an adept at the piano, which augmented his efficacy as an entertainer. There his fingers reached out into the top octaves with the same facility as those of a child in a large family for the too scarce cream at breakfast. He did not dissipate his energies on fugues in B minor, such as satiate the pretended tastes of many at Symphony Hall, but he was human enough to cling to the stuff that cheers those who propose to be honestly happy. All remember, now with peculiar significance, his greatest song, a tonic to the tired, Rolling to the Sea. So far this is the story of CRUMPACKER as known to many men; that is, to those who thought they knew him. Now, the key to the inside CRUMPACKER.

The following anecdote may not have been heard by some one, somewhere, for some time. It seems to fit. A depressed man once sought an appointment with a neurologist. No one should do this who has not a fair control of his trouble, for this branch of the profession, as yet, sails in seas pretty much uncharted. "I can not give you an appointment this side of a week," his secretary said. "I can wait a month," the sufferer replied. The secretary marveled at his patience. The sufferer continued: "Yours is a 10-year cure, I know, if at all. With an annual salary, a month looks small." When they met, the neurologist, after some sparring, said, "Why not read Jones; he is a great spreader of cheer?" "I am Jones," said the sufferer. The neurologist finds his hayfields often among those who entertain others. This is the key to the inside CRUMPACKER.

CRUMPACKER was looked upon by most men at the risk of the tenth commandment. This is an often and easy mistake in the contrasts of life, when men forget that they see only the show side of those whom they think more fortunate than themselves. For could those who people the streets be seen as they are, then would walk there often not men and women but heroes and heroines. The only sure test of anyone is to see him in his own house, alone with his own family, where only is he himself. There he is often an extra tire, though he may be the life of the clubhouse. There, on the other hand, he may be vital to happiness, though an unsought hermit in public places. The home life of CRUMPACKER could not have been more sympathetic—they with him, he with them.

CRUMPACKER was apparently a synonym of life worth while. He was, in fact, a productive member of the community. He was beyond money cares. He had, apparently, health, and was apparently the first man made without a nervous system. To get to the essence of the man as he appeared to the bleachers of life, it is a temperate statement that there has been no man in Congress who has added more to its cheer, and it was apparently automatic and not the product of a forced draft. Civilization is under a great, too often forgotten obligation to this class, for the ponderous too often precede in the distribution of its prizes. Such men as CRUMPACKER lift men out of the shadowed valleys of dis-

couragement in which life abounds up onto the mountains of hope, soulit by their cheer. This is seen in the city of Worcester in that brilliant raconteur, Mr. William Bacon Scofield, to the discriminating its most vital citizen. There was no man in Congress more sought by the most sought for than CRUMPACKER, by such men as LONGWORTH; ROBERT BACON, a brother of Jamaica Plain's own pride, Gaspar Bacon; and RICHARD ALDRICH, a son of former Senator Nelson W. Aldrich. With these men he often played golf or walked in Rock Creek Park on Sunday. He was the axis about which his associates revolved.

CRUMPACKER was, apparently, the concentrated essence of vigor and vivacity, whether in hours of avocation, in "shorts," or in the lobby of the House. This is, however, a high-priced commodity to those who have it in the market of life. This price CRUMPACKER paid. He went to bed a debtor to his nervous system. His nervous account was overdrawn. While he sowed cheer, like many others, he reaped little in his last years. His deposits were scarce, for he gave more than he got, because of his disability. By the law of averages and the swinging of the pendulum, as those who knew tell us, the heights which he attained in the spreading of cheer when spurred by society he paid for in the depths which he reached when alone with himself. It was the same way with Lincoln, whose sense of humor, however, carried his load, where that of CRUMPACKER could not because of the burden. The growing trouble which he had long mastered then mastered him. At the end, his last Sunday, he knew not what he was or where he was, and so he died as irresponsible and innocent, in the manner of his death, as though from the disabilities of old age.

Of such was CRUMPACKER. In him the House has lost not only a Member of performance, who did much in his first term, and of promise, but also one who as a spur to the spirit of its Members is unsurpassed in its history. This is a too scarce quality in days when accomplishment is happily almost commonplace. CRUMPACKER loved life. Life loved CRUMPACKER. In him life and death were never set off in contrast more sharp. He will live among his associates more vividly than many who remain. He died, and a host long will mourn him. It is a wise man who sets his heart not on health, wealth, or fame but on affection. This CRUMPACKER had. This he reciprocated at home and abroad. Requiescat!

#### CORRECTION OF THE RECORD—AUTOMOBILES FOR THE NAVY

Mr. McCLINTIC. Mr. Speaker, I ask unanimous consent to proceed for three minutes, in order to make a correction in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. McCLINTIC. Mr. Speaker and gentlemen of the House, some one has introduced a bill, and has signed my name to it, which, if enacted into law, would allow the Secretary of the Navy to buy for every officer of the Navy, a Cadillac, a Packard, or a Rolls-Royce automobile. Everyone knows that such an idea is foreign to that which would be expressed by me. I do not know who did this. I do not know where it came from. I never saw the bill before.

Mr. SNELL. Does it include Members of the House?

Mr. McCLINTIC. It refers only to the Navy. I feel that it is only due to myself to make the RECORD clear, so that in the future some one may not rise on some public platform and say of me: "Look here, he has introduced a bill that absolutely will teach the naval officers how to navigate automobiles rather than ships." [Laughter and applause.]

It is true, Mr. Speaker, that some of the naval officers ought to learn a little more about navigating ships. We all remember out on the California coast that \$11,000,000 worth of vessels was destroyed because of bad operation, and down at Melbourne, Australia, a little over three years ago, in perfectly smooth water, a naval officer ran a destroyer into a fishing smack and sunk it. If I could have my way I would cause all of our destroyers to be taken out of their berths for 30 days each year in order to teach the naval officers how to operate them, rather than to give them automobiles, as this bill would do.

I ask unanimous consent that the RECORD be corrected so as to show that I did not introduce this piece of legislation.

The SPEAKER. Is there objection?

There was no objection.

Mr. HASTINGS. Why not ask unanimous consent that the bill be withdrawn?

Mr. McCLINTIC. I thank my colleague for the suggestion, and I ask unanimous consent that the bill be withdrawn, so that if the real author wants to introduce such legislation he may do it in his own name.

The SPEAKER. The gentleman from Oklahoma asks unanimous consent that the bill referred to be withdrawn. Is there objection?

Mr. BLANTON. Mr. Speaker, on the question of the privileges of the Whole House a matter of that great importance

ought not to stop with merely the denial by the gentleman from Oklahoma that he introduced any such bill. If somebody put in the hopper in the name of the gentleman from Oklahoma a bill without authority, the House ought to know something more about it, in my judgment.

Mr. GREEN of Iowa. Mr. Speaker, I raise the point of order—

Mr. MCCLINTIC. Mr. Speaker, I will be satisfied with the granting of my request.

Mr. BLANTON. Well, if the gentleman is satisfied I am.

Mr. MCCLINTIC. Yes.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma? [After a pause.] The Chair hears none.

THE REVENUE BILL

Mr. GREEN of Iowa. 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. 1.

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. NEWTON 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. 1, which the Clerk will report by title.

The Clerk read as follows:

A bill to reduce and equalize taxation, provide revenue, and for other purposes.

Mr. GREEN of Iowa. Mr. Chairman, in pursuance of the order entered by the House yesterday, I yield 20 minutes to the gentleman from Oregon [Mr. HAWLEY]. [Applause.]

Mr. HAWLEY. Mr. Chairman and gentlemen of the committee, before beginning the remarks I have planned upon the reductions in taxes and revenue in the pending bill, the reasons therefor and the limit to be placed upon the diminution of revenue, I will refer to some remarks made by the gentleman from Texas [Mr. GARNER], who had the floor last evening, lest from the general course of his remarks the impression might have been left upon the House that the Committee on Ways and Means in preparing and reporting the pending bill had been under the domination of the Treasury. It is important that the Treasury present its views, for the information and experience it has gained from the administration of the revenue laws, its contact with taxpayers, and the discovery of needed amendments make its conclusions and recommendations of the first importance. The public interest is represented by its experienced officials. But to the House is committed the responsibility of proposing revenue legislation, and it is our duty and responsibility, after due consideration, as representatives of the people who are taxed, to determine the policies to be pursued, the objects to be taxed, and the rates of such taxation. The committee gave the views of the Treasury careful and extended consideration. In matters of taxation the committee differed from the Treasury. The Treasury recommended a reduction of the corporation tax to 12 per cent. The committee cut the tax to 11½—a change in the recommendation. They recommended that corporations having \$25,000 or less capital stock and not more than 10 stockholders should be allowed to report as individuals or partnerships. The committee rejected that. They also had a plan for the rearrangement of the so-called intermediate brackets of the surtax. We disagreed. They proposed an elimination of the estate tax. The committee retains the present law. They proposed the elimination of certain taxes on acceptances. We agreed with them on that. They proposed no reduction in the stamp tax. We propose to reduce the tax on the sale or transfer of capital stock from 2 cents to 1 cent, and to repeal the tax on sales on produce on exchanges. They proposed no reduction on admission and dues. We cut them in half. They proposed no reduction on automobiles. We cut that tax in half. That is, the committee after full and comprehensive consideration of the information presented from all sources on the conditions of trade and business reached its own conclusion and make in the pending bill a report of legislation and adjustment of revenue in accordance with what it believed from the testimony and all the evidence available and from its former knowledge was to the best interests of the country and of the taxpayers. These reductions in revenue—

Mr. CRISP. Will the gentleman yield?

Mr. HAWLEY. I will.

Mr. CRISP. I think the gentleman inadvertently made an incorrect statement relative to the tax on admissions. We did not cut it in half, but increased the exemptions from 75 cents to \$1.

Mr. HAWLEY. I thank the gentleman for the correction. This item is estimated to earn for the Treasury \$18,000,000 in 1928 and 1929. We raised the exemption on tickets, so that a ticket costing \$1 or less will not be taxed. This will cause an estimated loss of revenue of \$8,000,000—not quite one half. In order to ascertain how much the corporation tax should be reduced we took the estimates for the coming year 1928 and 1929 and found that on that basis each 1 per cent of the 13½ per cent of the tax was about \$83,000,000 in taxes a year. We saw our way clear to reduce that tax 2 per cent, making it 11½ per cent. It reduced the corporation tax on that item \$164,000,000. The Treasury had recommended relief for the smaller corporations and especially those coming in competition with individuals and partnerships. The committee rejected the Treasury recommendation, but raised the credit for the small corporations having \$25,000 or less of annual income from \$2,000 to \$3,000. That accounts for another reduction of \$12,000,000, making the total for corporations \$176,000,000.

In addition to what was said by the chairman yesterday in defense of this action, I refer to three items. As to the corporations of the country, out of the 27,000,000 people who obtain their living by employment other than that of their own business, from 16,000,000 to 18,000,000 obtain it from employment arising out of corporate activities, and so any reduction in the burdens on the corporations that will promote their welfare will also directly and indirectly aid two-thirds of the wage earners of the United States.

There are 3,000,000 stockholders in the corporations of the country, and these 3,000,000 stockholders pay now 13½ per cent on part or all the money they receive as dividends from the corporations. It is paid before they get the dividends.

If a widow has an income of \$1,000 from dividends received from a corporation, and that is her sole income, before she receives it \$135 is deducted from it under the present law, and there will be \$115 deducted from it under the pending bill; that is, that amount of tax is collectible on that amount of money distributed as dividends. A person having an income of \$1,000 from other sources and having no other income pays no tax.

Furthermore, there are only 2,500,000 individual taxpayers left on the tax rolls who pay tax, and their average tax is only 4.2 per cent, and only 9,000 of them out of the 2,500,000 pay taxes equal to the corporation tax, and only then when their income is \$110,000 or more. So manifestly an injustice has been done to business done in corporate form. We are attempting now to go part way in relieving or adjusting that inequitable distribution of the burden of taxation.

The next reduction was \$8,000,000 on admissions and \$5,000,000 on dues. Tickets costing \$1 or less are to be tax free, while in existing law such exemption applies to tickets costing not to exceed 75 cents. This will take care of persons of ordinary means. They can get seats in the theaters or moving-picture houses where in some part of the house they can see any kind of performance that is put on the boards. Dues or fees not exceeding \$10 per year are exempt from tax.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield there?

Mr. HAWLEY. Yes.

Mr. GIFFORD. In the matter of corporation taxes, before you leave that point, can you explain why you could not follow the Treasury recommendation on that?

Mr. HAWLEY. I have not the time just now; that will be discussed under the five-minute rule. It would take more time now than I have at my disposal to make an explanation of that.

We have cut the automobile tax, which is reduced from 3 per cent to 1½ per cent, by \$33,000,000. We repeal the cereal-beverage tax of one-tenth of 1 per cent in the present law, since it was imposed in aid of prohibition enforcement, and it is not now needed for that purpose. We have imposed reduced rates in the wine taxes to the extent of \$930,000 to place them on a parity with other similar products. On stamp taxes we have reduced the revenues by \$11,800,000. This makes in all a reduction of \$235,515,000.

In the working out of the administrative problem it was found that under the existing law, unless the tax is retained at the source, nonresident aliens and foreign corporations do not pay the amount of tax they ought to pay upon the sums which they receive, and an amendment is incorporated in the law requiring them to pay the amount intended that they should pay before the money leaves this country. If the money ever leaves the United States it is practically impossible to recover the tax. That involves an increase of \$2,000,000 in the revenue.

We raise the tax on prize fights and such exhibitions to 25 per cent on admissions of \$5 and over. This is not intended to legalize prize fighting, but they exist under State law. They

are the source of considerable revenue and there is no reason why the Government should not tax them as a distinct luxury.

We have increased the annual tax on yachts and foreign-built boats contracted for after December 1, 1927, by \$30,000.

In all we recover back by these additional taxes \$2,780,000, making a net reduction of revenue in the bill \$232,735,000, or \$7,735,000 more than the Treasury proposes.

I insert here a table showing these changes for convenience in study:

Estimated loss in revenue	
(Changes proposed by the revenue act of 1928)	
<b>Reductions:</b>	
Corporations—	
Reduction in rate of tax—	
Estimated revenue under present law: 13½ per cent on all corporations except insurance: 12½ per cent on these corporations	\$1,120,000,000
Estimated revenue as proposed:	
Insurance	\$18,400,000
Other	937,000,000
	<u>955,400,000</u>
Loss	<u>\$164,600,000</u>
Increased credit (from \$2,000 to \$3,000 on corporations with net income of \$25,000 or less)	12,000,000
Total loss, corporations	<u>\$176,600,000</u>
Admissions tax (increased exemption to \$1 admission)	8,000,000
Dues tax (reduced from 10 to 5 per cent)	5,000,000
Automobile tax (reduced from 3 to 1½ per cent)	33,000,000
Cereal beverage tax (repealed)	185,000
Wine taxes (reduced rates)	930,000
Stamp taxes—	
Sale or transfer of capital stock (reduced from 2 cents to 1 cent)	\$8,800,000
Sales of produce on exchanges (repealed)	3,000,000
	<u>11,800,000</u>
Total	<u>235,515,000</u>
<b>Increases:</b>	
Withholding of tax at source on tax-free covenant bonds (nonresident aliens and foreign corporations)	\$2,000,000
Prize fights (tax of 25 per cent on admissions of \$5 and over)	750,000
Foreign-built boats (increased annual tax on boats contracted for after Dec. 1, 1927)	30,000
Total	<u>2,780,000</u>
Net loss in revenue	<u>232,735,000</u>

Less than half of this loss will be felt in the fiscal year of 1928, ending June 30 of that year. Consequently there will be a large surplus for that fiscal year which under the law will be applied to the public debt.

Now, the question arises, Why did the committee limit the amount of reduction as it has done? It is reported that there will be a surplus of \$635,000,000 for the fiscal year 1927. Then, that being so, why not reduce the taxes \$450,000,000 or \$500,000,000? I think we will all agree that the Government should live from regular and recurrent sources if there is to be any stability in business or a healthful development of enterprise. The sudden fluctuation caused by increasing taxes one year to meet an unexpected deficit in the Treasury and lowering them another year, with no regularity or certainty as to what the taxes will be, would be a great detriment to business. Consequently, in the Committee on Ways and Means ever since tax reduction bills have been reported it has always been held in mind that the tax reduction should not exceed the surplus revenue from regular sources except that wherever we knew that there would be great resources, such as from the sales of war supplies, which were held by the Treasury in hundreds of millions of dollars immediately after the war, or where there would be great income from excess-profits taxes of previous years which were due but had not been and could not be collected on account of questions involving examinations or suits at law extending over many years, and where there were other sources of unusual revenue of large amounts, we did make reductions, where such sources existed, in excess of the surplus from ordinary receipts. It was expected that reduced taxes would stimulate business and industry, increasing taxable amounts, and so increase the receipts of revenue, and this occurred. We knew we could dispose of the war material, the Federal farm-loan bonds that the Government bought in order to prevent the Farm Loan Board from issuing separate securities under a Government agency at the time a Liberty bond drive was on, and also other properties held by the Treasury. We also knew that the expenses of government were being reduced.

But these unusual resources are practically exhausted. We are now dependent for surpluses available for tax reduction on the excess of ordinary receipts over expenditures. Governmental expenses have practically become stabilized, with a tendency toward increase owing to unusual conditions in the country such as floods. But we have had in mind that these unusual resources are largely capital assets—the last I have mentioned are capital assets—and that as such they are the cause of a part of the public debt of the United States and upon realization should be used in reducing the public debt.

In the last five years we have reduced the debt \$2,000,000,000 from surplus revenues of all kinds. Of this \$2,000,000,000,

\$1,700,000,000 was from nonrecurrent sources, and out of current revenues from regular sources there has been used in the last five years only \$300,000,000 in the reduction of the public debt. Also out of this \$1,700,000,000 received from other than regular sources and applied to the debt no less than \$900,000,000 came from the sale of capital assets.

This reduction of \$2,000,000,000 in the public debt during the past five years has reduced the interest charge more than \$80,000,000 annually. This saving in interest payments has been a material factor in the surpluses on which tax reductions are based.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. GREEN of Iowa. Capital assets and not taxes.

Mr. HAWLEY. Yes; capital assets but not taxes.

Mr. GARNER of Texas. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. GARNER of Texas. The gentleman spoke on January 14 last, as I recall, with reference to the reasons why taxes should not be reduced, making the same character of argument he is now making. If the gentleman will refer to his remarks he will see he said that if the bill I proposed were enacted into law they would have a deficit of \$185,000,000 in this fiscal year, while it appears from the statement of the Treasury Department there is \$455,000,000 in the Treasury as a surplus.

Mr. HAWLEY. I will come to that directly. There are no more Federal farm-loan bonds in the possession of the Treasury. There is only \$4,000,000 worth left of surplus war materials. There can not be collected from back taxes, on the average, after the refunds have been deducted, over \$50,000,000 a year hereafter, approximately \$50,000,000 a year. The railroad securities, which were of large amount, have now been reduced to only \$49,000,000, and these are the securities of the weaker roads, having only problematical value, so that no one knows what those \$49,000,000 face value of securities will finally sell for. Consequently, we are down to this point, the extraordinary, irregular sources of revenue are dried up and practically all gone. The only one of any amount is the amount to be received from back taxes, and as some taxes due in one year are not for various reasons collected until another year we have an average of \$50,000,000 a year that may be counted as a regular source of revenue. Payments received from foreign governments are included in regular receipts in the amount of approximately \$200,000,000 yearly.

The Treasury estimates the net revenue from regular, recurrent sources to be \$137,000,000 for the year 1928 and \$199,000,000 for 1929. I append a table on this subject for the information of the House.

*Principal receipt items of a nonrecurring or temporary type increasing the surplus in the fiscal years 1923, 1924, 1925, 1926, 1927, 1928,<sup>1</sup> and 1929<sup>1</sup>*

	1923	1924	1925	1926	1927	1928 <sup>1</sup>	1929 <sup>1</sup>
Back income and profits tax collections <sup>2</sup>	\$300,000,000	\$300,000,000	\$276,000,000	\$295,000,000	\$331,000,000	\$280,000,000	\$180,000,000
Less internal-revenue refunds	125,000,000	127,000,000	147,000,000	182,000,000	117,000,000	151,000,000	138,000,000
Net	175,000,000	173,000,000	129,000,000	113,000,000	214,000,000	129,000,000	42,000,000
Railroad securities, less railroad payments	14,000,000	58,000,000	136,000,000	36,000,000	89,000,000	160,000,000	24,000,000
Federal farm-loan bonds and other minor securities	46,000,000	9,000,000	19,000,000	34,000,000	63,000,000	1,500,000	5,000,000
War Finance Corporation assets	109,000,000	52,000,000	43,000,000	19,000,000	27,000,000		
Capital stock tax					8,000,000		
Sale of surplus war supplies	82,000,000	44,000,000	16,000,000	13,000,000	8,000,000	5,500,000	4,000,000
Navy oil judgment					5,000,000	13,000,000	
Total	398,000,000	336,000,000	343,000,000	215,000,000	414,000,000	318,000,000	75,000,000
Surplus	309,000,000	505,000,000	250,000,000	377,000,000	635,000,000	455,000,000	274,000,000
Surplus exclusive of above net receipts		169,000,000		162,000,000	221,000,000	137,000,000	199,000,000
Deficit exclusive of above net receipts	89,000,000		93,000,000				

<sup>1</sup> Estimated.

<sup>2</sup> Back income tax collections for fiscal years 1923 and 1924 are best available estimates. Figures of actual collections were not kept separate for those years.

<sup>3</sup> Excess payments.

<sup>4</sup> Exclusive of amount paid in Liberty bonds aggregating \$5,500,000 principal amount.

For the fiscal year 1928 there will be revenues accruing before the reductions in this bill become effective which will provide for that year. But in 1929, with the unusual receipts, including back taxes, estimated at only \$75,000,000, we have a different situation. The estimated excess of regular receipts are \$199,000,000, to which may be added \$50,000,000 of back taxes as a regular item. The surplus will be \$249,000,000. There will be also \$25,000,000 from irregular sources. The Bureau of the Budget, however, in its statement, made subsequent to the statement made by the Treasury, estimates that the amount of expenditures will be \$22,000,000 more than the Treasury had contemplated. Consequently the surplus from regular sources will be \$177,000,000, which, by adding \$50,000,000 more, will make \$227,000,000. So the proposed bill, with its \$232,735,000 reduction, comes down pretty nearly to the line where the surplus will be exhausted. It is also necessary that there should be available an unobligated surplus. We practically exhaust in this reduction the surplus from regular sources of revenue. Future surpluses will depend upon the development of the country so increasing the taxable amounts and upon the increase of receipts from foreign governments.

The gentleman from Texas [Mr. GARNER] asked me how there came to be this large amount of money in the Treasury for this year.

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

Mr. GREEN of Iowa. Mr. Chairman, I yield the gentleman 10 additional minutes.

Mr. HAWLEY. If the gentlemen have a copy of the report of the committee and will turn to page 8 [see table given above], they will find that for the year 1923, after deducting from the total surplus of revenue that from nonrecurrent or extraordinary sources, there was a deficit of \$89,000,000; that is, if it had not been for these extraordinary sources of revenue the Government would have had a deficit of \$89,000,000 that year. In 1924, after deducting receipts from extraordinary sources, the surplus was \$169,000,000. In 1925, after deducting from the total surplus the amount of money received from the nonrecurrent sources, there was a deficit of \$93,000,000—that is to say, the regular and recurrent sources were \$93,000,000 less than the expenditures of that year. In 1926 the net surplus, subtracting from the total surplus the nonrecurrent receipts, was \$162,000,000. In 1927 it was \$221,000,000. In 1928 it was estimated there will only be \$137,000,000, but we will have a surplus coming over from this year, as the chairman explained yesterday. In 1929 the Treasury estimates, after making these reductions, only \$199,000,000 and the Bureau of the Budget estimates \$177,000,000.

Now, a special drive was made by the Treasury to close up all the excess-profit tax years. They had been held up for a long period. They were unable to reach agreements, or reach settlements. Suits were pending. A special drive was made by the Treasury to collect the back taxes and bring the work up current, so that taxpayers would not have the right to complain that their cases were not promptly heard and promptly settled. As a result of that, in the year 1927, the amount obtained from nonrecurrent sources was \$414,000,000, of which \$214,000,000 was from back taxes—\$331,000,000 collected less \$117,000,000 refunds leaves a net of \$214,000,000. After subtracting these unusual nonrecurrent receipts of \$414,000,000 from the \$635,000,000 total surplus, we have \$224,000,000, practically the amount of the reduction proposed in the bill.

I am urging the House to consider, before it proposes to increase the amount of reduction, the fact that we are now down to the point where we do not have these adventitious receipts.

We have disposed of them. We have paid them on the public debt, and every billion of dollars paid on the public debt is a saving of \$40,000,000 a year to the taxpayers in interest, as that interest has to be paid out of taxes. Not one dollar of former surpluses has been wasted. Applied on the debt, they have directly aided in reducing the amount of taxes necessary.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. GREEN of Iowa. The Treasury last year overestimated the receipts from taxes, and the only error there has been is in these nonrecurrent items.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. HAWLEY. Yes; with pleasure.

Mr. CHINDBLOM. I happen to have received this morning, as I think all the Members did, the daily statement of the United States Treasury for December 7, 1927. This shows that on that date the balance of cash on hand in the General Treasury of the United States was \$23,878,282.62. So the surplus is not in the Treasury.

Mr. HAWLEY. Let me call your attention also to this fact. Taking the combined surpluses for the years 1923, 1924, 1925, 1926, and 1927, the total amount of those surpluses of all kinds was \$2,079,000,000; but the receipts from nonrecurrent sources for the same years total \$1,706,000,000. So that in those five years the aggregate surplus from normal or regular sources was only \$373,000,000. I append a table giving this information in detail.

#### THE SURPLUS

Since 1920 each fiscal year has shown an excess in the ordinary receipts of the Government over expenditures chargeable against those receipts. This excess, called "the surplus," in the eight-year period since 1920 has totaled \$2,692,000,000. For the fiscal year just passed it amounted to \$635,000,000, the largest surplus in any one year from the operations of this Government. The following table presents the figures for each year since 1920:

*Ordinary receipts and expenditures chargeable against ordinary receipts, 1920 to 1926*

[On basis of daily Treasury statements (unrevised)]

Fiscal year	Total ordinary receipts	Expenditures chargeable against ordinary receipts	Surplus
1920	\$6,694,565,388	\$6,482,090,191	\$212,475,197
1921	5,624,932,960	5,538,209,189	86,723,771
1922	4,109,104,150	3,795,302,499	313,801,631
1923	4,007,135,480	3,697,478,020	309,657,460
1924	4,012,044,701	3,506,677,715	505,366,986
1925	3,780,148,684	3,529,643,446	250,505,238
1926	3,962,755,690	3,584,987,873	377,767,817
1927	4,120,394,441	3,493,584,519	635,809,922

Given in millions of dollars, we have this comparison:

Surplus for:	
1923	\$310,000,000
1924	565,000,000
1925	250,000,000
1926	378,000,000
1927	636,000,000
	\$2,079,000,000
Receipts from nonrecurrent sources:	
1923	398,000,000
1924	336,000,000
1925	343,000,000
1926	215,000,000
1927	414,000,000
	1,706,000,000

Total surplus for five years from regular sources 373,000,000

We are not now legislating only for 1928 and 1929. This bill goes on the statute books as permanent legislation, unless it is changed for 1931, 1932, 1933, and subsequent years. When those years come there will be none of these unusual receipts to take the place of any failure in the current receipts.

We have been growing in this country, but there is a limit upon the growth of any country. Business expansion is assured only to the extent of the normal development of the country. Trading, if it grows faster than the normal development of the country, becomes topheavy and crises occur. We are proceeding in this bill on the supposition that the country will continue in a normal growth and that the foreign governments will continue to meet their payments. If we reduce the taxes too low, then there will come a time when there is a deficit in the Treasury and we will be asked in time of peace to either raise taxes or sell securities to obtain the necessary money.

RECEIPTS FOR 1926 AND 1927 COMPARED WITH ESTIMATES FOR 1928 AND 1929

For the information of the House there is given below a table showing the sources of the revenue, the receipts for 1926 and 1927, and the estimates of the Treasury for 1928 and 1929, if the present law were to remain in force. The action of the committee in making reductions was based upon the receipts and estimates given in the table.

Income for the fiscal years 1926 and 1927 compared with estimated income for 1928 and 1929

Sources of income	1926	1927	1928	1929
Corporations	\$1,094,980,000	\$1,308,013,000	\$1,120,000,000	\$1,120,000,000
Individuals	879,124,000	911,940,000	765,000,000	765,000,000
Back taxes	1,295,000,000	1,331,000,000	280,000,000	180,000,000
Estate	116,041,000	100,340,000	80,000,000	65,000,000
Alcoholic spirits	26,436,000	21,195,000	18,000,000	17,000,000
Admissions and dues	34,055,000	28,377,000	28,000,000	28,000,000
Tobacco	370,666,000	376,170,000	400,000,000	420,000,000
Automobiles	113,133,000	66,438,000	60,000,000	65,000,000
Small taxes			345,000	345,000
Stamp taxes, playing cards	54,014,000	37,345,000	39,000,000	39,000,000
Oleomargarine, etc.	3,071,000	3,164,000	3,200,000	3,200,000
Miscellaneous taxes	144,479,892	12,701,000	10,000,000	3,000,000
Total	2,835,999,892	2,865,683,000	2,803,545,000	2,705,545,000

<sup>1</sup> Back taxes for 1926 and 1927 were not segregated as separate items, but included in the corporation and individual items. But back taxes are segregated in the estimates for 1928 and 1929.

<sup>2</sup> This amount of \$144,479,892 includes among other items the following:

Gift tax	\$3,175,000
Capital-stock tax	97,386,000
Brokers	4,324,000
Other excise taxes	11,938,000

which were either discontinued or included in other items in subsequent years.

ESTIMATES FOR THE FISCAL YEARS 1928 AND 1929 COMPARED WITH ACTUAL AMOUNTS FOR THE FISCAL YEAR 1927

The following table summarizes cash receipts and expenditures during the fiscal year 1927 and the estimated receipts and expenditures for the fiscal years 1928 and 1929 on the basis of the latest information received from the Bureau of the Budget:

Summary of receipts and expenditures on the basis of daily Treasury statements (unrevised)

	Actual, fiscal year 1927	Estimated, fiscal year 1928	Estimated, fiscal year 1929
Net balance in the general fund at the beginning of fiscal year	\$210,002,027	\$234,057,410	\$210,002,027
Receipts:			
Ordinary	4,129,394,441	4,075,598,091	3,809,497,314
Public debt	1,2,756,410,766	3,238,115,237	1,319,176,323
Total	7,095,807,234	7,547,770,738	5,338,675,664
Expenditures:			
Ordinary	2,974,029,675	3,085,129,211	3,015,333,637
Public debt chargeable against ordinary receipts	519,554,845	536,185,074	541,623,394
Other public debt	1,3,368,165,304	3,716,454,426	1,571,716,006
Net balance in the general fund at close of fiscal year	234,057,410	210,002,027	210,002,027
Total	7,095,807,234	7,547,770,738	5,338,675,664
POSTAL SERVICE			
Postal receipts	683,121,989	710,500,000	753,000,000
Postal expenditures	710,385,180	740,870,400	768,270,042
Deficiency in postal receipts	27,263,191	30,370,400	15,270,042

<sup>1</sup> Other public-debt expenditures and public-debt receipts, as shown in this statement, are exclusive of \$2,428,673,500 Treasury certificates issued and retired within the same fiscal year.

<sup>2</sup> The postal deficiency for 1927 and the estimated postal deficiencies for 1928 and 1929 are included in the ordinary expenditures shown above and in the general classification of ordinary expenditures and estimated ordinary expenditures on p. 31.

Nonrecurrent revenues have been an important factor in recent surpluses, as the following table indicates:

Fiscal year	Surplus	Recurrent income	Irregular or nonrecurrent income
1926	\$377,000,000	\$162,000,000	\$215,000,000
1927	635,000,000	221,000,000	414,000,000
1928 (estimated)	455,000,000	137,000,000	318,000,000
1929 (estimated)	274,000,000	199,000,000	75,000,000
1929 estimate based on Bureau of the Budget's figures	252,000,000	177,000,000	75,000,000

These irregular and nonrecurring items are estimated to decline \$96,000,000 in 1928 below the 1927 receipts, and \$243,000,000 in 1929 below estimated receipts for 1928, leaving total receipts from these sources in that year (1929) of only \$75,000,000.

Since 1920 surpluses have generally resulted because the reductions in expenditures have exceeded the reductions in receipts under the several revenue acts, because assets acquired during the war have been gradually disposed of and the moneys received therefrom covered into the Treasury, and because reductions in taxes have stimulated business and industry. In 1925 the expenditures increased and receipts declined, with the result that the surplus in that year was less than half that of the preceding year. In 1927, when the largest surplus occurred, receipts increased and expenditures diminished.

The following table compares the estimates of receipts for the fiscal year 1927 with the actual collections:

Comparison of estimates with collections for the fiscal year 1927  
(Estimates made October, 1926)

Item	Estimates	Collections	Over-estimate	Under-estimate
Corporation tax	\$1,120,000,000	\$1,125,000,000	-----	\$5,000,000
Miscellaneous revenue	619,000,000	646,000,000	-----	27,000,000
Individual income	820,000,000	763,000,000	\$57,000,000	-----
Back-tax collections	250,000,000	331,000,000	-----	\$81,000,000
Total	1,2,809,000,000	2,865,000,000	57,000,000	113,000,000

<sup>1</sup> Making the net overestimate \$56,000,000 in internal-revenue collections.

This table shows that the corporation tax was underestimated only \$5,000,000, while the collections from individual income taxes were overestimated \$57,000,000. The miscellaneous revenue was underestimated by \$27,000,000, largely due to the greatly increased consumption of cigarettes, and is not likely to be repeated. There was also about \$9,000,000 collected on final returns from the capital-stock tax, which has been repealed.

The back-tax collections were underestimated \$81,000,000. This was caused by a special drive made by the Treasury. It has heretofore been shown that the receipts from back taxes from now on will greatly decrease. The whole matter may be summed up by saying that the sources of revenue have now reached a normal condition and that estimates can be made with approximate accuracy, and reductions can be properly made only in accordance with these estimates.

HOW THE ESTIMATES WERE MADE

The Treasury's estimates as to expenditures are based on the figures furnished by the Budget Bureau, which submits them after a careful survey of the needs of all departments and bureaus and with complete knowledge of the appropriations to be recommended to the Congress for the year in question. It must be noted that the estimates of expenditures submitted to the Ways and Means Committee did not include increased expenditures which may result from new legislation such as flood relief. The present Treasury estimates of receipts are based on a careful analysis of (1) probable receipts from miscellaneous sources in the light of past experience and taking into consideration the periods in which the proceeds of capital assets still in hand are likely to be realized; (2) a careful study of probable future tax collections on account of previous years, commonly known as back-tax collections, based on the number of cases on hand, the current monthly rate of yield from this source, and an estimate of the amount involved in unsettled cases; and (3) in so far as current tax and customs receipts are concerned, on the assumption that neither in 1928 nor in 1929 will the yield fall substantially below that of the fiscal year 1927, in spite of the fact that business in the calendar year 1927 has not apparently reached the high level of 1926, a fact that must affect tax receipts for the last half of the fiscal year 1928 and the first half of the fiscal year 1929.

Three experts in the Treasury, Mr. Charles R. Nash, Assistant Commissioner of Internal Revenue, Mr. Joseph S. McCoy, Government Actuary, and Mr. John F. Ebersole, statistician of the Treasury, acting independently, prepared estimates on the several items of revenue. Then, in conference with Hon. Ogden L.

Mills, Undersecretary of the Treasury, the official estimates were agreed upon, with the approval of the Secretary of the Treasury. During the time the estimates were in course of preparation conference was had with General Lord, Chief of the Budget. These estimates are as follows:

*Revised estimates of receipts on account of customs and internal revenue for the fiscal years 1928 and 1929*  
[In thousands of dollars]

	Mr. Nash		Mr. McCoy		Mr. Ebersole		Mr. Camp		Official estimate	
	1928	1929	1928	1929	1928	1929	1928	1929	1928	1929
Customs			601,000	591,000	600,000	610,000	601,500	586,500	600,000	600,000
Income tax:										
Corporations	1,152,000	1,093,000	1,127,500	1,110,000	1,038,000	965,000			1,120,000	1,120,000
Individuals	728,000	725,000	765,300	760,000	810,000	816,000			765,000	765,000
Back taxes	278,800	180,000	255,000	175,000	290,000	280,000			280,000	180,000
Total	2,158,800	2,000,000	2,147,800	2,045,000	2,138,000	2,061,000			2,165,000	2,065,000
Miscellaneous internal revenue (see details below)	654,545	618,545	633,500	610,000	633,000	647,000			638,545	640,545
Total internal revenue	2,813,345	2,618,545	2,781,300	2,655,000	2,771,000	2,708,000			2,803,545	2,705,545
DETAILS										
Estate tax	96,000	60,000	75,000	63,000	80,000	70,000			80,000	65,000
Alcoholic spirits, etc.	18,000	17,000	18,000	15,000	17,000	14,000			18,000	17,000
Tobacco manufactures	400,000	410,000	396,000	400,000	399,000	423,000			400,000	420,000
Admissions	15,000	15,000	18,000	16,000	29,000	29,000			18,000	18,000
Club dues	10,000	10,000	11,000	10,000	57,000	65,000			10,000	10,000
Automobiles, etc.	60,000	60,000	67,000	65,000					60,000	65,000
Pistols and revolvers	150	150							150	150
Cereal beverages	185	185							185	185
Yachts, etc. (use)	10	10							10	10
Stamp taxes, including playing cards	40,000	40,000	37,000	37,000	39,000	38,000			39,000	39,000
Oleomargarine, process butter, etc.	3,200	3,200			3,200	3,200			3,200	3,200
Miscellaneous, including prohibition and narcotic taxes, delinquent taxes under repealed laws, etc.	12,000	3,000	11,500	4,000	8,800	4,800			10,000	3,000
Total miscellaneous	654,545	618,545	633,500	610,000	633,000	647,000			638,545	640,545

OCTOBER 18, 1927.

Average 1928, \$2,821,348,000; 1929, \$2,660,515,000.

*Comparison of estimates with collections for the fiscal year 1928*

[Last estimates were made just prior to the passage of the revenue act of 1926]

	Itemization	Estimates	Collections	Overestimate	Underestimate
Corporation tax		\$987,200,000	\$932,189,604	\$55,010,396	
Miscellaneous revenue		841,500,000	861,865,751		\$20,395,751
Individual income		603,800,000	745,932,481		142,132,481
Back-tax collections <sup>1</sup>		180,000,000	295,982,056		115,982,056
Total		2,612,500,000	2,835,990,892	55,010,396	278,490,288

<sup>1</sup> That is the increase in back-tax collections, which is a diminishing source of revenue, accounted for more than half the net underestimate of \$278,490,288.

*Comparison of estimates with collections for the fiscal year 1927*

[Estimates made October, 1926]

	Itemization	Estimates	Collections	Overestimate	Underestimate
Corporation tax		\$1,120,000,000	\$1,125,000,000		\$5,000,000
Miscellaneous revenue		619,000,000	646,000,000		27,000,000
Individual income		820,000,000	763,000,000	\$57,000,000	
Back-tax collections		250,000,000	331,000,000		81,000,000
Total		12,809,000,000	2,865,000,000	57,000,000	113,000,000

<sup>1</sup> Making the net underestimate \$56,000,000 in internal-revenue collections.

The following tables from official sources are important:

*Ordinary receipts, fiscal years 1920 to 1927*

[On basis of daily Treasury statements (unrevised)]

Year ending June 30—	Customs	Income and profits taxes	Miscellaneous internal revenue	Miscellaneous revenues, including Panama Canal		Total
				Proceeds from foreign obligations	All other	
1920	\$322,902,650	\$3,944,940,288	\$1,460,082,287	\$74,296,622	\$892,334,542	\$6,694,565,289
1921	308,564,391	3,206,046,158	1,390,379,823	114,821,206	605,121,383	5,624,932,961
1922	356,443,387	2,068,128,193	1,145,125,064	75,222,065	464,185,439	4,109,104,151
1923	561,928,867	1,678,607,428	945,865,333	232,989,156	557,744,697	4,007,135,481
1924	545,637,504	1,842,144,418	953,012,618	221,774,675	449,475,487	4,012,044,702
1925	547,561,226	1,760,537,823	828,638,068	183,637,677	459,773,880	3,780,148,684
1926	579,430,093	1,982,040,088	855,599,289	194,237,957	351,448,263	3,982,755,830
1927	605,499,983	2,224,992,800	644,421,542	206,039,173	448,390,943	4,129,394,441

*Miscellaneous receipts, 1920 to 1927*  
 [On basis of daily Treasury statements (unrevised); in millions of dollars]

Fiscal year	Proceeds from Government-owned obligations			Sale of surplus supplies	Panama Canal tolls	All other	Total
	Foreign	Railroad	All other				
1920	74.3	(1)	(1)	309.3	5.6	1,577.4	966.6
1921	114.8	(1)	(1)	183.7	12.3	1,409.1	719.9
1922	75.2	(2)	26.1	113.6	11.7	312.8	539.4
1923	233.0	99.3	46.3	91.7	17.3	333.1	820.7
1924	221.8	94.4	9.6	46.8	27.1	271.6	671.3
1925	183.6	143.9	19.8	23.8	23.1	249.2	643.4
1926	194.2	36.7	34.6	25.6	24.7	229.9	545.7
1927	206.1	89.7	63.5	18.1	25.8	251.3	654.5

<sup>1</sup> Receipts on account of securities other than foreign-owned not shown separately for 1920 and 1921.

<sup>2</sup> Includes in 1920 \$350,000,000 and in 1921 \$100,000,000 from liquidation of the U. S. Grain Corporation.

<sup>3</sup> Receipts on account of railroad securities not segregated.

*Principal change in ordinary receipts and expenditures chargeable against ordinary receipts in the fiscal year 1927 over 1926*

[On basis of daily Treasury statements (unrevised)]

Receipts—increases	Expenditures		
	Decreases	Increases	
Customs	\$26,000,000	Interest payments	\$45,000,000
Internal revenue (largely income taxes)	32,000,000	Customs and internal-revenue funds	72,000,000
Foreign repayments	11,000,000	Postal deficiency	12,000,000
Railroads (primarily securities sold)	53,000,000	Civil service retirement fund	11,000,000
Federal farm loan bonds, etc.	29,000,000	Other items	15,000,000
Miscellaneous (net)	16,000,000		
			General expenditures \$31,000,000
			Government life-insurance fund 9,000,000
			Debt retirements chargeable against ordinary receipts 32,000,000

The existence of a surplus does not prove that the Government has a continuing revenue in excess of its normal requirements. Estimates for coming years must take into account temporary and nonrecurring revenues, the business conditions of the country, the increase of expenditures incident to the growth of the country, and that unexpected demands may be made such as those arising out of the recent floods and other expenditures for purposes authorized by Congress in legislation enacted subsequent to the date of the estimates. The surplus arising from the excess of earnings from recurrent sources over the yearly expenditures forms the real basis of safe and sane tax reduction.

The CHAIRMAN (Mr. FULLOW). The time of the gentleman from Oregon has expired.

Mr. GARNER of Texas. Mr. Chairman, I yield 10 minutes to the gentleman from Florida [Mr. DRANE].

#### ESTATE TAX AS APPLIED TO THE STATE OF FLORIDA

Mr. DRANE. Mr. Chairman, so much has been said in regard to the State of Florida in connection with inheritance taxes, so much jealousy has been shown by one part of the public, so much misapprehension has been indulged in by others, so much misinformation has been disseminated by others, either willfully or through ignorance as to the truth in the application of a great question to a great State, that it seems only right and proper that a correct history of the constitutional amendment to the constitution of the State of Florida should be given, so that those who sincerely seek the truth may be informed.

#### HISTORY OF THE STATE

This, the southernmost of all the States—the first in settlement, the last in development—has a history of romance, adventure, and achievement such as to compel the admiration of all the world. It has been successively under the flags of Spain, France, England, for a brief session under the flag of the Republic of Florida—a historical event almost forgotten—then the flag of the United States, then the Confederate States, and again, thank God, under the flag of the United States, where it will float until flags shall be no more.

#### THE FLAGS

The Spanish flag planted on Florida soil by Juan Ponce de Leon in the year 1513, bearing the quartered arms of Castile and Leon on a red and white field, is generally accepted as having been the first European standard flown on American soil. It was used by Columbus in 1492, Panfilo de Narvaez in 1528, and Hernando de Soto in 1539.

The French flag, unfurled over Fort Caroline on the St. Johns River by René Goulaine de Landonnière in the year 1564, bearing three golden fleur-de-lis on a blue field, had its origin in the legendary blue cloak of St. Martin, which he shared with a beggar at Amiens and was familiarly known as the

chape de Martin. This standard was used as the national French flag until the birth of the tricolor during the revolution.

The British flag, unfurled over Florida during the British dominion, 1763 to 1783, bearing on a blue field the combined crosses of St. George and St. Andrew—the patron saints of England and Scotland—became the first union jack of Great Britain by proclamation of James I of England upon the union of Scotland and England in the year 1603, and was the only flag used over forts and public buildings in the English colonies.

The battle flag of the Confederacy, adopted in 1861, was unfurled over Florida after her secession from the Union on the 10th day of January, 1861.

The Stars and Stripes of the United States, bearing the 23 stars for the 23 States of the Union, was unfurled over St. Augustine on the 16th day of July, over Pensacola on the 21st day of July, 1821, upon the ceding of Florida to the United States by Spain.

It was ceded to the United States by Spain in 1819, and its first Territorial governor was Andrew Jackson, who had fought the Battle of New Orleans only a little while before, and who thereby made it possible for the United States to come into possession not only of all the country in the Mississippi Valley and beyond, but of this, the fairest of all the land of this continent.

The Territory of Florida became a State in 1845; went out of the Union in January, 1861, only to return again in 1865.

The State began its real development into the modern Florida, as the public knows it, with the advent of the railroad about 40 years ago. Its growth was sure and its development was along lines of conservatism. In 1894-95 a disastrous freeze swept over the citrus country, as it then existed in the north and central portions of the State, as a result of which the industry was transferred to the lower peninsula, with Polk County and the ridge section as the center, and there was an influx of settlers into south Florida from the Gulf to the Atlantic coast, resulting in a phenomenal development for a number of years with a consequent increase in values of property. The people were conservative, progressive, happy, and prosperous. About 1923 some evil genius from outside the State started an era of speculation, running prices beyond the bounds of reason and causing a very saturnalia of unwise investment and fictitious values. The conservative people of the State deplored this and had but little part in it, but it was impossible to stop it until the peak of unwise speculation was reached, and then in 1926 came the inevitable reaction—thus ended the so-called "Florida boom." After a few months of confusion and dismay the better people—those who had wrought and builded through all the years of a generation—set their houses in order, charged off their losses, and are again enjoying peace and prosperity. They have worked out their own salvation, while those who came only to gamble and lost are heaping anathemas on the State, which hopes to see them no more.

## HISTORY OF TAXATION

From the beginning of her statehood Florida has had only two forms of taxation; viz, ad valorem taxes, based upon a very low valuation of real and personal property, and license taxes. No other tax has ever been applied. She has no income tax, no inheritance tax, no stock-transfer tax, no tax on intangibles, no severance tax—just a plain, unmistakable tax on real and personal property and a license tax for the privilege of doing business. The form of taxation is simple and easily understood. This form of taxation has existed certainly since 1860 and probably for many years prior thereto.

About the year 1911 a gentleman of very great prominence, now deceased, an advocate of many ideas which to the conservative people of Florida seemed strange doctrines, upon coming to the State began an agitation for new forms of taxation, and in the course of time some of his theories as to taxation, in the form of litigation, came before the supreme court of the State. The court, in a decision handed down in January, 1911, which decision is to be found on page 65, in the Sixty-first Florida Reports, contained the following language:

The defendant says that under the provisions of sections 1 and 5 of article 9 of the State constitution only two classes of taxes can be levied in this State; an ad valorem tax and a tax upon licenses. The correctness of this contention may be conceded.

That, Mr. Chairman, was a clear declaration from our highest judicial tribunal, but the agitation continued, from the same source, with the specious argument which has often been used as to our highest courts, to the effect "that courts change their minds as they change their personnel." This has been applied even to the Supreme Court of the United States. The legislature was then in session, and in order to forever settle the question a constitutional amendment was adopted, submitted to the people, and ratified by an overwhelming majority. This was a number of years before the so-called "boom" in Florida.

That is the history of the constitutional amendment in Florida, and there has never been the least desire on the part of her people to make a bid for tax dodgers or men of great wealth except as men of great wealth, properly used, are welcome in any other State.

The constitution of the State sets forth that there shall never be, after the adoption of the amendment referred to, a levy of an income or inheritance tax. We have no desire to change the constitution in this respect. We will not be coerced by an act of Congress into changing our constitution. There are, if I am not in error, 46 States which have some form of estate tax. There are two States which have none—Alabama and Florida. Florida prohibits it by her constitution.

It is a very specious argument on the part of the proponents of this tax to offer to refund to the several 46 States "80 per cent of the tax due the Government of the United States." It is hard to resist, of course, and the result is a combination of 46 States against 2.

If the gentlemen on this floor, representing the 46 States, would only stop and think, they would realize that by eliminating the Federal inheritance tax in its entirety, thereby preserving the principles of State rights, their States would pay no inheritance tax at all and the Federal Government would have to raise its revenues by some other method, leaving to the States the right to conduct their own fiscal systems, as was intended by the Constitution when originally written, and where it rightfully belongs.

The Constitution of the United States originally provided for three forms of taxation—a tax on imports, an excise tax, and a direct tax on property. The two forms first mentioned still exist, and the Government has found the third to be impracticable and unworkable. This remained unchanged until the Federal income tax amendment, and even then the amendment never contemplated a tax on inheritance.

The Constitution of the United States clearly contemplated that every State should have its own system of taxation without Federal interference, and that the Federal Government should raise its revenues by the two methods hereinbefore mentioned.

I realize, of course, from the debates and the record votes heretofore taken on this question that I am making a hopeless appeal; that I am waging a losing fight; but that will not relieve me of doing my duty as I see it by the people of my State, and for that reason I am entering this solemn protest. The State has been the target of malice and misrepresentation until it has become a public scandal, and the people there are beginning to wonder if they are still a part of the American Union. All we desire is a square deal, and we are not getting it.

Realizing that we are for the moment under an unlucky star, I do not expect that what I say here will have great weight or change a vote. I merely say it by way of protest and in

order that the people of my State may understand how hopeless is their cause under present conditions. I expect at the proper time to offer an amendment to the pending bill which, if adopted, will have the effect of a repeal of the inheritance-tax feature of the present law, and upon this I shall ask for a record vote.

Mr. GARNER of Texas. Mr. Chairman, I yield five minutes to the gentleman from Florida [Mr. GREEN].

Mr. GREEN of Florida. Mr. Chairman and gentlemen of the committee, the repeal of the Federal estate tax is a subject that has been discussed from time to time. It is a subject that our Committee on Ways and Means saw fit to exclude by an almost unanimous vote. It is a subject, however, that more than half of the States of the Union have seen fit to request the Congress to give relief on in this bill. More than half the legislatures of the States have seen fit to pass resolutions and memorials urging the Congress to repeal it. A majority of the people of the United States have requested, by legislative act and otherwise, that the Federal estate tax be repealed.

I do not believe there is a member of the committee or a Member of the House that really believes that this tax is now collected for revenue purposes. I do not believe there is a member of the committee that believes, really and sincerely, that States should be compelled to have their laws in tax matters governed and regulated by the Federal power; this is a power which rightfully belongs to the several States. It is time for the Federal Government to retire from the estate field of taxation, leaving it with the respective States. The people of the Nation demand it, and we should heed this demand.

Gentlemen of the committee, I believe it is time to wake up and join with a majority of the people of our country and by your vote, when the Florida delegation submits a motion to recommit, which at the proper time it will do, to the Committee on Ways and Means with the instructions that the Federal estate tax be repealed, stand with us and vote with us on this motion and help us to faithfully represent the will of the majority and at the same time protect the rights of the sovereign States. Centralization and the encroachment of the Federal power is a dangerous enemy to the ultimate welfare of the individuals of our great Nation's population.

Mr. ARENTZ. Will the gentleman yield?

Mr. GREEN of Florida. Yes.

Mr. ARENTZ. I do not believe there are many people who understand the fact that 80 per cent of this tax collected by the Federal Government is returned to the States if they have such a tax provided by their statutes. I wonder if Florida could collect an inheritance tax for 20 per cent, or one-fifth. Does the gentleman think any of the States could?

Mr. GREEN of Florida. The fact of the matter is, as the gentleman knows, Florida's State constitution enjoins us from collecting an inheritance or income tax, and I have not looked into the matter indicated by my friend. However, I do know that inasmuch as this tax is collected just for the supposed purposes of making the laws in taxation uniform it is nothing more or less, gentlemen of the committee, than a mockery. Here we represent our States and make a mockery of this issue under the guise of making normal or making regular all tax assessment in the respective States. I do not believe we should hold ourselves out as exemplars to carry the mockery any further. I fear my colleagues are deceived as to the real importance now attached to this matter by the several States.

If the States desire the estate tax, surely they should collect it. My State does not desire this tax. It says tax the living, not the dead. We do not believe in a death tax. If we are taxed all of our lives, then should we pay a tax after death?

Mr. COX. Will the gentleman yield?

Mr. GREEN of Florida. Yes; to the gentleman from Georgia.

Mr. COX. Does the gentleman think he is altogether consistent in the statement he has made?

Mr. GREEN of Florida. I would like to say to the gentleman from Georgia that his State's legislature, realizing the facts about this 80 per cent credit, passed a law which gave that State 80 per cent of the amount collected by the Federal Government, and the State received nothing except that 80 per cent; after all Georgia can not be said to really have a State inheritance law; it has only challenged the Federal statute and formed its State law in order to reap the benefits from the Federal law.

Mr. COX. But I thought I understood the gentleman to say that he was of the conviction that there was no purpose or intention on the part of the committee reporting this bill to influence States whatsoever in their tax policies.

Mr. GREEN of Florida. I am sorry I did not make myself clear, I will say to my friend from Georgia. I think the absolute purpose of this committee is to undertake to coerce all

States into passing laws like the Federal Government wants them to pass in their tax matters; and I can speak for the State of Florida when I say it is not going to repeal its inheritance tax amendment of its constitution. Florida is not going to assess an estate tax. [Applause.] Gentlemen of the committee, time is too limited to fully discuss this all-important subject to-day, but before the final vote is reached on this bill I expect to address you at length on the subject.

Mr. GARNER of Texas. Mr. Chairman, I yield five minutes to the gentleman from Florida [Mr. YON].

Mr. YON. Mr. Chairman and gentlemen of the committee, I am a new Member, and I recognize that I am kind of out of place by taking the floor so soon after coming here; but, gentlemen, this is a question of vital interest to my State. I am not going to take up much of your time.

This question was brought to the fore about two years ago when the matter was under consideration in your bill. I am coming to you to-day to call to your mind the reasons that were given about two years ago. I know that some of you were somewhat frightened about the consequences of investments that you or your friends made in my State. There was a boom on in Florida and everybody wanted to go to Florida or were talking about Florida. Since then conditions have changed, and you ought to feel a little different about Florida. Some of you or your friends made investments when they thought they were going to get rich quick; but the boom failed.

Florida was not responsible for that; it was the speculators. Has Florida changed? No; she has not changed. We have gone on with the greatest road development; one that is wonderful. I believe we are carrying on the most gigantic road program of any State in the Union, considering the wealth, population, and mileage.

What we have done is regardless of the boom consequences. Florida is the oldest and the newest State of the Union. Gentlemen of the House, you ought to reconsider your action. We have no fight with the other Membership of this House, but as a Democrat, a natural-born Democrat, for if I lived in Maine or any rock-ribbed Republican State in the Union with my nature, I would have been a Democrat. [Applause.] I believe in the rights of the people to govern themselves. I believe my State has a right to govern itself and that the Federal Government has no right to say we will take from you that right.

Now, in the legislation two years ago you did not name Florida. You remember what the chairman of the Ways and Means Committee said about Florida two years ago. If he has forgotten, if he will go back to the Record of two years ago, he will see what he did say. I think he cast an aspersion on the State, a small State, great in possibilities, but small in population and yet great in population. We say to you gentlemen this State of ours has only 4 Representatives, and you 431 Members throughout the United States passed this legislation. We did not pass the constitutional amendment trying to subvert the Capital of the National Government from getting what was due it. You can pass any kind of legislation, but give us our right to say whether Florida wants an inheritance tax or an income tax or not.

That is what I say, and I hate to take issue with you Democrats because your fathers fought, bled, and died to defend the rights of the citizens of the States. The State of Florida is a sovereign part of this great Government.

Now, you Democrats from our neighboring States in the Southland and scattering Democrats from other States, I hate to take issue with you, for I expect to live with you at least two sessions. I may not come back, but I came here to fight for the rights of my State, and I say I would not vote for a bill or any provision in a bill that takes away the right of my State to govern itself.

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

Mr. YON. I ask for one minute more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. YON. Of course, the people of Florida did not vote this inheritance and income tax provision in the constitution to protect the rich of our State, but as we have between a fourth and a fifth of the total of the seacoast of the Nation, and thousands of wonderful home sites, also with the hills and lakes of the interior of the State and with millions of acres of arable, fertile soil that needs no irrigation or drainage, except, maybe, local, we thought of withdrawing some items of taxation to attract to these vacant and unpopulated areas. Of course, gentlemen, you can override our constitution, but with Florida's proximity to the centers of population, and with our climate,

with our fishing, hunting, bathing, fertile soil, and hospitable people Florida will ever act as a magnet to draw ever-increasing thousands from less hospitable climate than is Florida's and to till her fertile soil and enjoy her luscious fruits and general agricultural products. Verily, gentlemen, Florida will continue to go forward morally, intellectually, and economically. [Applause.]

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

Mr. TREADWAY. Mr. Chairman, it is my purpose to consider two phases of the bill which has been presented for the action of the House on revenue reduction: First, the changes in language and administrative details which have resulted from the work of the Joint Committee on Internal Revenue Taxation; second, the effect of the bill on the average taxpayer.

#### BRIEF REASONS FOR COMPLICATED LAW

The Underwood Tariff Act of 1913 carried the first general income tax provision following the adoption of the sixteenth amendment to the Constitution. Rates were later increased during the Wilson administration until this country entered the war, when it became necessary to raise enormous sums by all forms of taxation, including heavy levies on income. The peak was reached in 1920 when, under the act of 1918, the stupendous sum of \$4,000,000,000 was collected in income and profits taxes, comprising 59 per cent of all ordinary receipts. Since then the revisions downward have been almost as rapid as the revisions upward between 1914 and 1918.

The primary purpose of this bill is to reduce the tax burden still further and to apportion it more equitably among taxpayers. The reductions in the tax rates and the steps taken to equalize the burden are explained in detail in the report accompanying the bill.

This is the seventh revenue bill before Congress in the past 12 years. During that short period the income tax has become the principal source of Federal revenue. It has dwarfed the once important customs duties. In 1914 the income tax produced less revenue than the tobacco tax. In 1920 it produced \$4,000,000,000 and it produces currently over one and one-half billions. The income tax has doubtless grown faster in point of importance than any other known in modern times.

During the high tax years, 1917 to 1921, it was important in the act to emphasize fairness and equity. An unfair distribution of the tax burden might ruin a business or an industry. As a consequence, special provisions, limitation, exceptions, and qualifications came into the law. It was important also to make the law as certain and clear-cut as it could be made, so that business men might know definitely what their tax obligations would be. Detailed provisions by the score were written into the revenue acts for this purpose.

Of late years, with greatly reduced rates, the primary emphasis has been shifted to simplification. There is no doubt that the law is complex. Each successive revenue act during the past decade has been more bulky than its predecessor and less easy to understand. Contrary, perhaps, to public opinion, this complexity has not resulted from lack of interest on the part of Congress or a lack of desire to phrase the law in more simple language. The circumstance that the income tax laws of most foreign countries and of many of the States are as complicated as the Federal law should give food for thought. It is not merely a coincidence that almost all the modern income tax laws are complicated.

The fact is that any law which provides in detail for the computation of the net income of three and one-half millions of individuals and corporations must be more or less complicated. Nevertheless, with sufficient time to work out the problem, a measurable degree of simplification is possible and important steps toward simplification have been taken in this bill.

#### JOINT COMMITTEE ON INTERNAL-REVENUE TAXATION

While in general the details of the appointment of the joint committee may be fairly well known to the membership of the House, it may not be out of place to refer to the conditions which brought about the creation of the committee, its present studies, and the advantages which will accrue from its continuance.

In passing the revenue act of 1926, Congress made provision for a joint committee on internal revenue taxation, the duties of which, as outlined in section 1203, are to investigate the operation and effects of the internal-revenue tax system and to devise measures and methods for simplification, particularly of the income tax. It was thought that the time had come to make inquiry into the causes for the complications in the law. It was believed that sufficient experience had accumulated to afford valuable lessons in drafting and administering an income tax law.

The committee, which is composed of members of the Finance Committee of the Senate and Ways and Means Committee of the House, is assisted in its labors by an advisory group of the recognized leading tax experts of the country who generously responded to the appeal of the chairman for their aid in solving the many problems.

The joint committee is composed of two divisions—the division of simplification and the division of investigation. Both divisions are splendidly manned by efficient staffs.

A very large part of the work of the Ways and Means Committee during the past month has consisted of studying the recommendations of the joint committee, shaping into proper form the policies which have been accepted and including them in the bill now before the House for its consideration.

#### REARRANGEMENT OF NEW BILL

The most important step toward simplification, perhaps, is the rearrangement of the sections in the act. There are certain fundamental sections, such as those which define gross income, deductions, and net income, and those which impose the normal tax, the surtax, and the corporation tax, which are or may be applicable to the cases of very large groups of taxpayers.

On the other hand, there are provisions in the law, such as those relating to appeals to the Board of Tax Appeals, the taxation of nonresident aliens, foreign corporations, insurance companies, and so forth, which are of practically no interest to taxpayers generally.

In all of the preceding acts these general provisions and special provisions were mixed with each other at various places in the law, so that it was impossible at any one place to find a clear statement of the basic principles of the income tax.

A scheme of rearrangement has been worked out by which the provisions of general interest to the great body of taxpayers have been grouped together in sections 11 to 65 of the bill. There is thus gathered together for the first time in a Federal income tax measure a simple statement of the basic principles of the tax as applied to the average taxpayer.

The remaining provisions in the act are placed in supplements, which include sections 101 to 322 of the bill. It will be seen that the supplements correspond with the arrangement of the general provisions at the beginning of the bill—that is, Supplement A corresponds with Part I, both dealing with rates of tax; Supplement B with Part II, both dealing with the computation of net income; Supplement C with Part III, and so on.

The provisions peculiarly applicable to estates and trusts have been collected in Supplement E, those relating to partnerships in Supplement F, those relating to insurance companies in Supplement G, those relating to nonresident aliens in Supplement H, and so forth.

Supplement L is devoted to sections relating to the assessment and collection of deficiencies, which includes the procedure leading up to an appeal to the Board of Tax Appeals. Supplement M relates to interest and additions to the tax, Supplement N to claims against transferees and fiduciaries, and Supplement O to overpayments.

It has often been suggested that the income tax law should be arranged on some "logical" basis. As a matter of fact, such a rearrangement was prepared but was rejected in favor of the present form of rearrangement on the ground that the present form is more practical. There is good reason to believe that as a result of this rearrangement once taxpayers have become accustomed to its use, the finding of any particular part of the law will be made more easy and more simple.

A marked change in the method of handling the language in the law applicable to both individuals and corporations has been adopted. Formerly there were separate provisions containing general rules for individuals and corporations in Titles II and III. Now these are all combined into one subtitle, B, appearing in the new print on pages 9 to 47. This new method will prove very much more convenient to both the individual and the corporation.

From an examination of the bill it will readily be seen that there are more changes in the suggested new language than have appeared in any bill since the first downward revision. The greatest accomplishment toward simplification is the rearrangement of the text, both in form and in substance. In this rearrangement the various related sections have been grouped together.

#### TABLE OF CONTENTS

Particular attention is directed to the table of contents under Title I, income tax. This is entirely new in any legislative draft and will be found most convenient for reference purposes.

The sections of the bill are arranged very much as the taxpayer is likely to have to refer to them. By reference to the

table of contents it will be seen that the various subtitles and supplements cover all the subjects contained in the act and that they are arranged in the most convenient manner for the use of the taxpayer.

#### CROSS REFERENCE

Formerly the cross references in the act required a taxpayer to familiarize himself in large measure with various features scattered throughout the law. The majority of individual taxpayers now will only need to understand sections 11 to 65 of the bill. Then, if other items are applicable to a taxpayer in making out his return, the places where such items are to be found appear directly following the paragraphs concerned.

Take, for instance, Part II, computation of net income. Net income is to be computed under section 22, less deductions allowed in section 23, so that to ascertain his actual net income the ordinary taxpayer has only two sections to consider, the one covering gross income and the other covering allowable deductions, the difference between the two representing the net income. You will find these references throughout the bill, but the very disagreeable cross references have been very largely eliminated.

Where it has been necessary to retain cross references, a new scheme is used whereby each reference gives on its face a summary of the contents of the provision to which the reader is referred.

The following are examples:

For corporations exempt from tax, see section 103, page 13.

For use of inventories, see section 22(c), page 33.

Closing of taxable year in case of jeopardy, see section 146, page 38.

For provision as to consolidated returns of affiliated corporations, see section 141, page 41.

You will also note that section 64 indicates where to find the taxes imposed by this title under Title II of the revenue act of 1926, and the section numbers used in this bill are shown in lieu of those in the 1926 act.

#### REPETITION

The former acts contained much repetition. Section 234 of the 1926 act repeats much of section 214, and this is true of many other sections. A considerable amount of this repetition is avoided by consolidating these provisions in the new bill. The work is such an intricate one and so extensive in its ramifications that time is a very large element in solving the problems that have grown up.

#### STABILIZATION OF LAW

The income-tax system is becoming more and more stabilized both as to the form of the law and its administration. The present language will, we think, be fairly permanent. My plea has continually been to have the language of the act sufficiently plain to enable the taxpayer to make an honest return of his tax indebtedness without the employment of an expert accountant or a lawyer specializing in tax matters. This purpose may not have been entirely accomplished in the present revision, but certainly marked progress has been made.

The results of the changes in the law as suggested in the bill now before the House will not be apparent in the form of the blank issued by the Treasury on which returns are made, but the advantages to the taxpayer will be reflected in plainer language in the law and in the manner of grouping related items.

There is, of course, no certainty as to when further changes can be recommended by the joint committee with a view to correcting complicated sections not dealt with in this bill. It is, however, fair to say that the work of the joint committee can be carried on very advantageously for some time. By having sufficient time to make corrections in the language of the law and recommending changes in its administrative details much more benefit will later accrue to the taxpayer than appears from the present revision.

When the revised law is printed in the form of an act there will be marked reduction in the number of pages. It is to be regretted that it seemed advisable to add several pages of new matter, but these have been added for the purpose of better administration and clarification. It can also be said that the additions are not general in nature and will not be a source of study or investigation by any large number of taxpayers. As a rule, they apply only to special cases and therefore people affected by them are very limited in number. As an illustration, I call attention to sections 607, 608, 609, and 610. These replace section 1106 (a) of the old law, but they refer only to a narrow class of cases falling under the statute of limitations.

## SUBSTANTIVE PROVISIONS

Among the recommendations of the joint committee which have been carried into the new bill, other than those heretofore mentioned, may be listed the following:

The estate tax and other miscellaneous tax titles of the 1926 act have not been repeated in this act, as was the custom in former years. Changes have been made by appropriate amendments which will be found at the back of the bill. In other words, the present bill is, for all practical purposes, solely an income tax act. In view of the limited interest in the estate and miscellaneous taxes, this is believed to be an important simplification.

The recommendation of the joint committee with respect to consolidated returns was adopted in substance, and it should result for future years in simplifying considerably the administration of the law to the cases of affiliated corporations.

The recommendation of the joint committee with respect to Federal tax liens was adopted, which simplifies and makes more flexible the present law.

The recommendations with respect to the bar of the statute of limitations made by the joint committee were adopted in so far as they relate to section 1106 (a). Though the result does not simplify particularly the wording of the statute, it does clarify a very muddled situation.

The joint committee's recommendation with respect to the basis for gain or loss on sale by an executor was adopted, as was also its recommendations with respect to interest on overpayments of taxes and closing agreements.

The survey of administration prepared by the Treasury Department and submitted to the joint committee provided the basis for a study which should result in considerable simplification of the administration of the law.

## DELAYS IN DISPUTED CASES

One of the chief sources of complaint from taxpayers in the past has been the delays in settlement of disputed cases. First, the Board of Tax Appeals was set up, in the hope of overcoming some of this trouble. The board has been successful in its work, but cases have been accumulating so rapidly before the board that it is getting more and more behind in its work. In other words, more cases are coming to the board than it is able to dispose of currently.

Various efforts have been made to cure this situation. Section 704 of the new bill will, in the opinion of the department, accomplish much good. The difficulty in the past has been the impossibility of retaining experienced men at the salaries paid. As soon as men became proficient and competent the lure of outside salaries would bring about their resignations.

Paragraph (a) establishes a new rate of compensation for assistants to the general counsel and administrative and technical employees. Men who are selected for these special positions can feel a permanency of employment and have an independence of action which was impossible under the old conditions.

We look to see the appeal cases settled with greater expedition than in the past. The contrast of our bureau with that of Great Britain is most marked. There men start in subordinate or minor positions in anticipation of making Government tax business their life work, which results in a personnel skilled in the subject matter. Our system has produced just the opposite result, the turnover in the personnel being very large among the men who have reached the point of usefulness in the bureau.

## FUTURE WORK OF JOINT COMMITTEE

Under section 1203 of the act of 1926 the joint committee is required to make a definite report to Congress not later than December 31, 1927, together with such recommendations as it may deem advisable. It is to be expected that this report will in large measure be reflected in the language of the bill now before the House. It will, therefore, be apparent that this bill is in a sense a report of progress, because it is well recognized that there are many more items which will need further study by the joint committee.

As illustrations, I call attention to section 24 (b), entitled "Holders of life or terminable interest." Very likely there are Members of the House capable of explaining just what that paragraph is intended to accomplish so far as holders of life or terminable interest are concerned, but this is the sort of language which has been, in the language of the street, considered "good picking" for expert accountants and high-priced lawyers.

Another paragraph beyond the comprehension of the ordinary brain is section 143, "The withholding of tax at source," and the following pages.

It may be asked why such items as these appear in the revised bill. The reply is perfectly simple, that there has not

been sufficient time to rewrite all such paragraphs in an effort to secure plainer language.

In my opinion the joint committee, by the adoption of the rearrangement which has been approved by the Ways and Means Committee, has fully justified its creation, and the many additional changes that have been made will also prove their value as taxpayers have occasion to use the new law.

There are a number of things, in addition to those mentioned above, which should be done to simplify the law still further. Though a discussion of these measures is not in point in the present connection, it may be said that the compilation of a code which will contain all of the administrative provisions now governing the determination, assessment, and collection of taxes is a vital necessity. These provisions at the present time are scattered throughout the various revenue acts and the general statutes. The compilation of such a code is a large undertaking, but is well worth while.

An analysis must be made section by section of the entire act in order to develop simpler basic principles. The entire scheme of taxing nonresident aliens and foreign corporations needs revision, and it is fraught with difficulties to him who undertakes the task. It is likely that careful study will disclose the possibility of stating many of the provisions now in the law in a more simple and direct manner. The extent of the simplification achieved will be a matter of conjecture until the work is completed.

## EFFECT OF REDUCTIONS ON AVERAGE TAXPAYER

In speaking relative to previous revisions it has been my custom to show the effect of tax reductions upon the average man. One result of the revision of 1926 was the elimination as taxpayers of practically 2,000,000 citizens. This was brought about by increased exemptions, both for single and married men; the increase of the earned-income provision; and the removal of numerous special taxes. It perhaps would be more accurate to refer to the effect of the present law upon the average taxpayer than upon the average man.

Before the passage of the 1926 act, 4,500,000 individuals paid taxes. That act reduced the number to about 2,500,000. Of the total tax collected from individuals for 1925, amounting to \$734,000,000, 327,018 individuals contributed \$701,000,000, while 2,174,148 individuals contributed the balance of \$33,000,000. In other words, 2.2 per cent of the population paid practically the entire income tax, and the remaining 97.8 per cent of the population paid almost no tax.

Therefore the benefit to the average man is represented by the reduction in the tax on the corporation of which he may be a stockholder, and also by the increased circulation of money in business and trade, because by removing \$236,000,000 from the tax payments into the Federal Treasury there is just that much more in circulation for business purposes—just that additional stimulation to the general business welfare of the country.

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

Mr. TREADWAY. Yes.

Mr. BLANTON. Are not these intricacies to which the gentleman called attention kept in the law because of the fact that these selfsame experts framed the bill largely for the committee?

Mr. TREADWAY. There are a few men, and one of them has recently retired from the Government service—Mr. Gregg, of Texas, the son of a former member from the gentleman's own State—

Mr. BLANTON. And than whom there is no better expert—

Mr. TREADWAY. Just a moment—whose mental capacity to regard phrases as simple that the gentleman and I would regard as most intricate, is astounding. When a gentleman like Mr. Gregg comes before the Ways and Means Committee, for the time being his explanation goes, and we can understand him, but the moment he gets out of the room I defy even the brilliant chairman of our committee to carry with him the explanation that such a man as Mr. Gregg has made to us. We simply can not comprehend him, and, further than that, even if he or men like him did draw up this complicated language, the matter itself is so complicated and intricate that we can not write it into plain, primer English.

Mr. BLANTON. And the result of that is that every business man in the gentleman's district in Massachusetts and everyone in my district in Texas must hire a high-class expert tax lawyer, who charges big fees, to make his tax returns for him.

Mr. TREADWAY. I have said hundreds of times that the law ought to be such that the average man need not employ high-priced counsel in order that he may be honest with the Federal Government. On the other hand, any tax bill is bound to be complicated. You can not get away from that

feature of it. When you get into some of these exceptional things, such as we are referring to, the best man that you can employ is cheap at the charge he may make you. On the other hand, the great majority of income-tax payers do not have to deal with these complicated sections and so do not need attorneys or accountants.

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

Mr. TREADWAY. Certainly.

Mr. GREEN of Iowa. I was just about to say to the gentleman from Texas that a Government expert is provided for those who want to have an expert to make out their returns for them.

Mr. BLANTON. Of course, we have our expert down here in the Sergeant at Arms' office to fix our reports for us, and he is easily accessible, but take a ranchman out in JOHN GARNER'S district—

Mr. TREADWAY. Oh, he can go to JOHN. He would explain it to him. [Laughter.]

Mr. BLANTON. Or in CLAUDE HUDSPETH'S district, for instance, where there are counties perhaps 200 miles across them, hence sometimes he has a long way to go in order to get an expert.

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

Mr. GREEN of Iowa. Mr. Chairman, I yield 10 minutes more to the gentleman from Massachusetts. I might suggest in that connection, Mr. Chairman, that the farmers out in my district do not have much income tax to pay. It is evidently different down in Texas.

Mr. BLANTON. Oh, there are some rich ranchmen in Texas who have pretty good income taxes to pay, for some of them own big ranches not only in Texas but in New Mexico, Wyoming, and even in old Mexico.

Mr. GREEN of Iowa. And those that have incomes under \$5,000 a year can use the short form, and anybody can fill that out.

Mr. BLANTON. Some of the ones I am talking about pay several times \$5,000 in income taxes.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. REED of New York. I come from a farming district, and I know one man there who before he could get his tax reports in shape paid a fee of \$9,000. It seems to me that the law could be simplified, and it ought to be simplified, so that such a thing would not be necessary.

Mr. TREADWAY. The joint committee has, in my opinion, done wonders which will result in correcting such cases as that to which the gentleman refers, and if he will examine the sections to which I have referred he can readily see that in a brief period of a year much has been done to reduce the complications. It is our desire to iron them all out when time permits.

Mr. REED of New York. It is unfortunate, however, because it causes much criticism against the Government and against Congress.

Mr. TREADWAY. We feel that when the present bill is enacted into law and the people become accustomed to the arrangement and find how much easier it is to find sections one is interested in everyone will feel very much better toward the tax law.

Mr. REED of New York. I hope so.

Mr. TREADWAY. I think that will be demonstrated in the use of the new law.

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

Mr. TREADWAY. Yes.

Mr. McLAUGHLIN. The gentleman from Massachusetts will remember that two years ago when we made an unusual effort to simplify and clarify these matters experts from the Treasury told us that they had written and rewritten many of these sections as many as fifty times in order to make them simpler and more easily understood.

Mr. TREADWAY. And that on top of that the more they rewrite them the more they find things that will crop up to bother them in the future.

Mr. GARNER of Texas. Ought not the gentleman to state to the House in connection with the simplification that the testimony before the committee was—and I am not certain that it is not in the report of the advisory committee—that 10 per cent of the errors existing in the last recommendation are attributable to the earned-income provision, and that you could strike the earned-income provision out, strike off the one-half per cent on the normal tax, and your loss to the Treasury would be about the same and the benefit about the same,

and thus do away with 10 per cent of the errors now coming into the Treasury Department?

Mr. TREADWAY. Well, the revised law when adopted will do away with a great deal more than the labor of preparation.

Mr. GIFFORD. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. GIFFORD. I want to say, because we are now interested in this particular subject, that I intend to put in the RECORD this afternoon, to which I think the gentleman from Massachusetts will agree as to the authority, that the annual toll to the taxpayers of the country is \$100,000,000 of toll for returning, \$300,000,000 for accounting, making \$400,000,000 of toll paid under this form of levying a tax.

Mr. CONNALLY of Texas. Will the gentleman yield?

Mr. TREADWAY. I will be glad to yield such part of my time as I can spare.

Mr. CONNALLY of Texas. If it is just so simple that they would come up and pay the taxes claimed by the Treasury Department, they would save this \$400,000,000. Most of the spending of the money is for the obtaining of reductions, and so forth.

Mr. TREADWAY. The levying of a tax bill is always objectionable to people.

Mr. CONNALLY of Texas. Can you make the law any more simple than business? Is not the American business highly intricate with combinations and subsidiaries, so intricate that people have to get a lawyer? It is against the law to kill a dog, but that does not settle a lawsuit. You have got to get a lawyer to see whether the dog was in the way or not.

#### CORPORATION TAX

Mr. TREADWAY. The corporation-tax cut is the largest single reduction, being estimated at \$166,000,000, and when such an enormous sum as this is kept in the general channels of business rather than paid into the Treasury of the United States, its effect is bound to be felt in the home of the average man.

We have also increased the exemption for small corporations from \$2,000 to \$3,000. This will be of material benefit to the average man who may be conducting his business with a partner or partners under corporate form rather than as a partnership. This arrangement appears to be more equitable for the small business concern than would have been possible under some form of partnership return.

#### AUTOMOBILE TAX

The next largest item of reduction is the automobile tax, which has been reduced one-half, or about \$33,000,000. The committee and the House recognize the fact that there has been a great effort made to influence the Ways and Means Committee to remove the entire automobile tax. The reductions made in the 1926 act and in the present proposed revision comprise such a large part of the entire income tax that fair criticism can not be raised against the Committee for the item as it now appears.

While it is recognized that there are only a few makes of cars that can be classed as luxuries, the automobile-tax rates have never deterred a prospective purchaser from buying either a luxurious car or the cheapest make in the market, according to his ability to pay. The chief agitation for the entire removal of this tax comes from the manufacturers and the dealers on account of the inconvenience it causes them, and not from the actual purchaser of the machine.

The amount that will be raised from the sale of new cars in 1928 under the proposed revision is a large one, about \$35,000,000, but the individual payment is so small that it can in no way be regarded as a handicap to any purchaser.

In connection with the effort which it is anticipated will be made to amend this item, let me call the attention of the Members to two factors. The annual Federal appropriation for good roads is \$75,000,000. If no Federal tax should be paid by the automobile owner there would at once arise a clamor for the repeal of the good roads appropriation. Furthermore, the reduction in taxes proposed by the committee is between eleven and twelve million dollars in excess of the Treasury recommendation. If you undertake to increase this reduction by the sum of \$33,000,000, you will imperil the enactment into law of the entire measure. My friend the average man will, I am glad to say, willingly contribute the small payment he will be required to make to the Federal Government if he has the means of purchasing a new car while this law is in effect.

Mr. HUDSON. Will the gentleman yield for just a question?

The CHAIRMAN. The time of the gentleman has expired.

Mr. GREEN of Iowa. I yield the gentleman five additional minutes.

Mr. TREADWAY. I shall finish within that time.

Mr. HUDSON. I just wanted to ask the gentleman from Massachusetts if appropriations for better roads came before or after the levying of the automobile tax?

Mr. TREADWAY. Like all such things, the road appropriation started modestly, but has grown to large figures. The automobile tax was levied for war purposes, and the war is not paid for by the country yet. I am sorry now, but if the gentleman will pardon me, I will be glad to discuss the automobile item when we reach it under the reading of the bill. I would like to complete my statement in the time which the Chairman has courteously given me.

To show how small this automobile tax is to each purchaser, I append hereto a statement showing the taxes that will be paid on cars of various prices under the proposed rate of  $1\frac{1}{2}$  per cent:

Ford sedan	\$6.14
Dodge sedan	9.84
Hudson sedan	15.58
Buick brougham	21.66
Hupmobile sedan	24.70
Pierce Arrow runabout	28.07
Franklin limousine	33.08
Marmon sedan	40.95
Cadillac sedan	46.06
Lincoln sedan	54.00
Locomobile touring	67.50
Locomobile sedan	82.12
Pierce Arrow landau	90.00

It therefore appears that a tax that brings to the Government \$33,000,000 in the aggregate means that a purchaser of the cheapest priced car would contribute only \$6.14 to the Treasury, and the purchaser of the highest priced American-made car \$90. The taxes on the low-priced cars will all be under \$25, and those on the higher priced cars will all be under \$100.

These figures are proof positive that the business is not injured, that no burden is laid on the buyer, and that the industry is not discriminated against by the retention of the  $1\frac{1}{2}$  per cent tax rate.

While there occasionally has been an effort to remove the tax on cigars and cigarettes, the people have become so thoroughly accustomed to contributing toward the revenues of the country under the tobacco schedule that little attempt has been made to have these taxes reduced below the present figures. They are recognized as a part of our general tax system. The automobile tax should be considered to some degree in the same light.

Another factor enters into this matter in the refusal of the committee to recommend the repeal of the Federal inheritance or estate tax. A very large body of our citizens feels that this tax is outside the scope of the Federal Government.

For one, I have voted to repeal the Federal estate tax in previous bills. However, this not having been done, I feel that the money that would have been saved to the taxpayers by such repeal will, under the proposed reduction of the automobile tax, be credited to the purchasers of new cars.

#### OTHER REDUCTIONS

Another item of reduction in a sense beneficial to the average man is the lowering of the tax on admissions, the minimum taxable admission being placed at \$1 instead of 75 cents. This will reduce the expense of the average man's attendance at various entertainments.

Club dues have been treated in the same manner as the automobile tax; that is, reduced by one-half. At first it might be said that this is of no material benefit to the average man, but statistics show to what a very large extent the wage earner is a club member, either for social or physical purposes.

#### AGGREGATE REDUCTION

The aggregate amount of reduction represents the maximum figure that the Committee on Ways and Means feels justified in recommending to the House for adoption. There are several other possible suggestions, such as a change in the middle surtax brackets, but all these items I have enumerated must be regarded in the general program. There have been many advocates of a reduction of the corporation tax to 10 per cent, but this recommendation, like so many others, is made by those who are concerned only with that particular item and who fail to consider the aggregate amount of reduction when all other items have been included. As each 1 per cent is estimated to cause a reduction in receipts of \$83,000,000, to have accepted the recommendation of many people that the corporation tax rate should be reduced to 10 per cent would have increased the reduction by \$125,000,000, which will be seen to be beyond the limit of possibility. If the committee should add together all the requests for reductions, we would exceed the expected surplus by at least \$200,000,000.

#### CONCLUSION

This bill has been conscientiously prepared by the Ways and Means Committee, and in most of the changes partisanship did not enter. There are, however, some items which do not have the united support of the committee, but the majority is confident that it represents the very highest reduction possible consistent with safety to the finances of the country. Larger reductions would imperil financial security and invite the danger of a deficit. The majority of the Ways and Means Committee, therefore, appeals to the House to accept the bill as presented.

Undoubtedly claims will be made that larger reductions are possible and very likely motions will be made that will cover such claims. If such action is taken it will be contrary to the weight of evidence before the Ways and Means Committee, which has been acting as your jury. A Member must either be a very rabid partisan or inconsiderate of the country's finances who will disregard the evidence that has been presented and, by a vote to override the provisions of this bill, jeopardize the sound basis on which the governmental financial structure rests. By such action the Member sets up his own opinion as being of more value than those of the financial experts of the country and the officials of the administration who are responsible for the proper conduct of the business affairs of the Government. [Applause.]

The CHAIRMAN. The time of the gentleman has again expired.

Mr. GARNER of Texas. Mr. Chairman, I yield 10 minutes to the gentleman from Arkansas [Mr. OLDFIELD].

Mr. OLDFIELD. Mr. Chairman and gentlemen of the committee, I had not intended to take any time in general debate, but to reserve whatever time I desire for debate under the five-minute rule. However, Mr. TREADWAY, one of the members of the Ways and Means Committee, has called attention to the fact that some members of the committee will probably offer amendments for increased reductions. I think that the statement of the gentleman is entirely correct. I think an amendment will be offered to take all the tax off of automobiles, and I think nearly all on our side over here, if not all of them, will vote for the amendment, and I dare say a great many Republican Members of the House will vote for the amendment. Most Members of this House are opposed to a sales tax on principle. When you have a sales tax you are taxing people upon their necessities, on what they have to have in order to live decently. But when you are taxing them on their income you are taxing them on their ability to pay taxes.

Therefore I hope every Democrat and every Republican, for that matter, will vote for the amendment when it is presented on the floor. I hope all Members on our side will vote to take off the admission tax, another sales tax that we think is not necessary; also club-dues taxes. Therefore I call on the Members for action when this bill is discussed next week under the five-minute rule. If I knew that there would be a deficit created in the Treasury by such action, I would not favor these amendments. But I do not think there will be a deficit. On the other hand, I think we will have a large surplus after these amendments are adopted. Secretary Mellon in his estimates for the last five years has been mistaken in the aggregate the huge amount of \$1,081,000,000. Hence, we on this side of the House do not place much credence or dependence in Secretary Mellon's estimates about surpluses and deficits.

Mr. TREADWAY. Did the gentleman hear the gentleman from Oregon [Mr. HAWLEY] this morning?

Mr. OLDFIELD. Yes; I heard Mr. HAWLEY; and Secretary Mellon has come before our committee for five years, and when he wanted to defeat the bonus or anything else he would predict that we would have a deficit. But he has cried "Wolf!" too often for me to think that he is sincere when he says these estimates show this or that those estimates show that.

Mr. BLANTON. And on all these various nuisance taxes he has also heard the voice of the people?

Mr. OLDFIELD. Yes. The gentleman from Massachusetts said only the automobile manufacturers and dealers are interested in the remission of the tax. That is not correct. About 5,000,000 purchasers of automobiles every year are interested in the repeal of this automobile tax. The purchasers of automobiles pay every dollar of automobile taxes. Hence they are greatly interested.

I think also an amendment will be offered on our side of the House to decrease the corporation tax from  $11\frac{1}{2}$  per cent to 11 per cent. I think we will still have a surplus after this reduction. Yet Secretary Mellon wants to make out that there will be a deficit. He does not have Mr. McCoy to make the estimate; he will have some one else do it, because we know that McCoy for many years has guessed right, and he

wants somebody else to guess to suit him. Hence when the Secretary wants to show a deficit he has some one other than McCoy to make his estimates.

Now, you have heard a great deal about section 220, touching undistributed profits. Some years ago the corporations decided to issue stock dividends so that their stockholders could avoid paying these high surtaxes. The great corporations of the country who did not want to distribute the profits paid, up to 1920, according to an estimate, \$1,800,000,000 in stock dividends. That was found out by the Federal Trade Commission. That, I believe, was 1918, when we attempted to tax stock dividends; and the Supreme Court held that it would be unconstitutional, and therefore we could not do that. Immediately after that the great corporations of the country issued stock dividends, and now it amounts to \$6,500,000,000, and they have issued those stock dividends to avoid taxation. Our committee talked about it many times informally, and the committee wanted to find some provision to prevent these fellows from avoiding and escaping taxation. Therefore the advisory committee of the joint committee on internal-revenue taxation decided on a provision that would do the job, and it was a simple proposition. They said the amount distributed should be taxed a less percentage than the amount not distributed. This joint committee, including Doctor Adams—you have heard their names mentioned here, and they are upright and honorable men, and they know what they are talking about—said in effect, "If you will just tax the undistributed profits 1 or 2 per cent, 10 per cent on the distributed and 12 per cent on the undistributed profits, that would hold out an inducement. If they want the privilege of withholding accumulated surpluses in the corporation for any purpose other than legitimate purposes, let them pay for the privilege. Let us tax them a little more on that which they do not distribute than on that which they distribute. That would get them. That would stop up the hole. Every man in this House knows it, and especially every man on the Committee on Ways and Means knows it.

But what did they do? They had the experts draft a provision to take the place of section 220, and the experts themselves said they drafted it under the supervision of the gentleman from Iowa [Mr. GREEN], the chairman. I think it is better than the present law. But we wanted to find out on the committee whether or not this would stop a gap. I asked Mr. Beaman, our chief expert, whether this would do the job we wanted done; that is, whether it would prevent those fellows from avoiding the tax. He said:

No; there are many ways by which they can get around this.

I do not think it is fair to put in a provision that everybody knows will not do the work. I just wanted to call your attention to that.

I rose, however, mainly to read this letter which I have received from the Civil Service Commission. Everybody knows, and the advisory committee to the joint revenue taxation committee knew, that it would not create a deficit to do what the advisory report advised us to do, but on account of politics they were afraid. You Republicans were afraid you would lose office in some of these States. They were so afraid that some Republicans in Arkansas or in Minnesota or some other State might lose office that they voted unanimously to undo what we had done, and we had done it on the recommendation of the Treasury Department. The Assistant Secretary, Mr. Mills, who is one of the greatest partisans I have ever known in this House, and Mr. Mellon, who is also an intense partisan, advised us to do this thing on account of the efficiency of the service, as they said. Now, I want to read that letter that I have just received from the Civil Service Commission, dated to-day and received by special messenger.

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

Mr. GARNER of Texas. Mr. Chairman, I yield to the gentleman another minute.

The CHAIRMAN. The gentleman from Arkansas is recognized for another minute.

Mr. OLDFIELD. I read:

UNITED STATES CIVIL SERVICE COMMISSION,  
Washington, D. C., December 10, 1927.

Hon. WILLIAM A. OLDFIELD,

Member of Congress, House of Representatives.

MY DEAR MR. OLDFIELD: The commission respectfully asks consideration of the following brief statement. If more detailed information is desired, that will be promptly furnished.

On page 8, volume 1, of the report of the Joint Committee on Internal Revenue Taxation is recommendation as to reorganization, especially of the field branches of the Internal Revenue Service. The statement is made in the report that such reorganization would result in saving

approximately \$2,000,000 per annum. This recommendation is accompanied by the statement, "To accomplish this purpose it will be necessary that all employees in the field service be under the civil service."

It has been demonstrated repeatedly in the Government service, and also in private industry, that the application of the examination system to employment of personnel results in savings in actual expenditures and in bringing about increased efficiency. Instances may be cited, if you desire them.

If favorable action is taken by Congress on this recommendation of the joint committee, it may be stated that the incumbents of positions of deputy collector of internal revenue, which positions are not now classified, will automatically be given a competitive classified status under existing civil service laws and rules, unless Congress specifically provides otherwise.

The commission is most earnest in urging that Congress place the entire tax-collecting agencies of the Government within the purview of the merit system.

By direction of the commission.

Very respectfully,

JOHN T. DOYLE, Secretary.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. GARNER of Texas. Mr. Chairman, I yield the gentleman another minute.

The CHAIRMAN. The gentleman from Arkansas is recognized for one minute more.

Mr. OLDFIELD. Certain gentleman on the Ways and Means Committee thought these men were going to lose their positions.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. GARNER of Texas. Mr. Chairman, I yield the gentleman one additional minute.

Mr. OLDFIELD. But this letter says they would not; that they will be automatically put in the classified service; and that their jobs will be secure to them. So there can be no excuse for our not going along and doing the right thing about this matter; that is, placing these gentlemen under civil service.

Mr. CHINDBLOM. Will the gentleman insert the whole letter?

Mr. OLDFIELD. I have inserted the whole letter.

Mr. CHINDBLOM. Was it sent to the gentleman at his request?

Mr. OLDFIELD. No. I did not know anything about it and did not know it was to be sent to me at all. It was sent by special messenger. I do not know why they sent it to me, but I presume it was because it was sent to all of the other Members.

Mr. TREADWAY. They probably recognized that the gentleman is such a partisan, as he has just been referring to partisanship.

Mr. OLDFIELD. They know I am not a partisan. If the letter was sent on that ground, it would have been sent to some other gentleman. The gentleman from Massachusetts [Mr. TREADWAY], for example.

Mr. GARNER of Texas. This is the first time I ever heard that the Civil Service Commission is a partisan body.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. GARNER of Texas. Mr. Chairman, I ask unanimous consent to extend in the RECORD as a part of my remarks the report of the joint committee, as well as pamphlet No. 1, being the advisory committee's report. I have had many requests for this pamphlet to-day, but I am not able to supply the copies, so I am asking unanimous consent to insert it in the RECORD.

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

Mr. TREADWAY. Mr. Chairman, reserving the right to object, would it not cover the wishes of the gentleman if additional copies of this report should be printed in a separate volume? I think such an arrangement could be made with the Committee on Printing.

Mr. GARNER of Texas. If that were done Members of the House would not be able to get copies in time, because the copies would have to be distributed through the folding room, and it would take 10 days to do that. We are going to take up this bill under the five-minute rule on Monday next, and if the Members are to have the benefit of the recommendations made by the advisory committee and the staff that has worked on this proposition all summer, the report will have to be printed in the CONGRESSIONAL RECORD, so they can look it over. Otherwise the Members will not get the benefit of it.

Mr. CHINDBLOM. Does the gentleman mean more than Volume I?

Mr. GARNER of Texas. I mean Volume I, that little thin pamphlet.

Mr. TREADWAY. The gentleman has referred to it as a thin volume, when, as a matter of fact, there are 86 pages in it, together with tables and other matter.

Mr. GARNER of Texas. There are not 86 pages.

Mr. TREADWAY. I am holding it in my hand, sir.

Mr. GARNER of Texas. I do not care what the gentleman is holding in his hand. I will assert there are not 86 pages in that volume.

Mr. TREADWAY. The gentleman can look at it if he questions my word. There is the end of it, and that is page 86.

Mr. GARNER of Texas. That is not Volume I at all.

Mr. TREADWAY. Yes; that is Volume I.

The CHAIRMAN. The Chair might suggest that it is his off-hand opinion that this probably ought to be done in the House rather than in the committee.

Mr. GARNER of Texas. This is Volume III. The gentleman did not look at it himself. He is speaking about the entire volume. This is Part III, while I am only asking to have printed in the Record the first portion of it, which contains the recommendations.

Mr. TREADWAY. Just the pages covering the recommendation?

Mr. GARNER of Texas. That is all I am asking, and that will cover about—

Mr. TREADWAY. There are 26 pages of that.

Mr. GARNER of Texas. No; 16 pages.

Mr. TREADWAY. Personally I have not the slightest objection to the request other than the matter of expense. We pad the CONGRESSIONAL RECORD with such a tremendous lot of useless matter that it seems to me a pity, when the report is available and can be reprinted in any number of copies, to ask that this be printed in the CONGRESSIONAL RECORD, because every page of the CONGRESSIONAL RECORD means an expense to the Treasury.

Mr. GARNER of Texas. Mr. Chairman, if the gentleman from Massachusetts will be good enough to send out and get 400 copies of that for the benefit of the membership of the House I will withdraw my request.

Mr. TREADWAY. I will be very glad to see if the chairman of the Printing Committee can not reprint it and have copies available by Monday.

Mr. GARNER of Texas. The gentleman does not have any copies and can not get them.

Mr. TREADWAY. I know I have no copies and I have no authority to ask for them.

Mr. GARNER of Texas. But the gentleman said they were available.

Mr. TREADWAY. I did not say there were 400 copies available.

Mr. GARNER of Texas. The gentleman said there were available copies for every Member of the House.

Mr. TREADWAY. There are or can be. The gentleman, I am sure, does not want to pad the Record any more than I do.

Mr. GARNER of Texas. If gentlemen did not print more in the CONGRESSIONAL RECORD than I do, the Record would be very small, indeed.

Mr. TREADWAY. I know that, and sometimes the gentleman does not print his own speeches.

Mr. GARNER of Texas. All I want is to have the Members of the House secure this information, and I have had so many requests for this information to-day that I think it should be printed in the Record.

Mr. TREADWAY. The chairman of the committee is now here. I understand the gentleman from Texas to say that if 400 copies of the recommendations of the joint committee are available by Monday he will withdraw his request to have this pamphlet printed in the Record. Why not withdraw your request until the chairman of the Ways and Means Committee can consult with the chairman of the Committee on Printing and see whether that can be arranged or not?

Mr. GARNER of Texas. I will let the gentleman from Massachusetts or the gentleman from Iowa object.

The CHAIRMAN. Is there objection?

Mr. TREADWAY. I object, Mr. Chairman.

Mr. GARNER of Texas. Mr. Chairman, I yield 20 minutes to the gentleman from New York [Mr. JACOBSTEIN]. [Applause.]

Mr. JACOBSTEIN. I had not intended to speak in general debate on this revenue bill, preferring rather to speak under the five-minute rule on a specific proposal in the form of an amendment.

However, in view of the fact that our able leader on revenue measures, Mr. GARNER of Texas, made reference in his speech yesterday to my proposal, and provoked comment on it, I feel

that I ought to take a little time to-day to explain and elaborate the amendment which will be offered at the appropriate time.

The two great parties are not in any keen conflict over this revenue bill. There seems to be no fundamental difference of opinion on any large principle.

There is, however, one point of difference between various groups and interests in the country, and that centers about the Treasury surplus, its probable amount, and its disposition.

Mr. CHINDBLOM. Will the gentleman yield for a question for information?

Mr. JACOBSTEIN. Yes.

Mr. CHINDBLOM. The gentleman speaks of an amendment which he proposes to offer.

Mr. JACOBSTEIN. Yes.

Mr. CHINDBLOM. At the present time I do not know just what that amendment will be.

Mr. JACOBSTEIN. That is why I am here now. I want to explain some of the ideas which I shall embody in an amendment with reference to the corporation income tax.

Mr. CHINDBLOM. It was stated yesterday the gentleman proposed that provision should be made by which any further surplus in the Treasury might be used for a further reduction of the rate of the corporation income tax.

Mr. JACOBSTEIN. Exactly.

Mr. CHINDBLOM. Does the gentleman, conversely, propose that if the revenue becomes smaller there shall be an increase of the corporation income tax?

Mr. JACOBSTEIN. I do not, and I shall be very glad to explain that question in due time. I want the Members of the House who are here to know the full import of the recommendation I shall embody in my amendment.

I say the crux of the whole debate, if there is a debate at all on the revenue bill, centers about the question as to what we ought to do with the surplus when it occurs. If there were no surplus, if there were no excess of ordinary receipts over regular expenditures, there would be no question of tax reduction; but in view of the fact that there have been recurring surpluses from year to year, totaling some \$2,000,000,000 in the last five or six years, the question always arises, Shall we use the surplus to retire the public debt or shall we use it for tax reduction?

This is a question of principle. This is not a question of political expediency. It is not a question of administration of law, but is a question of fiscal policy.

These estimates of surplus are made 18 months in advance. We are now, for instance, enacting legislation for the fiscal year ending 1929, which is contingent upon the revenues which will be received up to 18 months from the time when these estimates were made. I am not surprised that there are variations in the actual amount received as against the estimated amount predicted in the name of a surplus.

My proposition tries to take the guesswork out of the surplus problem in this way. My amendment will propose that at the close of the fiscal year, June 30 of the next year—1928—if the Treasury finds it has on hand a bookkeeping entry of a sum of money over and above that which it needs for the ordinary running expenses of the Government, then that excess or surplus shall be used for further tax relief for the benefit of a large group of taxpayers. My proposition is that the Secretary of the Treasury shall be directed by this Congress to use at least some of that surplus in a further reduction of the corporation income tax.

I will explain later why I confine it to the corporation income tax; but first let me make this clear. If the Treasurer has more money than he needs to pay the running expenses of the Government, to whom should that money go? What shall he do with it? At the present time he can do only one of two things with it. He can either retire some of the indebtedness of our floating debt or retire some of our public debt beyond the requirements of our statutory provisions.

The Secretary of the Treasury did exactly what any one of us would have done under such circumstances. He used the money to retire the public debt because he was not directed to use it in any other way. Now, all my amendment proposes to do is to direct him to give some of it back to the taxpayers from whom he collected it. If the size of the surplus warrants it, the Secretary of the Treasury will be directed to reduce the tax on corporation income which will fall due at the two subsequent quarterly periods following June 30—namely, September 15 and December 15. So that if the corporation income tax rate were thus reduced by virtue of a Treasury surplus, the corporations which began to pay at the rate of 11½ per cent—if the pending bill becomes a law—and have paid on the basis of 11½ per cent on March 15 and June 15, would pay on a lower rate on the payment dates September 15 and Decem-

ber 15. There is no guess work about it. The tax will not be based upon an estimate, but will be based upon the actual amount of surplus in hand on the Treasury books on June 30, 1928, which is the end of the fiscal year.

Mr. LAGUARDIA. At what time?

Mr. JACOBSTEIN. At the end of the fiscal year, June 30, 1928.

Mr. LAGUARDIA. But the finances of the Treasury Department are not handled in that way.

Mr. JACOBSTEIN. Yes; they are handled in just that way. On June 30 the Secretary of the Treasury will announce to the country that the surplus for the fiscal year was a certain amount, when the books were closed.

Mr. LAGUARDIA. Then each quarter, instead of the Secretary retiring outstanding indebtedness as he does now, you would hold that in abeyance?

Mr. JACOBSTEIN. No; not necessarily. That is a banking or financing operation which I would like to explain after I get through explaining the provisions of my amendment.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. JACOBSTEIN. Yes.

Mr. CHINDBLOM. That balance at the end of the fiscal year on June 30, of course, is only the book balance.

Mr. JACOBSTEIN. Exactly; that is why I distinguished that from a current financing operation.

Mr. CHINDBLOM. And during the course of the year the Government is constantly financing its operations by short-term loans.

Mr. JACOBSTEIN. I understand that to be the case; yes.

Mr. CHINDBLOM. And when there is money enough in the Treasury so they do not need to negotiate a short-term loan, they simply desist from borrowing, and in that way the money is applied upon the indebtedness.

Mr. JACOBSTEIN. I understand that to be the case, and my proposal would not change this procedure.

Mr. CHINDBLOM. So at no time is the money in the Treasury.

Mr. JACOBSTEIN. When I speak of surplus I do not mean cash, if that is what the gentleman has in mind.

The daily report of the Treasury Department two days ago announced it had only \$20,000,000 on hand, but the surplus for the year is estimated to be \$455,000,000. The point is that this estimated "surplus," \$455,000,000, is used as a basis for reducing taxes. But what will happen if the estimated surplus turns out to be not that figure but \$555,000,000? Unless the law makes specific provision as to what shall be done, the Secretary of the Treasury will again proceed to reduce the public debt or the floating debt. You are going to reduce taxes; why not reduce them all you can?

If we thought we had enough money on hand to reduce the corporation tax to 10 per cent, would not the administration do it? The implication is that it would. The answer given by the Secretary of the Treasury to the United States Chamber of Commerce is that we can not reduce the corporation tax further because the surplus will not be large enough to permit it. When I say surplus I mean the actual bookkeeping surplus not cash on hand. If the Secretary of the Treasury has faith in his own estimates, he ought not to oppose my proposal, since there would be no further surplus to distribute. If those who seek a larger tax reduction think Mr. Mellon may be mistaken and that a greater surplus may be available, then these people should welcome an opportunity such as my amendment affords.

Mr. CHINDBLOM. Will the gentleman yield further?

Mr. JACOBSTEIN. Yes.

Mr. CHINDBLOM. That is not quite what the Treasury says. The Treasury says the permanent surplus will not permit—that is, the surplus on ordinary receipts—not on the nonrecurrent receipts.

Mr. JACOBSTEIN. Whatever enters into the surplus, whatever the method of calculation used by Mr. Mellon in arriving at the \$455,000,000, I assume will continue to be the method used up to the close of the fiscal year June 30, 1928, and again in 1929.

If what I say is true, that there is a difference of opinion in this country as to what we ought to do with the surplus, the solution lies, at least in a degree, in the amendment I shall propose.

The Congress of the United States directs the Treasurer of the United States how to use that surplus. I do not see how the Treasurer of the United States can object to it. When he has more money than he needs, why should he not give it back to the taxpayers? If the taxpayers are insisting on a larger reduction than the Treasury can afford to give them, of course they should not have it. So the tax reduction would depend on the state of the finances at the close of the fiscal year on June 30, 1928, or June 30, 1929.

For instance, if after allowing for a safety margin of, say, \$50,000,000, the Treasurer has \$25,000,000 more than he needs for all ordinary operations of government, then the corporation tax drops to 11 1/4 per cent. If he has \$50,000,000 more than he needs, the tax will drop to 11 per cent. I propose to have a sliding scale, a graduated corporation tax from 11 1/2 per cent down to 10 per cent, but never to go lower than 10 per cent. If the Treasury situation permits it the corporations ought to be given this reduction down to 10 per cent, but not lower.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. JACOBSTEIN. Certainly.

Mr. GREEN of Iowa. I do not see how the gentleman figures that. The Treasurer would have to have the money on hand at the end of the fiscal year if he is going to do that. If he does not hold that at the end of the first quarter he will not have it at the end of the year.

Mr. JACOBSTEIN. There are two things involved in the gentleman's question. Let us assume that an error was made of an underestimate of \$100,000,000 and suppose the surplus is \$555,000,000.

The Secretary of the Treasury has \$100,000,000 to apply to tax reduction. He can retire the floating indebtedness, he can apply it to the public debt, or he can apply it on tax reduction. He does not have to go into the Treasury and take out the money. When the quarterly returns are due, say, in September, he notifies the corporations that instead of paying on a basis of 11 1/2 per cent, they will have to pay on the newly announced rate of, say, 10 1/2 per cent.

Mr. GREEN of Iowa. That would result in holding the surplus of the first quarter for six months.

Mr. JACOBSTEIN. No; it is a very simple operation.

Mr. GREEN of Iowa. It is not a simple operation.

Mr. JACOBSTEIN. I think it could be done. The Treasurer would not need to lose one penny of interest. He goes into the market and buys certificates when he has a surplus and refinances the operation in order to prepare for the new situation created by the lower tax rate on corporation incomes.

Mr. GARNER of Texas. Will the gentleman yield?

Mr. JACOBSTEIN. I will.

Mr. GARNER of Texas. He would not need to lose a cent of interest, because he could turn it over into United States bonds. But let me ask the gentleman a question while I am on my feet. If we had a permanent system of taxation in this country satisfactory to the entire Nation and we had an automatic scale such as the gentleman speaks of—say he had \$50,000,000 surplus, could not he give notice that he was going to collect on a basis of a \$50,000,000 surplus in December? In other words, the tax would go up or come down according to the state of the Treasury.

Mr. JACOBSTEIN. Yes. And that principle of elasticity is actually in operation in my State.

Mr. GARNER of Texas. It is in my own State of Texas.

Mr. JACOBSTEIN. In my State the tax rate on general property is levied in accordance with the needs of the government within certain limits. The only difference is that in my proposal I apply the tax rate retroactively.

Mr. GREEN of Iowa. But that is made up in advance.

Mr. JACOBSTEIN. Yes; and this proposition of mine is better. My proposition has no guesswork in it. If you make it up in advance it has to have an element of guesswork. You could go wrong then, but under my proposition you can not go wrong.

Mr. GREEN of Iowa. You could not go right because you would lose the interest on it.

Mr. JACOBSTEIN. I hope that is the gentleman's only objection to my plan, for his objection can be met. It is not a valid objection, I contend.

Mr. GREEN of Iowa. It is not the only objection.

Mr. JACOBSTEIN. It is the only one the gentleman has raised. If at the close of the calendar year I have more money in my corporation than is needed to pay expenses I can issue more dividends. That is what is done in private business and that is all I am asking for in the Government financial policy. I am asking the Congress of the United States to lay down a fiscal policy which is absolutely sound, a policy which says that we will give back to the taxpayers that which we do not need, instead of allowing the Treasury Department to use its own discretion as to its disposition.

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

Mr. JACOBSTEIN. Yes.

Mr. CROWTHER. What is the gentleman's idea? Does he contemplate that the present rates of taxation are perfect and should remain at their present figures, either now or when the new bill is passed? Why should this be given to the corporations?

Mr. JACOBSTEIN. I think I have a good reason for limiting this proposition to the corporation tax, and perhaps I had better explain that now, since two gentlemen have asked that question. In the first place, I am interested in getting the Congress to see the need of such a policy, and its operation becomes simpler if I confine it to one source of revenue. If I try to cover all taxes, then it will become very much involved, and you would get up against the question of the refund. Take the question of the automobile tax. Who would get the refund on an automobile tax? Understand, that under the pending bill the tax is retroactive for the calendar year 1927 on the corporation income tax. Let us say that a man bought a Ford or a Chevrolet last year and he had to pay the tax on it. The tax was paid in the first instance by the company, but it was paid actually by the man who bought the automobile. The refund would have to be made to the man who sold the automobile, because he paid the tax to the Government. Is that man going to look for the man who bought the automobile from him? I doubt it. You could not require that by law, and therefore it is not fair to refund excise taxes to the manufacturer which have already been passed on to the consumer.

Mr. CHINDBLOM. But the gentleman is stating the case wrongly. We are not making the automobile tax retroactive.

Mr. JACOBSTEIN. I understand that, and I say that is why I can not apply my flexible sliding scale tax proposal to the excise tax; but it can be applied to the corporation tax. You can not recover an excise tax which has already been paid and passed on to the consumer, but in the case of a stockholder in a corporation, it is quite different. If any of you gentlemen own any stock in a corporation, your corporation will at the close of this year get a bill from the Secretary of the Treasury calling for a certain tax by June 30, 1928. How much of a tax should you pay? Under the pending bill your corporation would pay  $11\frac{1}{2}$  per cent. My proposal is that it should pay anywhere from  $11\frac{1}{2}$  per cent to 10 per cent, depending on the size of the "surplus" at the close of the fiscal year.

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

Mr. JACOBSTEIN. Will the gentleman give me a few minutes more?

Mr. GARNER of Texas. Will five minutes do the gentleman?

Mr. JACOBSTEIN. Yes.

Mr. GARNER of Texas. I yield five minutes more to the gentleman from New York.

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

Mr. JACOBSTEIN. Yes.

Mr. HUDSPETH. I highly value the gentleman's opinion as a financier and an authority on economics. Can the gentleman justify his position? I may vote for a reduction of the tax on corporations. Can the gentleman justify his position in reducing the corporation tax to, say, 10 per cent—and I am not against corporations—and leave the exemption to the head of a family at only \$3,500, when the head of a family must educate his children and provide a living at the present high cost of living. There are corporations in my district where they just stick a pick in the soil and get oil, and drill down a thousand feet and get thousands of barrels of oil a day. Can the gentleman justify reducing the corporation tax to 10 per cent and leaving exemption for the head of a family at only \$3,500?

Mr. JACOBSTEIN. I think so. The gentleman raises a very pertinent question. The question is, If we had a surplus, which we know we could anticipate with absolute certainty, then there might be a debatable question as to whether or not you ought not to raise further the exemption to married men; and I advocated an exemption to cover hospital and doctor bills for married men, but the committee turned that down two years ago. The surplus being an uncertain factor—

Mr. HUDSPETH. But the gentleman is going to make it certain when it reaches a certain amount.

Mr. JACOBSTEIN. The facts are that we eliminated from the tax rolls over 2,000,000 taxpayers by our 1926 act. If we increase the exemptions still further, we reduce the tax-paying list to such a narrow base that it endangers the very foundation of the income-tax structure. I believe Mr. Mills, now Undersecretary of the Treasury, was right when he said on the floor of this House that we may destroy the very structure of our income tax in the United States if we push the exemption too far.

Mr. HUDSPETH. Does the gentleman think that the exemption for married men should stand at \$3,500 as it is in this bill?

Mr. JACOBSTEIN. We must get out of our heads the idea that when we reduce the corporation tax we are reducing

taxes for a few people. We used to have the idea that a reduction of the corporation tax benefited only a few people. I want the gentleman to listen to some telegrams which I just got to-day.

In my home city of Rochester, N. Y., is one corporation which has 10,000 stockholders in that city alone. Then there is another corporation that has over 12,000 stockholders. So you have there 22,000 stockholders, and that is an answer to the gentleman's question. If you reduce the corporation tax to 10 per cent, you spread the benefit of tax reduction to a large number of people without endangering the permanent structure of our income-tax system. The reduction of the corporation tax is affecting the average man to-day as never before in the history of the country because of the wide distribution of wealth through the medium of stock ownership. One of the most important economic developments in the last few years is this wide distribution of wealth throughout the country through stock ownership. The corporation has become an agency for the distribution of wealth and national income. Do not let anyone frighten you by the idea that when you talk about the reduction of corporation tax, you are doing it for the rich. We are doing it for the average man—for all classes—since all classes are rapidly becoming—indeed have become—stockholders.

Mr. HUDSPETH. But you are doing it for a great many rich corporations.

Mr. JACOBSTEIN. But you are also benefiting the rank and file of the people who have now become stockholders to the extent of 3,000,000 people in the United States. There are more people in the United States paying income taxes as stockholders in corporations than are paying taxes on the individual income basis. For this reason I believe the committee very wisely directed its tax reduction to the field of the corporation income tax.

My estimate is that 75 per cent of the aggregate reduction—that is, 75 per cent of \$232,735,000—goes to the stockholders of corporations. It goes to 3,000,000 people. I think it is a good bill, and I am going to vote for it. But while I think it is a good bill, I want to make it a better bill.

Mr. GREEN of Iowa. The gentleman agrees with the theory of the Ways and Means Committee in drafting the bill.

Mr. JACOBSTEIN. I agree; absolutely. When the taxes are reduced they will flow back or be allowed to remain in the pockets of the stockholders. That is why I want to reduce the tax on corporations still further if the surplus warrants it. I am glad, of course, the automobile tax is being cut in half—from 3 per cent to  $1\frac{1}{2}$  per cent.

Mr. SHALLENBERGER. Will the gentleman yield?

Mr. JACOBSTEIN. I will.

Mr. SHALLENBERGER. How does the gentleman justify the reduction he contemplates when we still have outstanding a quantity of short-time indebtedness, which could be paid out of the surplus. Is there not an enormous amount of short-time indebtedness which we could pay from the surplus and which the Secretary of the Treasury does pay?

Mr. JACOBSTEIN. The gentleman has raised the question I began with. Why not use the surplus to retire these loans? If we had done that we would have had no tax reductions in the last five years. Two billion dollars could be applied to the reduction of the public debt if he chooses to do it. [Applause.]

The CHAIRMAN. The time of the gentleman has again expired.

Mr. GREEN of Iowa. The gentleman from Texas inquired about the report of the joint committee. I have just made arrangements with Mr. Brown, the clerk of the joint committee, who will put in each Member's post-office box a copy of this report this evening.

Mr. GARNER of Texas. That will be very satisfactory, because they can get the information in there for which various Members of the House have been asking.

Mr. HUDSPETH. How will we get it?

Mr. GARNER of Texas. In all the post-office boxes this afternoon.

Mr. GREEN of Iowa. I yield 20 minutes to the gentleman from Illinois [Mr. CHINDBLOM].

Mr. CHINDBLOM. Mr. Chairman, before beginning a discussion of the various features of this bill, I want to stop a moment to refer to the very able presentation made by the gentleman from New York [Mr. JACOBSTEIN]. I do not know in what respect his proposal differs from that which was made some years ago, tentatively, by the chairman of the Committee on Appropriations, the gentleman from Illinois [Mr. MADDEN], who, at one time at least, suggested the consideration of a system by which tax reduction might be automatic and depend-

ent upon conditions of the Treasury from time to time. It seems to me, however, if we base such a system upon our experience in reference to local taxation, we are likely to fall into error. In all the States, I think, State, county, and municipal taxes are predicated upon the revenue needs of the various taxing bodies levying the tax or adopting resolutions which determine the amount of tax or revenues which they will need for a given year, and thereupon some official or some governmental agency, frequently a county clerk in our western communities, takes all of these tax levies, computes them, and fixes the tax rate upon the valuations which have been made upon property, real and personal, by the assessing authorities. But there you have an annual budget and an annual valuation of property which is to be assessed. In other words, on the one hand you have the amount of revenue, the amount of money, that will be needed for the purposes of the various governments included in the levy, and on the other hand you have an annual valuation of the property, personal or real, which is to be subject to the tax, and all that the county clerk, or whoever the officer may be who determines the amount of the tax, has to do is to compare the amount of revenue needed with the valuation of the property assessed and determine upon the rate of taxation or assessment.

Mr. JACOBSTEIN. Will the gentleman yield?

Mr. CHINDBLOM. I will.

Mr. JACOBSTEIN. The total tax levied at the end of the fiscal year and the total surplus, one divided by the other, gives the rate per dollar of taxation.

Mr. CHINDBLOM. But we have this difficulty, I will say to the gentleman, that when we come to the Congress of the United States that Congress will not, and should not, delegate to anybody else to determine, first, how much money shall be expended, and secondly, what shall be the rate of taxation. I do not think we are willing to delegate the methods by which money shall be raised—certainly not without a great deal of discussion and consideration—nor do I think the Congress will be willing to delegate to an administrative officer the authority to levy an additional tax or to reduce the tax already fixed by the Congress.

Mr. GARRETT of Tennessee. Will the gentleman yield?

Mr. CHINDBLOM. I will.

Mr. GARRETT of Tennessee. Does that reason apply to the flexible tariff?

Mr. CHINDBLOM. Well, the flexible tariff is based upon a different theory. It is based upon the difference in the cost of production here and abroad and on the changing conditions attending production.

Mr. GARRETT of Tennessee. It is delegating the say-so or the decision to some one other than Congress.

Mr. CHINDBLOM. No; it is delegating to some one else the ascertainment of facts.

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

Mr. CHINDBLOM. I yield.

Mr. GARNER of Texas. This does not delegate anything whatever to the Secretary of the Treasury. It says if the money is there on the 1st day of July, he shall take off so much tax, or levy so much tax, as the case may be. He has no discretion in the premises, whereas in a flexible tariff the ascertainment of the fact is imposed on the Executive instead of on the Congress.

Mr. CHINDBLOM. I do not admit that is an analogous case, although, of course, it is injected here for purposes of argument.

Mr. O'CONNOR of Louisiana. Mr. Chairman, will the gentleman yield there?

Mr. CHINDBLOM. Yes.

Mr. O'CONNOR of Louisiana. I think the corporations are like Joseph when he was given the coat of many colors. But what I want to ask is: Did the committee consider the advisability or feasibility of substituting the graduated tax for the flat tax that has been in operation and which this bill retains?

Mr. CHINDBLOM. Yes. The committee considered it this time, although it had been considered many times before. But that raises a question which is involved in the excess-profits taxation, namely, the valuation of the capital assets of a corporation.

Mr. GARNER of Texas. The gentleman will be given an opportunity to vote for a graduated tax. It is based on the same principle as the corporation tax; that is, the net income for the taxable year.

Mr. CHINDBLOM. The corporation that has a capitalization of \$100,000 and an income of \$25,000 will be taxed on exactly

the same basis as a corporation having a capitalization of \$1,000,000 and a net income of only \$25,000.

Mr. O'CONNOR of Louisiana. Mr. Chairman, will the gentleman again yield?

Mr. CHINDBLOM. Yes.

Mr. O'CONNOR of Louisiana. If there is anything on earth that is going to differentiate this side—the Democratic side—from that side—the Republican side—on the corporation tax, it is contained in the suggestion of the lamented Claude Kitchin, namely, that relief be given 375 corporations which are barely getting on while the remaining 25,000, or a few more, are enjoying big returns.

Mr. CHINDBLOM. I shall be very glad to give attention to that matter when we come to the discussion of that section of the bill.

Mr. GIFFORD. I suggest that if we give them a little more time they may hand us what we expect, something to show that the corporation tax is not passed on to the consumer. Before we take off the tax on the corporation let us see that they hand the relief on to the consumer.

Mr. CHINDBLOM. Of course, this matter of tax reduction is a subject that is in the public mind and properly receives large attention on the part of the House and on the part of the people of the country. Still tax reduction is not the important matter in the bill that is before the House to-day.

The important matters in this bill relate to the administration of the law. I hope they will receive consideration during the reading of the bill.

This is the fourth revenue bill which has been presented to the Congress since the termination of the war and during my term of office here. The previous bills were largely for the purpose of tax reduction. The acts of 1921, 1924, and 1926 made a total tax reduction of \$1,529,000,000. It happens that we at this time have a surplus which we think can only be safely estimated at approximately \$225,000,000, and we are able to use that surplus for the purpose of tax reduction. But this surplus is not sufficient at this time to warrant the adoption of an ideal system of taxation. I had been dreaming and hoping that when we came to a revision of the internal revenue laws at this time it might be possible to evolve an ideal and permanent system of Federal taxation. I was hoping that we might determine definitely whether we should continue the excise taxes and the sales taxes and taxes of that special character.

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

Mr. CHINDBLOM. Does it relate to this particular matter?

Mr. HUDSPETH. Yes. The gentleman said he had been dreaming. I wonder if he had been dreaming about those who are heads of families, most of them?

Mr. CHINDBLOM. Yes. I think the biggest mistake this Congress ever made was when it raised the exemption to heads of families to \$3,500.

Mr. HUDSPETH. I do not think the gentleman is correct on that. Do you want to reduce it?

Mr. CHINDBLOM. No; not now. I would not hesitate to reduce it, however, under certain conditions.

Mr. HUDSPETH. The gentleman is willing to remit taxes from the big oil companies and other big corporations and still leave the tax on the heads of families?

Mr. CHINDBLOM. The surtaxes are not paid by the masses of the people.

Mr. HUDSPETH. But they are paid indirectly by the masses of the people.

Mr. CHINDBLOM. I think it would be well that every man with a substantial income should pay something to the support of the Government. I think if we had stopped at \$3,000 the last time in the matter of exemption for the heads of families we might be able to do something in the way of tax reduction that we would like to do now.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield again?

Mr. CHINDBLOM. Yes.

Mr. GIFFORD. I know the gentleman would like to follow the leaders. But if they would give us the reduction that a married man should have in the case of sickness and misfortune we would be satisfied. Will the gentleman explain why these deductions should not be allowed? I would be very glad to hear him.

Mr. CHINDBLOM. As to deductions it always becomes a matter of opinion whether deductions as claimed should be allowed, and it becomes a matter of continually auditing the returns. The committee believes it is better to make a flat reduction and make that uniform than to leave it dependent on conditions as they arise.

Mr. McSWAIN. Is it a matter of opinion whether a man was operated on or not, or whether his wife had died and was buried, and whether a man had been in the hospital for a month? Would there be any doubt or uncertainty about that?

Mr. CHINDBLOM. That depends on what standard a man would follow in the employment of a physician or a surgeon. One surgeon might charge a man a thousand dollars for an operation and another surgeon might charge him only \$50. In the matter of burial expenses I want to suggest to my friend that there may be a great many differences of opinion as to what are proper expenses in the conduct of a funeral. Besides, the present high exemptions are designed to cover contingencies of this kind.

Now, I do not want to be diverted by everybody—

Mr. HUDSPETH. How much money do you hand back to corporations?

Mr. CHINDBLOM. The reduction for corporations is \$178,000,000 out of the \$236,000,000 carried in this bill.

Mr. HUDSPETH. Most of it goes back to the corporations?

Mr. CHINDBLOM. Yes.

Mr. HUDSPETH. Then the gentleman says he does not believe the exemption should be extended to \$3,500 to the head of a family?

Mr. CHINDBLOM. I do not believe we should now raise it beyond the \$3,500. I will say this to the gentleman. If the gentleman will read the remarks I made when we passed the last bill, he will find I said I thought \$3,500 went too far. But we are now discussing this bill. One hundred and seventy-eight million dollars of these reductions go to the corporations. The other \$58,000,000 go to the special taxes, the excise and sales taxes of various kinds.

Mr. HUDSPETH. And the gentlemen in the lower brackets get nothing out of this bill?

Mr. CHINDBLOM. What does the gentleman mean by gentlemen in the lower brackets?

Mr. HUDSPETH. I mean men who are heads of families and who are in what we call the lower brackets. They get no reduction, but it stands as it has stood at \$3,500 and the corporations get \$178,000,000? That is the bill, is it not?

Mr. CHINDBLOM. This bill does not touch the matter of the exemption of the individual.

Mr. HUDSPETH. That is what I am objecting to. I think it should touch him, and I belong to a few corporations myself.

Mr. CHINDBLOM. The question before the committee was whether at this time the \$225,000,000 available for surplus should be applied upon one of two classes or upon both. Of course, the gentleman brings in an entirely new element. He would go back now and revise the individual income-tax rate, but that was not the design of the committee.

Mr. SHALLENBERGER. Will the gentleman yield?

Mr. CHINDBLOM. Yes.

Mr. SHALLENBERGER. Did the committee consider the matter of applying this money upon the floating indebtedness of the Government rather than to tax reductions? Was that considered?

Mr. CHINDBLOM. The committee determined to proceed to the preparation of a bill which would provide for a reduction in taxation not to exceed \$250,000,000.

Mr. SHALLENBERGER. Rather than to apply that \$250,000,000 upon the indebtedness of the country.

Mr. CHINDBLOM. Well, if the committee had determined to apply the surplus to the payment of the debt of the United States, of course there would not be any tax reduction bill before the House.

Mr. SHALLENBERGER. But the committee did not report a bill providing that the Secretary of the Treasury should apply the money to the indebtedness of the country.

Mr. CHINDBLOM. That would not be necessary. I will state to the gentleman, as I stated to the gentleman from New York [Mr. JACOBSTEIN] a moment ago, that that process is automatic, it is self-operating. When money comes into the Treasury and certificates of indebtedness become due it is a question whether the Treasury Department will use the money thus on hand for the purpose of paying such loans or will borrow new money and issue new certificates instead of them; and if the money is available it is, of course, used and automatically operates toward tax reduction.

Mr. WILLIAMSON. Will the gentleman yield for a question as to the admission tax?

Mr. CHINDBLOM. I had not intended to come to that; but what is the question?

Mr. WILLIAMSON. I notice in subdivision 1 that—

A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place, including admission by season ticket or subscription—

And so forth.

Mr. CHINDBLOM. Let me suggest to the gentleman that we take up these separate matters when we come to them in the bill. That will be the much better way.

It has already been suggested that the bill gives three-fourths of the tax reduction to the corporations. Let me say one word about the corporations. A corporation is more or less of a fiction. It is merely a piece of machinery. It is merely a legal entity by which business is conducted. It consists of nothing but its stockholders. There seems to be an idea that something is being presented to the corporations. Who are the corporations? Nothing but the stockholders. When you reduce the tax on a corporation's income from thirteen and a half per cent to eleven and a half per cent, as the committee recommends, making a total reduction of \$166,000,000, that money will go to the men and women who own the stock in the corporation. It does not benefit the corporation itself. It benefits the stockholders in the corporation.

In addition to the 2 per cent reduction, we have increased the exemption for corporations which have an income of \$25,000 or less, from \$2,000 to \$3,000, and that creates a loss in the Treasury of \$12,000,000. The effect of that provision will be that with a rate of 11½ per cent each corporation in that class will have a flat reduction of \$115 in its tax.

I said a moment ago that our individual income tax has become a class tax and is no longer a popular tax. Less than three-tenths of 1 per cent of our entire population now pay more than 95 per cent of the total individual income taxes, and 97.8 per cent of the people pay no Federal individual income tax whatever.

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

Mr. McLAUGHLIN. Mr. Chairman, by direction of the chairman of the committee, I yield 10 additional minutes to the gentleman from Illinois.

Mr. MORTON D. HULL. Will the gentleman yield?

Mr. CHINDBLOM. Yes.

Mr. MORTON D. HULL. When the gentleman gives these figures and percentages, does he include the number of stockholders in corporations that are paying the tax through the corporations or only individual taxpayers?

Mr. CHINDBLOM. I am including the individuals who pay the individual income tax. Of course, these same individuals, or most of them, pay the surtax upon the incomes of corporations that comes to them. These same individuals, also, being stockholders, through the corporations, pay 13½ per cent, which is now in force, upon the income of their corporations.

The Federal tax structure, so far as internal-revenue taxes are concerned, may be divided about as follows:

About \$545,000,000 is collected annually upon excise and sales taxes, what we ordinarily call special taxes and sometimes nuisance taxes. That includes the tax on the manufactures of tobacco, which are by far the largest source of the income of our internal-revenue system and amounts to \$376,000,000. It includes the tax on cigars, cigarettes, tobacco, and snuff.

The individual income tax yields approximately \$912,000,000. The corporation income tax yields about \$1,308,000,000, and the estate tax about \$100,000,000.

For some reason, when we made the previous reductions in taxes, principally on the incomes of individuals, no great attention was given to the matter of the income tax upon corporations. There is a reason for it, of course. The more urgent need was to bring the tax upon individual incomes down to a basis where they not only would no longer be burdensome to the individuals who pay these taxes, but where the reduction of the taxes would improve our economic and financial conditions, and the results which have been obtained have shown conclusively that the reductions that were made brought the Government larger income by reason of the reduced taxes.

So far as the corporations are concerned, it is doubtful whether approximately the same result will be attained in the case of the reduction of their tax rates, because the corporations do not furnish the amount of capital for investment which is furnished by the individual whose tax rates are reduced.

I might say something with reference to the time for the application of the reduction of the corporation tax.

Mr. O'CONNOR of Louisiana. Will the gentleman yield for a question?

Mr. CHINDBLOM. What is the question?

Mr. O'CONNOR of Louisiana. Did I understand the gentleman to say that he figures that three-tenths of 1 per cent of the population pay income taxes?

Mr. CHINDBLOM. Less than three-tenths of 1 per cent of our population now pay more than 95 per cent of the total individual income taxes.

Mr. O'CONNOR of Louisiana. Does that carry the implication that the wealth of this country is controlled by less than three-tenths of 1 per cent of the population of our country?

Mr. CHINDBLOM. I am not carrying any implication with the statement. I am simply stating the fact.

Mr. O'CONNOR of Louisiana. Do not the figures of the gentleman carry that implication?

Mr. CHINDBLOM. I am simply stating the figures.

Mr. O'CONNOR of Louisiana. Would that cause anyone to believe that there is a wise and healthy distribution of the wealth of the country?

Mr. CHINDBLOM. Ninety-seven and eight-tenths per cent of the people pay no individual income tax whatever.

The committee recommends that the reduction of the corporation income tax shall become effective for the income for the year 1927.

One hears a great deal of argument as to whether the tax of a corporation is passed on. It seems to me the reply to that question may be made in this wise: A corporation at the beginning of the year no doubt makes an effort to strike a balance, to make a budget of its incomes and expenditures, and probably will try to include in that budget the amounts which it is required to pay for taxes; but very soon after the beginning of the year a corporation which attempted to run its business upon that basis would discover that the price which it was receiving for the goods it produced or sold was not determined by its budget, was not determined by its balance sheet, but was determined by the conditions of business, by the competition which it encountered in the sale of its goods, by the condition of the money market, by the exchange rate in the banks, and by the general prosperity of the people of the United States. I think it is futile to argue that it is possible for any corporation in advance to pass on its taxes to the consumers who purchase its goods or who deal with it, whatever its operations may be.

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

Mr. CHINDBLOM. Yes.

Mr. JACOBSTEIN. The gentleman, of course, would not include in that statement monopolies.

Mr. CHINDBLOM. No; I would not include monopolies, because they can in some cases fix their own prices.

Mr. JACOBSTEIN. Therefore they can pass the tax along to the consumer. I do not mean that they necessarily do that, but they are in a position where they may do that.

Mr. CHINDBLOM. They can do it, but, of course, they have other conditions to meet. They must make their sales popular.

Mr. JACOBSTEIN. This really protects the gentleman's statement. The gentleman did not want this to apply to all corporations.

Mr. CHINDBLOM. No; I am not applying it to a monopoly. One does not have to be an economist to realize that the monopolies might possibly pass on the tax.

Mr. GIFFORD. Will the gentleman yield a moment?

Mr. CHINDBLOM. Yes.

Mr. GIFFORD. This is reaching back into the very interesting portion of the gentleman's address which we hoped to hear. If there is any justification for the income tax, or rather the good thing about the tax, it is that they can not pass it on. It is a tax on the profits in the case of public utilities, for instance, and not a fixed charge on the running of that business. Much as one might like to talk against the tax, I think we ought to justify it in that way more than any other—it can not be passed on.

Mr. CHINDBLOM. The gentleman suggests, to my mind, some of the correspondence which we have had during recent months. We get letters from people who object to every form of taxation. I have had the most violent abuse of the income-tax system, in correspondence recently, that I have ever seen, and still I conceive there is no fairer tax in the world than a tax upon the income of the individual or of a corporation.

We have had taxes upon nearly every form of activity; and money must be raised for the needs of the Government. The Congress in the exercise of the duty which is imposed upon it must seek to place taxation upon as equitable a basis as possible.

No taxing system will ever be perfect. We can never arrive at a situation where we do exact justice. We will be fortunate if we do approximate justice; and the committee considered

how this tax reduction should be applied, whether it should be given to the corporations, whether any of it should be given to the individual taxpayers who got practically all the reduction in prior years, or whether it should be given to those people who are paying these special taxes—sales taxes and excise taxes—and at the same time are themselves subject to the income-tax schedules. The committee after much discussion and deliberation concluded, there being only a limited amount of surplus available, to try to apply the surplus pretty generally throughout the entire scope of taxation and to give the reductions to classes of taxpayers who had received less benefit or practically no benefit from the previous laws; and while Members of the House, of course, will be importuned to support this proposition and that, if we are going to support them all, or if we are going to support any of them, we will eventually find ourselves with a tax bill which will go way beyond the available resources and the available surplus of the Government. [Applause.]

Mr. GARNER of Texas. Mr. Chairman, I yield 20 minutes to the gentleman from Tennessee [Mr. HULL].

Mr. HULL of Tennessee. Mr. Chairman, the bill now pending does not raise any very fundamental questions; it does bring to our attention in a general way the entire field of taxation, expenditure, and debt.

In 1926 the total tax revenues of the Federal, State, and local governments were \$8,500,000,000. The total expenditures of the Federal, State, and local governments for the fiscal year 1925 were \$11,124,000,000. The total indebtedness of the Federal, State, and local governments is around \$32,000,000,000. The Federal, State, and local governments should cooperate to make equitable these aggregate burdens common to 118,000,000 people. During the present period there is a singular difference between the methods of financing by the States and the Federal Government which is very noticeable. We would hesitate long at Washington, for instance, before deliberately creating a deficit in current receipts and expenditures. The States and localities, on the other hand, are deliberately issuing many hundred millions of dollars of bonds or notes each year to supplement their tax revenues and other treasury receipts. This, however, is mainly for long-delayed road construction and other urgent needs.

I think an unfortunate trend of public sentiment during recent years in regard to taxes is the growing dislike, not to say hate, on the part of the taxpayer with respect to the payment of any kind of tax. Many or most citizens have fallen into a state of mind which causes them to look upon taxes almost as they would look upon blood money. And yet, Mr. Chairman, no expenditure of the citizen, no contribution he can possibly make, assuming that it is judiciously expended, brings back to him more valuable and lasting benefits and blessings than the tax he pays to his Government—Federal, State, and local. [Applause.] I think those in the public service would render valuable service to the country if on suitable occasions they would recount before the people some of the manifold benefits that come back immediately to the taxpayer in return for his taxes. Sad to say, most citizens rarely think of taxes in terms of their benefits and blessings, but only with a view to secure their reduction or their shifting to the shoulders of other classes of taxpayers, regardless of equity or ability to pay.

Until recently, at least, we were spending around 49 per cent of State and local revenues for education and construction and maintenance of public highways. Who would begrudge the payment of taxes for these invaluable and indispensable purposes? We expend \$439,000,000 for the protection of the person and property. Every dollar that goes into this expenditure for the protection of person and property—for police, fire protection, for local militia, and those other wonderful agencies that guarantee the security of the person and the family and the property of the American people—yields benefits that are incalculable. We expend \$216,000,000 for health and sanitation. Suppose every citizen was obliged to bear the expense of protecting himself and family from contagious diseases, from impure food due to lack of public inspection, and to maintain all those other safeguards that protect the health and sanitation of the American people to-day, his expenses would be staggering compared with his taxes. We expend for charity in hospitals \$303,000,000. That money goes to take care of the sick, the feeble, the insane, and the helpless. What taxpayer could be so miserly as to begrudge any of this tax money? These are only a few illustrations of the astonishing benefits and advantages that should not be forgotten by us when we come to pay taxes.

May I for a moment call attention to the genesis of the trouble we are now experiencing about the adjustment downward of the corporation tax rates as I see it? In February, 1919, the peak of the war-tax levies was deliberately fixed at

an estimated yield of \$6,000,000,000, based primarily on the calendar year 1918. For 1919 and subsequent years this level of war taxes was lowered to an estimated amount of \$4,000,000,000. In 1921 there was a general movement over the country to substitute a sales tax for most of the graduated rates of the income tax and for the entire Federal inheritance tax. The question of normal tax reduction on corporations was not seriously pressed at this time, but the fight was waged to repeal the excess-profits tax on corporations. The outcome was the revenue act of 1921, which repealed the excess-profits provisions and increased the normal tax on corporations to 12½ per cent, from which it had been reduced to 10 per cent for the years 1919 and following. The capital-stock tax of 1 per cent also remained.

Following this relief from the excess-profits tax, the large stockholders of corporations decided that they preferred to wage their next fight to reduce their individual surtax, leaving undisturbed the normal tax of 12½ per cent on corporations. This movement culminated in the act of 1926, granting large surtax reductions. The result has been that most all other classes of taxpayers have secured all in the way of tax reductions they were not ashamed to ask for, while the normal tax on corporations has been shoved along in front without reduction. We are now about to adopt a permanent peace level of taxation, and the corporations are finding real difficulty on account of revenue demands in securing reductions of the normal rate to what many or most people might consider a permanent peace level. We are even retaining some war hang-over taxes in response to the Treasury's demands for adequate peace-time revenue.

There is, of course, room for unlimited discussion as to how soon after a war taxation should be placed on a permanent peace level—that is to say, how soon will the Government be content to allow the sinking fund and other earmarked receipts to take care of the public debt and proceed to fix the tax rates with respect to current expenditures? I recall that after the Civil War the taxes were brought down to what was considered a peace level within some 9 or 10 years following the war. We were then able to pay off the public debt, except that portion needed for banking purposes, within a period of 20 years after the Civil War. I think the time is practically here when we should undertake to reach a level of what we might call normal taxation—that is, rates of taxation which applied to the average business year would yield the necessary amount of revenue to pay the current expenses of the Government. We at present start the fiscal year in with a working balance in the Treasury of around \$212,000,000. We might well figure on an excess of ordinary receipts over ordinary expenses chargeable against ordinary receipts of, say, \$50,000,000 at the end of the fiscal year. Then that amount, together with any sporadic or non-recurring receipts that may come into the Treasury, could be applied on the public debt in addition to the sinking fund and other items specially provided by law, and in addition, whenever a business year becomes more prosperous than normal years, the swollen receipts that are swept into the Treasury under our permanent stable level of taxation in excess of current expenditures would properly go in payment of the public debt in addition to the sinking fund.

Mr. GREEN of Iowa. I think that would be a very proper policy, as it would provide for the payment of the debt in years when we were prosperous.

Mr. HULL of Tennessee. That is the way an individual deals with his indebtedness.

Mr. GREEN of Iowa. That is the way an individual regulates his business.

Mr. HULL of Tennessee. Mr. Chairman, I desire to call attention to one phase of the tax situation before I undertake a few minutes comment on the conditions of our debt and expenditures. I read from a well-known college authority:

As administered to-day the general property tax is a social and economic scourge which is striking at the foundations of the American home and American agricultural life. The dishonesty, injustice, and innumerable other evils which inevitably attend the general property tax have led one State after another to adopt newer and sounder types of taxation.

We have in bonds and notes alone—omitting stocks of \$76,000,000,000 valued at \$93,000,000,000 in 1925—around \$115,000,000,000 of intangible personality in this country. The report of the Federal estate tax bureau shows that 65 per cent of the property comprising large estates consists of these and similar intangibles which manifestly escape taxation in whole or in large part during the life of the decedent. There are two ways—and only two ways as I see it—by which these billions of intangibles can be reached for adequate taxation,

and that is through the agency of income and inheritance tax methods.

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

Mr. HULL of Tennessee. Yes.

Mr. GIFFORD. I am profoundly interested and admire the gentleman so much, I am sure that if he knew how much I did—

Mr. HULL of Tennessee. I am very glad that I yielded.

Mr. GIFFORD. I want to ask the gentleman, because he condemns the general tax theory so thoroughly, this question. The income-tax theory has been applied in New York, 1 per cent on \$10,000, 2 per cent on \$20,000, 3 per cent on \$50,000, and taken away absolutely from the assessors. Would the gentleman apply the income tax to relieve all this wealth from taxation, as they have done in the city of New York?

Mr. HULL of Tennessee. Mr. Chairman, two years ago I addressed the House and undertook then to set out in detail what I conceived to be a good, modernized system of taxation, Federal, State, county, and municipal, and not having the time now to enter into a discussion of the details with the gentleman, I would respectfully refer him to that address, if he would do me the honor to read it. Collection at the source as in England will solve the particular trouble about which the gentleman speaks.

Mr. GIFFORD. I followed the statements of the gentleman very carefully in the hearings, as they relate to his efforts to bring about uniformity in estate taxation by holding on to Federal taxes. I hope that he will say something about some effort that might be made by the Federal Government to have some uniformity in the income tax in the States, before he condemns what Ohio, Illinois, and most of the States still hold onto—the general property tax.

Mr. HULL of Tennessee. I dealt liberally with that point two years ago, and I would gladly repeat it if I had the time now. My view is that this estate-tax controversy really raises the question of whether one favors the principle of estate taxation to the extent of a substantial levy in this country. If one has this view it would be most inconsistent, while most of the States are striving for uniformity and to succeed need all the aid possible—it would be most inconsistent to deny them the temporary uniformity afforded by the present Federal law, which they so urgently need.

I shall not discuss at any length the question of whether corporation income taxes are shifted or passed on. Most all economic authorities hold that in normal conditions income taxes are not shifted to any important extent. Unlike gross sales or general property taxes, which must be paid whether a concern has derived a profit or suffered a loss at the end of the year, and which enter into the cost of production, the income tax only accrues in the event of profits and is measured by the profits, which are not ascertainable until the end of the year.

It is true that during abnormal business conditions it is possible to visualize earnings which one can with plausibility construe as either profits or taxes that are being passed on. The raising, lowering, or repeal of income-tax rates, on the contrary, does not result in any appreciable raising or lowering of prices to the American people. The law of supply and demand and other considerations govern, as a rule. Business seeks the maximum amount of profits consistent with the maximum amount of business, tax or no tax.

But I did not rise, Mr. Chairman, to discuss in any detail the income-tax situation. I did this two years ago. I do wish to emphasize the belief, however, that during the next few years there will come another fight on both the graduated income and inheritance tax systems, very much as the fight was waged in 1921. If we desire to promote and maintain equitable taxation in this country I warn the friends of these two tax methods to be on their guard. We are even now passing through the throes of what is equivalent to a second deadly assault on the principle of inheritance taxation. The chief line of division of political opinion on internal taxation involves the question of graduated income taxes and substantial inheritance taxation with reasonably graduated rates. May I also say that there can be no fair equitable tax reduction at present unless our exorbitant, iniquitous, and embargo tariff taxes are included.

Some Republican leaders are constantly endeavoring to so represent and dramatize reduction of taxes, expenditures, and debt since the World War as to secure much-hoped-for political favor. In order to keep the official records entirely straight, I shall offer certain facts and figures relating to these phases of taxes, expenditures, and debt in order that both credit and blame may be properly placed: Internal taxes, as stated, were reduced from the war peak of \$6,000,000,000 to \$4,000,000,000 by the Democratic Congress in February, 1919. The so-called tax reduction acts of 1921, 1924, and 1926 effected tax reduc-

tions in the estimated amount of \$1,604,000,000. The Harding and Coolidge administrations at the same time imposed tariff tax increases of \$3,000,000,000 to \$4,000,000,000. And furthermore, a matter that is very important to the taxpaying public is the fact that the reduction of the Federal tax burdens since 1921 has been more apparent than real; theoretical rather than actual.

The full figures reveal the aggregate amount of tax revenues, including customs, that have gone into the Treasury each fiscal year, beginning with 1922 and ending with 1927, as follows:

Fiscal year:	
1922	\$3,569,000,000
1923	3,186,000,000
1924	3,340,000,000
1925	3,196,000,000
1926	3,417,000,000
1927	3,474,000,000

It appears from the official figures on tax receipts that the level of taxes for 1927—the end of the past six-year period—is \$3,474,000,000, as compared with the similar level in 1922 of \$3,569,000,000, or an actual as distinguished from a theoretical reduction of \$95,000,000. The country, doped almost to death as it has been during the past seven years with propaganda about economy and tax reduction, has in mind an entirely different picture of the relative volume of taxes collected the past year as compared with that of six years ago. What has really happened since 1922 was that the corporation profits in this country declined from \$10,700,000,000 in 1917, the highest in history, to about \$4,330,000,000 in 1921—but little more than one-third of the amount in 1917. Is it any wonder that individual surtax payers declined? Naturally corporate taxes, too, declined. Since 1921 corporation profits have been generally increasing each year, as business came out from under the effects of the panic of 1921-22, with the result that Congress has simply been paring down the tax rates as corporate profits came back toward normal, so that they continue to pay into the Treasury about the same volume as in some of the prior periods, and hence almost the same burden.

Perhaps never before has so much effort been put forth to impress the country with Federal economy. The average citizen has no doubt that since 1922 Federal expenditures have, through rigid economy, been reduced to the extent of billions of dollars, and yet the official figures of annual expenditures payable out of ordinary receipts, but excluding postal expenditures, for the fiscal years 1922 to the fiscal year 1928, inclusive, speak for themselves and best tell the true story.

#### United States expenditures

Fiscal year:	
1922	\$3,775,000,000
1923	3,677,000,000
1924	3,506,000,000
1925	3,529,000,000
1926	3,584,000,000
1927	3,493,000,000
1928	3,626,000,000

Here is offered the striking revelation that the level of Federal expenditures for the fiscal year 1922 was \$3,775,000,000, while the level for 1928, the end of a seven-year period, is \$3,626,000,000, or a net reduction of \$169,000,000. There has been so much propaganda about "Coolidge economy" that attention might be called to the fact that he came to the presidency in August, 1923, and that the Government expenditures for the fiscal year ending June 30, 1924, was \$3,506,000,000, whereas the same estimated expenditures for the current fiscal year ending June 30, 1928, is \$3,626,000,000, or a net increase during this five-year period of \$120,000,000. Further comment is unnecessary.

Almost as much propaganda about reduction of the public debt and the credit due Republican administrations has been indulged in. Again, the official figures should speak for themselves. President Coolidge, in his recent message transmitting the Budget, said:

From the peak of more than \$26,500,000,000 the debt had been reduced on June 30, 1927, by \$8,084,794,716.

General Lord and most Republican speakers when on the stump invariably present this picture of debt reduction from its peak in 1919. They also compute interest deductions from the peak of the debt. They also agree that it was necessary to contract this peak volume of debt in 1919. When, however, they attempt to minimize credit due the recent Democratic administration for debt reduction, they about face at the Treasury and pretend that the true peak of the debt was around \$25,500,000,000, upon the theory that a large balance was in the Treasury at the time. They might just as logically have gone further and alleged that a large quantity of other assets readily convertible into cash were in existence at the time, and that therefore the true amount of the debt on March 4, 1921, was correspondingly less than the actual or official figures. This is

the first instance in which the Treasury has attempted in its annual report to confuse the true status of the debt for partisan purposes.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GARNER of Texas. I yield the gentleman 10 additional minutes.

Mr. HULL of Tennessee. We have recently heard much talk about the amount derived by the Treasury from nonrecurring receipts. I have gone into that subject with some care and am confident that in the \$3,750,000,000 calculation I have not mistaken the accurate figures more than \$100,000,000 in either direction. The following are the net amounts that have actually gone into the Treasury and constitute a part either of our regular expenditures or payment on public debt, which is the same thing.

Practically, cash assets inherited by Harding-Coolidge administrations and amount of net receipts to Treasury, fiscal years 1922 to 1927, inclusive:

War Finance Corporation	\$157,247,000
Receipt from sale of Federal farm-loan bonds	109,928,000
Railroads	442,652,000
Grain Corporation	7,000,000
<b>Total</b>	<b>806,827,000</b>

Add:	
Foreign debt interest and repayments	841,000,000
Back taxes collected after 1920 for 1917-20 net	1,300,000,000
German payments for army occupation	25,000,000
Sale of surplus war supplies, including transfers and withdrawals	492,949,000
Reduction of balance in general fund on June 30, 1921	321,000,000
<b>Total</b>	<b>8,776,776,000</b>

Public debt reduction prior to Mar. 3, 1921	2,545,000,000
<b>Grand total</b>	<b>6,321,776,000</b>

Debt of the Federal Government when at its peak Aug. 31, 1919, was	26,596,000,000
Feb. 28, 1921, it was	24,051,000,000

Reduction	2,545,000,000
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Total gross debt Feb. 28, 1921	24,051,000,000
June 30, 1927, it was	18,512,000,000

Reduction	5,539,000,000
Grand total reduction from Aug. 31, 1919, to July 1, 1927	8,084,000,000
The amount of reduction prior to Mar. 4, 1921, \$2,545,000,000, plus Treasury receipts from cash assets left by Wilson administration, \$3,786,000,000	6,332,000,000
Total reduction for which Harding-Coolidge administrations supplied the money	1,752,000,000

Mr. Chairman, these are net receipts from practically cash assets bequeathed by the Wilson administration to the Harding-Coolidge administration.

Mr. JACOBSTEIN. Pardon me; you mean not due to economy?

Mr. HULL of Tennessee. Not due to economy or taxes since March 4, 1921. I wanted to have these exaggerated points made just as clear and complete as possible, and I think I have made them so. In addition to this huge volume of net receipts, the Treasury still has on hand the following amounts of securities that were turned over by the Wilson administration March 4, 1921. Before reading them I should say that the Treasury has the presumption to reduce the German debt for Army occupation to its present worth of \$156,000,000, although the Harding administration, by the grossest negligence, failed until it was almost too late to take any step to collect this German debt of nearly \$255,000,000, with the result that in order to get it recognized at all in the Paris agreement distributing reparations our Government was obliged to remit all interest.

Railroads	\$230,454,000
Germany, for Army occupation	224,000,000
War obligations of foreign governments, less Russia and Liberia	9,778,780,000
Securities for foreign governments for war supplies, but omitting those of Russia, Latvia, Estonia, Rumania, Nicaragua, the Croats, Serbs, and Slovenes, \$53,143,000; also relief securities, \$23,308,000	457,695,000
Securities from sales of war surplus property	12,140,000
<b>Total</b>	<b>10,704,099,000</b>
Deduct from gross debt of June 30, 1927	18,512,000,000
The amount of above securities	10,704,000,000
Leaves net balance of debt	7,808,000,000

There has been much Republican propaganda about the extent to which they have reduced the average interest rate on the war debt. This accomplishment is so infinitesimal that it only serves to remind the country of the wisest and most wonderful war financing by the Wilson administration to be found in the history of any country in any war. The Wilson administration

in 1917 stabilized the total long-term war debt of near \$17,000,000 on a maximum basis of  $4\frac{1}{4}$  per cent interest rate. Our Civil War rates were from 5 to 7 per cent. In accomplishing this tremendous feat over the protest of almost all the great financial institutions to the effect that the rate must be as high as  $4\frac{1}{2}$  per cent at least, the American taxpayers were literally saved billions of dollars compared with the saving of millions by the slight interest reductions which Republican administrations have been able to effect eight years after the war. What really happened was that the peak of the amount paid for interest was not reached until the fiscal year 1923, when the Harding administration paid \$1,056,000,000 interest as compared with \$1,020,000,000 for 1920. The Harding and Coolidge administrations have permitted the banks to fix prices of Government securities. The result was that the peak of interest rates, which was 4.29 per cent on the average, was not passed until after the fiscal year 1922. Under this loose policy of financing we see even long-term bond issues of \$762,000,000, at  $4\frac{1}{4}$  per cent, callable in 1947, standing to-day in the markets at the price of  $115\frac{1}{4}$ . Another refunding operation comprised a bond issue of 4 per cent, callable in 1944, amounting to \$1,042,000,000, which bears a price to-day of  $110\frac{1}{4}$ . Naturally, everyone during periods at all normal would have Government securities at par or a slight premium, but the sort of financing just illustrated will cost the American taxpayers a vast amount of the alleged interest saving. In order that everyone can see, I read the average interest rates on the public debt beginning with the fiscal year 1919 and ending with the fiscal year 1927, as follows:

	Per cent		Per cent
1919	4.10	1924	4.21
1920	4.19	1925	4.14
1921	4.29	1926	4.09
1922	4.29	1927	3.96
1923	4.22		

The anomalous condition that first attracts attention is that with America rolling in wealth and having mountains of idle gold and credit, the Republican administrations have not been able to bring the average interest rate on the public debt, comprising the most gilt-edged securities in existence, down to as much as 4 per cent until 1927, or more than eight years after the war. What a wonderful tribute to the wise financing of the Wilson administration!

The Harding and Coolidge administrations not only fell heir to the huge assets already described but to such great financial and economic agencies as the Federal reserve system, which has stabilized money, credit, and business, and constitutes the outstanding factor in such business improvement as has occurred since 1921-22; the War Finance Corporation, which, as a general utility agency, has served many invaluable financial ends; the farm-loan system, which has been a godsend to agriculture and has reduced the average interest rate to farmers near \$200,000,000 per annum; a thoroughly modernized sinking fund law that will wipe out more than \$10,000,000,000 of debt within 25 years from 1921; a personnel in the Treasury highly expert in Government financing, and all the technicalities relating to refunding operations and the scientific handling of the technical questions relating to the debt; a great merchant marine.

In the face of these astonishing bequests received by the Harding and Coolidge administrations, and in the face of the official figures relating to reductions of taxes, expenditures, and debt under the respective party administrations, it surpasses the human imagination to see Republican spokesmen endeavor to exalt the accomplishments of Secretary Mellon to the level of those of Alexander Hamilton. Secretary Mellon is recognized by all as one of the great heads of finance and industry in this country. The honest truth, as a matter of ordinary decency, should be acknowledged, however, that the tasks and problems of Secretary Mellon since 1921 have been not only easy but simple in the light of the conditions and facilities with which he was gratuitously presented. I challenge any unbiased person to point to a single problem the solution of which entitled Secretary Mellon to any unusual credit. He should frankly be conceded the fullest measure of credit for any and every accomplishment. It is not necessary for the purposes of my statement that his record should be minimized in the least. But let the official facts and figures speak for themselves.

The public debt, in the light of our national wealth, is not relatively so great as the debt following the Civil War. Nor have we paid on it more rapidly thus far than they paid on the Civil War debt during the years that followed. I am rather strong on debt payment in accordance with the well-established traditions and policies of the American Government in the past. I believe not only in utilizing the sinking fund but, as

stated, any important nonrecurring receipts and surpluses arising under normal peace tax rates during years more prosperous than ordinary should be applied to debt payments. I am, in conclusion, prepared to vote for certain amendments to the pending bill, and whether or not they are adopted I shall support the bill on its final passage. I yield back the remainder of my time. [Applause.]

Mr. GARNER of Texas. Mr. Chairman, I yield 10 minutes to the gentleman from South Carolina [Mr. McSWAIN].

The CHAIRMAN. The gentleman from South Carolina is recognized for 10 minutes.

Mr. McSWAIN. Mr. Chairman and gentlemen, I think that the present law, and particularly the bill, takes care of the reductions that are proper and desirable as against men who derive their incomes from business or industry or commerce, but I submit very respectfully that it does not take care of that large class of men who derive their income from their own labor or personal efforts. It does not take care of lawyers and doctors and architects and engineers and preachers and teachers. These men and, of course, many others who may be named, whose labor, whose personal initiative, and whose brain power are the source of their revenues, are not protected against emergency expenses.

Now, what do we find? Under the law and under the bill, if a man's factory is burned, either totally or partially, there is a deduction. If a man in business contracts bad debts, against which he could insure if he were prudent, yet those bad debts are allowed as a deduction. There is a deduction also for depreciation in the machinery and in the plant generally from which he derives his revenue. There is also a deduction for depletion of mines, oil, gas, other natural deposits, timber, and so on; and we have two additional factors of protection allowed in this bill that have never been in any bill before. One of these is a deduction, on page 24, for future expenses in case of a casual sale of real property, a mere guess as to whether or not a man who sells real estate will have to take it back on foreclosure or something like that; a mere guess.

And again there is a deduction allowed to members of a cooperative apartment house for expenses incident to that apartment, as for taxes, insurance, repairs, and so on. These are deductions as against material things of men who own property. Now, I believe this is the second time or the third time when a revenue bill has been under consideration that I have referred to this matter, and I want to appeal to the men on both sides to take care of those casual, unexpected, and unavoidable emergency expenses which the individual professional man may suffer, against which no amount of forethought on his part can provide, such as sickness and the like.

When a man whose income comes from his own labor is sick not only does the source of revenue stop but there is an expense on top of that—surgical, medical, and hospital. If he dies, or if a member of his family dies, there is a fixed and unavoidable expense. I submit, gentlemen, the reasons which have been submitted heretofore why this should not be allowed are not well founded. There has never been an argument made against the justice and the fairness of it. A man whose income is derived from his factory is allowed a deduction if the factory is partially destroyed or if it is worn out by depreciation. But if his human machine is destroyed by disease, in whole or in part, if through the constant struggle and effort to put over his professional career, he needs the repairs by medicine and surgery and by the hospital for nerve and brain rest, he is not allowed one copper cent as deduction. The excuse that has been made all the time was this: It is unworkable and impracticable. Now, gentlemen, that is the only point I am going to talk about. They say it is impracticable. As I asked my good friend from Illinois [Mr. CHINDBLOM], Can there be any fraud worked upon the Government as to whether or not a man was operated on? Is there not a scar on his body to show it? Can there be any doubt as to whether or not some member of his family has been buried? Is there not a fresh grave to mark the fact? Can there be any doubt as to whether or not a man was laid up in a hospital away from his office? There must be a host of witnesses to show that he was not at his office and that he was in the hospital. The only other answer—and that was skillfully given by the gentleman [Mr. CHINDBLOM]—was this: It is impossible to arrive at the measure of expense. Some doctors are expensive and some are not; some hospitals are expensive and some are not.

I will answer just like they answer on this matter of the depletion of minerals. What do they say as to who shall decide how much oil has been drawn out; how much coal has been removed; what depreciation has been made on the machinery; or what loss has been suffered by a partial fire? Who

decides that? Not the taxpayer nor any absolute standard of arithmetic, geometry, logic, or anything else; nothing save the discretion of the commissioner.

In the amendment I shall propose at the proper time there will be conferred upon the commissioner the power to say that these deductions shall be made upon the basis of the ordinary and current value of such expenses, and he shall have the power to decide whether or not the charges for a burial, the charges for an operation, the charges for medical services, and the charges for hospitalization are reasonable and fair. Is not that a hundred times simpler? Is not that one hundred times more certain of ascertainment, and therefore not one-hundredth part of the chance of fraud being committed upon the Government as there is in reference to this matter of the future expense in cases of the casual sales of real property, as found on page 24 of the bill? I would like to know whose guess, whose surmise, and whose estimate shall determine what shall be the deduction as to future expenses arising from the casual sales of real estate. Who shall determine what has been the depreciation in a manufacturing plant, and who shall ascertain and determine by any certain process what has been the depletion from mines, such as oil, coal, gas, or any such mineral product as that, against which deductions for depletion are allowed? Always and only the commissioner.

I submit, gentlemen, that here is the chance and duty of this Congress to say that the human machine is a more important factor in the production of income in this country than the steel machine, and that if we can take care of the material machine, if we can take care of the machine made of iron and of steel, with its essential parts of rubber belting and leather belting and wooden mountings, then we can certainly take care of the human machine that made the material machine. And we ought to do it, so that the taxpayer, finding that he is being worn, that the stress of professional obligations and duties are bearing down on him, will not be compelled to say, "Well, I dare not stop; I must go on to the breaking point, because if I stop running my expenses continue; if I go to a hospital to rest, my expense there will be equal to the losses sustained by a failure to carry on business in the office, and I will be taxed upon my hospital expenses." There is no doubt about this. If a member of my family should die or should have to undergo a serious operation or have to have medical treatment, I pay a tax upon the very money that is paid out for that essential and unavoidable element of expense. There is no doubt about that. I pay a tax on it, and I submit, gentlemen, that we ought not in this act to discriminate against the human machine and the initiative, energy, and enterprise of men and women in favor of the dead machinery which men themselves do make and use to produce wealth. [Applause.]

The CHAIRMAN. The time of the gentleman from South Carolina has expired.

Mr. GREEN of Iowa. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. CROWTHER].

Mr. CROWTHER. Mr. Chairman and gentlemen of the committee, the discussion of this tax bill, following so closely upon the discussion of the appropriation bill, reminds me of the boy who said to his father, "Dad, what is a Congressman?" His father answered, "A Congressman, my son, is a man who is sent to Washington to reduce taxes and vote for all our favorite appropriation bills." [Laughter.]

The question of taxation has been a troublesome one ever since the beginning of time, as was suggested by the honorable gentleman from Tennessee [Mr. HULL], and although they are nearly always extremely capable officials, the assessors and tax collectors never enjoy a very marked degree of popularity in any community. You will remember that way back in Bible days, when the multitude said, "Master, what shall we render unto Caesar?" That also was a problem of taxation; but in those days taxation was more in the nature of tribute. They did not receive very much material benefit for the money they paid. To-day, as has been suggested, we enjoy many valuable improvements and many wonderful benefits for the money we pay as taxes.

I am not a lawyer and I am not capable of discussing the technical sections of the bill; in fact the few of us who are not lawyers, in the midst of this turmoil, being engulfed by the tremendous technical discussions of the Members of the legal profession, are obliged occasionally to leave the room and get a little air. We find ourselves completely submerged by a flood of legal nomenclature. Possibly the work of the simplification specialists will remedy this condition.

However, we commenced this program of taxation in 1909 in a very modest sort of way with a 1 per cent tax on corporations with an income in excess of \$5,000.

The rates were raised again in 1913, and we passed an income tax amendment. The present policy was really begun in 1916, and after our entry into the World War normal rates were doubled and surtaxes increased to 63 per cent. In 1919 the act was passed increasing normal and surtaxes to a total of 77 per cent. Revisions occurred in 1921, 1924, and 1926, and we are now taking the fourth step down the rate ladder after taking five steps up.

In 1924 we had the so-called Mellon plan under discussion in the House, and at that time you will remember "politics was not adjourned." Although many Members suggested that taxation was an economic question and should never be colored with political debate or influenced by political expediency, still politics did creep in, and as we had some Members on the Republican side who did not quite agree with us who united with the Members on the Democratic side of the House, the combination succeeded in preventing the adoption of the 25 per cent surtax, and we were forced to compromise at 40 per cent.

When some of the Democratic Members arrived home after the session of 1924, after the combination filibuster against the Mellon plan, they were not met with outstretched hands and a hearty welcome by many of their constituents. I think they were told in their home territory that they had made a grievous error in throwing away the opportunity they had to improve business conditions by placing the surtax at a figure that would discourage investment in nontaxable securities.

They returned after the next election in quite a different frame of mind and showed a very strong inclination to go along with us, and helped to write a bill that I think met with the universal approbation of the country.

There has been something said about the exemptions provided in 1926, and you gentlemen have all been Members here long enough to know that legislation of this character is obtained by compromise, and the increase in the amount of the exemptions made at that time of \$1,500 to single folks and \$3,500 to married folks was made in a spirit of compromise because the members of our committee who are on the Democratic side would not go along with us in a reduction of the surtax unless we made this reduction to the individuals, and so we yielded in the matter of the exemptions for the so-called little fellows—as the gentleman from Texas [Mr. GARNER] denominated them—and then the minority agreed to our rate on surtax.

Now, before answering some of the statements made yesterday by the gentleman from Texas [Mr. GARNER] I want to say Mr. GARNER sometimes attempts to be very sincere. I might entertain you with a description of many things that happened in the committee, but it is my personal opinion that the ethics of the situation absolutely preclude a Member of the House repeating on the floor statements from the record of executive sessions. This may not be the opinion of all the members of the committee, but even if it becomes merely a tradition I shall continue to respect and observe it.

It is my candid opinion that if the gentleman's party was in power, he would be just as conservative regarding the amount of tax reduction as the gentleman from Iowa [Mr. GREEN] is. One advantage of being politically prominent in the minority membership is that you can be vociferously for a policy that you would not countenance or consider if the responsibility rested upon you. The gentleman from Texas, if he were chairman of the Ways and Means Committee, would not be for a reduction in taxes of from four to five hundred million dollars.

Those of us who remember the placement of a duty on goat hair can easily see the reference to the same animal in the newspaper statement that he had decided it was "useless to butt his head against a stone wall," and that he thought three hundred million reduction was about all he could get. The gentleman from Texas has a keen intellect and an engaging personality, but when he starts out on a political rampage he is forgetful of everything except political advantage.

Now if you will take the record, page 167, and read that statement that was made before the committee, I think you will find an absolute answer to the charge made by the gentleman from Texas [Mr. GARNER] in his speech. I think you will have no doubt as to the situation, and you will be convinced that we did not take the low estimates because we wanted them to be low, but in many cases we took some higher than the highest estimates of Mr. Nash, Mr. Ebersole, and Mr. McCoy.

I am sure that every member of the committee was anxious to come here to Washington this fall and write a peace-time tax bill. I think there is a great deal of substance in what the gentleman from Tennessee [Mr. HULL] said, that it was time we did so.

I dare say there was a general disposition among Members to do away with the so-called nuisance taxes, but there was

some logic in the argument that as they were put on as a war emergency they should remain through the period of the debt.

But, gentlemen, when you cut your coat you must know how much cloth you have. And we were guided by the Treasury statements as to probable surpluses in future years.

Now, in relation to the error that they say was made in 1927, I refer you to pages 5 and 6 of the record in the Treasurer's report, in which Mr. Mills says that the nonrecurring items amount in 1926 to \$215,000,000 and in 1927 to \$414,000,000. The loss of these assets must be taken into consideration in the discussion of this bill.

The hearings are very complete and you will find there a discussion of the broad basis of taxation that should be adopted.

One gentleman, who represented the manufacturers of automobiles, in protesting against the tax said that if you wanted a broad basis of taxation you ought to tax bathtubs, because they were used as much as automobiles and a good deal more on Saturdays and Sundays. [Laughter.] Whether that is a sound argument for a broad basis of taxation I leave to your judgment.

Now, on pages 167 and 168 you will find the figures giving the statements of Mr. Nash, Mr. Ebersole, and Mr. McCoy, and I think you will find the interrogations by members of the committee of Mr. Mills particularly interesting. I do not think there is anything so valuable and which will give so much information as this portion of the hearings on the bill and the colloquy between Mr. Mills and the committee.

I should like to have seen the so-called nuisance taxes entirely removed and the corporation tax reduced to 10 per cent, but we were not justified in making greater reductions than this bill contains.

It is possible that with continuing prosperity the reduction in corporation tax may not produce the loss in revenue that the plain arithmetic demonstrates. However, I believe we have about reached the limit of tax reduction, and it might be wise in the future to apply surplus, if there is any, to reduction of the national debt, which, as President Coolidge has said, is "also tax reduction."

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

Mr. GREEN of Iowa. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. LAGUARDIA].

Mr. LAGUARDIA. Mr. Chairman, the easiest things for a Member of Congress to do is to vote for the reduction of taxes, to offer amendments for reduction, and then go home and tell his constituents how much he did to reduce Federal taxes. It is as easy for the United States Chamber of Commerce to have a referendum among its members as to whether or not they wanted tax reduction. Of course, the answer came back unanimously that they were in favor of tax reduction and demanding a reduction of \$400,000,000.

I am one Member of the House who is of the opinion that this is no time to reduce taxes to any great extent. I do not believe that we should reduce taxes this year more than \$100,000,000, if we reduce them at all. We must look ahead for the best interest of the country. We must consider 1938 and 1958, not only 1928. We must consider the best economic interest of the whole country and not only the best political expedient for one congressional district.

We hear so much talk about the surplus in the Treasury.

The word "surplus" is handed out as a figure of speech, as if we had every year actually on hand in the Treasury hundreds of millions of dollars. Actually, the surplus is only a bookkeeping item. No man has a surplus as long as he is in debt. If you stop and consider, gentlemen, that we have an outstanding public debt of \$19,654,886,579.13, you will realize that an excess of receipts over expenditures of a few hundred million dollars amounts to absolutely nothing. In talking about a surplus in connection with taxes or in considering the amount of surplus as reported by the Secretary of the Treasury, it must be remembered that the word "surplus" is used in its technical sense and must be strictly construed. Surplus in public finance is simply an excess of receipts over the ordinary disbursements. Surplus in its general term and as commonly understood conveys the idea of something which remains when use or need is satisfied; something in excess of every need, use, or requirement. In speaking of the surplus of a corporation the word has a much broader meaning, for such a surplus is all money in excess of expenditures, outstanding liabilities, and in excess of the total face value of its shares; when we speak of a surplus in connection with an insurance company it means the assets in excess of all the capital required to meet its entire liabilities. In public finance it has no such broad meaning, and I believe that a great deal of the confusion and misunderstanding which has resulted in a demand for excessive tax reduction this year is entirely based on a misapprehension of the true condition of the

Treasury. I am sure that if the individual members who voted in favor of tax reduction on the United States Chamber of Commerce referendum had stopped to realize the enormous debt service, such as interest and sinking fund, required to take care of the present outstanding public debt, they would not have joined in the ridiculous demand for a tax reduction resulting in a loss of four hundred million annually in Treasury receipts.

Besides the belief generally, even on the floor of this House, as I pointed out during the last tax reduction bill and on other occasions, the excess of receipts over expenditures called surplus in the Treasury is not really physically available, but is supplied quarterly in redeeming outstanding obligations and as the available cash exceeds the requirements of governmental expenditures the debt is thereby reduced. The situation works out this way: The Treasury has maturities to meet on the 15th of the month in March, June, September, and December. Normally a part of these maturities have to be refunded. In determining how much refunding is necessary the Treasury considers its cash on hand, its expected receipts for the succeeding quarter, and its expected expenditures for that period, and borrows for refunding purposes only enough to carry it to the next quarterly date. The reason for this is obvious, since it is undesirable for the Treasury to borrow money at 3 1/4 per cent and then to leave it in the banks where it receives 2 per cent interest. An example of how surplus goes into debt reduction can be seen by the Treasury's activities on the 15th day of the month of each quarter. Let us assume that on the 15th day of December there are \$400,000,000 of certificates mature. The Treasury takes into account its cash. Let us assume that it is \$50,000,000 on that day. It then estimates its expected receipts from taxes and other sources during the next three months in excess of expenditures, and then determines that it must sell, let us assume, \$200,000,000 of new certificates. It has thereby indebted for \$200,000,000, but has reduced the public debt by \$400,000,000, so that automatically the public debt would be reduced by \$200,000,000. The situation is, as Mr. Winston, former Undersecretary of the Treasury describes, similar to that of a man who owed considerable money to his bank on a 90-day note. As the maturity comes around he uses his extra cash to reduce his indebtedness and renews for the balance. If the situation should be reversed and it is determined that the expenditures for a quarter would exceed the receipts, then the Treasury would be compelled to sell a larger amount of securities than it paid off and the debt would correspondingly increase. The operation is entirely automatic. Now, gentlemen, how can we talk of surpluses when there is a debt big enough to absorb every cent available each quarter?

In the appropriation bills for the next fiscal year it will be necessary for Congress to provide \$369,209,093 as the year's increment to the sinking fund for the redemption of the public debt, and an item of no less than \$670,000,000 to pay accruing interest on the public debt. Is it not simply ridiculous to talk about and most unstatesmanlike to urge the wiping away of a surplus by reducing taxes when the debt requires an appropriation of \$670,000,000 to take care of interest? I want to remind my progressive friends who were active in the 1924 tax bill—and I am not at all ashamed of my part in the fight on the 1924 tax bill, for I consider the compromise amendments adopted by the House, the surtax on incomes in the last brackets, and the inheritance features of that bill as it passed the House an ideal tax policy for this country to follow—that we must not get away from the policy of taxation, and that there is grave danger of so doing if we support by voting for excess reduction of present taxes. I want to say to my colleagues and friends who represent the farmers and to my friends of the South that they can not consistently, conscientiously, and honestly, if you please, stand on the floor of this House and vote for further reduction of taxes to the tune of three or four hundred million dollars, and then next week come in and demand appropriations for farm relief, appropriations to take care of necessary flood relief. It just can not be done. I repeat, as I said before, any reduction at this time is dangerous, and we should not exceed \$100,000,000, which is \$132,735,000 less than the bill before us provides.

I want to point out to my friends who are staunch supporters of the income-tax system and a permanent policy of inheritance tax that if we ever permit taxes to run so low as to create a deficit in the Treasury, then it will play right into the hands of those who seek to do away with the income-tax system and who will say, "See, it has broken down: it will not work, and we will abolish it entirely," and substitute for it, of course, the sales tax, thereby relieving the big fellow and putting more burden on the wage earner.

Mr. Chairman, it does not take much of a depression in business, we do not have to get into any great industrial or financial crisis in order to see a material decrease in the re-

ceipt of taxes. A simple standstill of business for a while will make such a difference in the receipts of taxes as to bring us very near the red ink line of Uncle Sam's ledger. At the present time there is not a great margin to play with, as has been suggested on the floor of the House by the gentleman from Texas [Mr. GARNER].

Another feature of this bill the elimination of which it seems has become popular is the automobile tax. The automobile tax is simply a part of our tax system for the purpose of raising revenue. It has no other purpose. Unlike other provisions of our tax laws, as for instance taxes on narcotics, which gives the Federal Government supervision and control of the traffic, the inheritance tax, if you please, and the surtaxes on enormous incomes as was originally intended, which tends to prevent the concentration and centralization of wealth in the hands of a few families, or of a high tariff on a given article to prevent its importation, the automobile tax had no other purpose than that of raising money and it has accomplished that purpose most satisfactorily. It is easily collected, there is absolute control and can not be evaded, and it is pretty well distributed. I have not heard of one single solitary complaint on the part of an automobile purchaser. As the gentleman from Massachusetts pointed out, the old rate on a cheap car amounted to about \$12, and that on the most expensive car sold in this country to about \$180. I repeat, I have not heard any complaints from any purchasers of automobiles. From certain quarters a determined movement has been inspired and it has become popular to demand the removal of the automobile tax and to classify it as one of the war-time nuisance taxes. It is not a nuisance tax in any sense of the word. The paying of the tax at the time of the purchase of the automobile can not be compared with other so-called nuisance taxes, most of which have already been abolished.

I can readily understand and I have no fault to find with my colleagues coming from the automobile-producing sections of the country in seeking to abolish entirely the automobile tax, but for the world I can not see how this tax in any way affects the manufacturer. It is not paid by the manufacturers. It is paid by the purchasers. It can not be said that a tax of 3 per cent has in any way curtailed the sale of automobiles. I admit I am at a loss to see why the manufacturers should insist and make so much noise about this tax when very little has been heard from the purchasers. It has been intimated and the House was given notice that an amendment will be offered to abolish the automobile tax entirely. I serve notice now that I will not only oppose such an amendment but if no other Member of the House will, I shall offer a substitute keeping the automobile tax at the present rate. The difference in the present rate and the reduced rate contained in the present bill amounts to a loss in revenue of \$33,000,000.

I come from a city that pays a large percentage of the total taxes to the United States Treasury. It would be easier for me to "yes" every demand for tax reduction, to vote for every tax reduction bill and to make myself a good fellow at the expense of the country. We realize in New York City that New York City is New York City because the whole United States is back of it. A few greedy people who think only of their own present taxes can not rush me off my feet to disregard what I conscientiously believe to be the best interest of the country.

The distinguished gentleman from Tennessee [Mr. HULL], was pointing out to-day the great benefits that people derive from the money which they have paid to the Government in the form of taxes. That is quite true. But most of the direct benefit, that which the citizen sees in his every day life, comes mostly from his municipal or State government. The functions of city government are daily increasing and care of health, care of children, schools, transportation, light, and heat in many instances are looked after entirely by municipal governments. By the very nature of our form of government the Federal or National Government is limited in its sphere of activities. Yet there are a great many people who believe the Federal Government is wasting money, and when they read of the annual appropriations made by Congress, now reaching the three and four billion dollar mark, the idea becomes general that such an enormous amount is spent by the Government for current needs. The country ought to know, the information should be sent out that over 65 per cent of what we spend annually is spent because of the cost of past wars and the insistence on the part of a great many for the preparation for future wars.

Mr. GREEN of Iowa. Oh, more than that.

Mr. LAGUARDIA. Yes; more than that, I should say it is nearer 75 per cent. Just look, out of the present Budget of \$3,505,000,000, excluding the Post Office, because that prac-

tically takes care of itself, with the exception of a few million dollars of deficit, \$2,265,000,000 go for past wars and for preparation for future wars. The War Department takes \$390,000,000, the Navy Department \$362,000,000, and I do not think that includes construction of new ships, the Veterans' Bureau \$612,000,000, the Pension Bureau \$231,000,000, and interest on your last war \$670,000,000. I do not include the sinking fund, because that reduces your debt and interest correspondingly.

Only yesterday we saw this House stupidly stand up here and vote appropriations for \$6,000,000 on two tubs that are not worth keeping afloat, when you know—and if you do not know it you should know it, and if you have not been told by the Navy Department the information is available—that we will never as an American Congress ever vote another cent for the building of a new battleship. Naval experts will never ask us to build more battleships. They know they are obsolete. They know they do not want them any more. Yet the department asked you to spend over \$6,000,000 on these old tubs. And why? To tie up two ships in a drydock for two years and keep the floating hotels afloat as long as they can. It is easy to go home and say, "I have reduced your taxes," but if you want to maintain the policy of an income tax and an inheritance tax, and if you are sincere that you want farm relief and you want to appropriate funds to take care of conditions brought about by floods, then do not vote one increase in the amount of reductions in this bill but vote to reduce those reductions and continue to reduce the national debt at the rate we are now going. [Applause.]

Mr. GARNER of Texas. Mr. Chairman, I yield 10 minutes to the gentleman from Virginia [Mr. DEAL].

Mr. DEAL. Mr. Chairman, in 1924, when the tax bill was under consideration, I proposed an amendment to strike out section 1101, which delegated to the Internal Revenue Department a blanket grant of power to make rules and regulations that have the binding force of law. This was promptly voted down. I offered the same amendment to the tax bill of 1926, and this was also voted down. My contention being that Congress alone has the power to make law, and that the regulations of the Internal Revenue Department are in fact law. Yielding for a question, the distinguished chairman of the Ways and Means Committee asked if I did not know the courts had held that Congress had this right, and a friend of mine facetiously remarked that my argument was all right, "but, unfortunately, the Supreme Court does not agree with you." It is to this phase of the subject, its effect and results, therefore, to which I now propose to address the House.

Mr. GREEN of Iowa. I did not mean any reflection or offense in any way.

Mr. DEAL. I do not think the gentleman intended any offense and I did not so intend to imply. But what I want to say is, I do not agree with either gentleman.

After having analyzed every decision of the Supreme Court bearing upon this subject, I do not concede to my friend that the Supreme Court disagrees entirely with my view. On the contrary, the courts have in every decision I have found iterated and reiterated the axiom that Congress can not delegate its power to make law. The question which we have to consider, therefore, is not the right of Congress to delegate the law-making power, but as to whether by using another name or exercising a play upon words, it in effect does delegate the right to make law. In *Craig v. Missouri* (U. S. 29, 408) Chief Justice Marshall handing down the decision for the court said in part:

The Constitution is not to be evaded by giving a new name to an old thing.

In the matter under consideration Congress has drifted into the habit of using the phrase that an executive branch shall have the right to make "rules and regulations," which rules and regulations have the binding force of law, and undoubtedly come within the inhibition, the—

Constitution is not to be evaded by giving a new name to an old thing.

This decision has not been reversed. There may be a distinction as to a rule or regulation for carrying into effect a law enacted by Congress, but a rule or regulation that is in effect and to all intents and purposes law, is inhibited, and a change of name does not alter the fact.

None will deny that it is a duty of the administration, as a constitutional mandate, to execute the law as enacted by Congress; this involves the necessity for it first to interpret the law and then make such administrative regulations as it may deem necessary to guide its subordinates in carrying out the mandates of the law. It has this right without any statutory law delegating such powers; there is no objection to this; then

why write it into a statute? That very act in itself is a delegation of legislative powers, otherwise why should the administration seek to have such a paragraph incorporated in all of the revenue bills? The Internal Revenue Department has, by its interpretations and regulations, changed our statutory laws, resulting in the grossest injustice to taxpayers and to the plan and system devised for the conduct of the Nation's business. Congress knows that the internal revenue has done these things. If we do not know it, we ought to know it, and when we delegate this blanket grant of power, knowing that the Internal Revenue Department has violated, extended, and contracted the provisions of statutes enacted by Congress, it is equivalent to consenting that the Internal Revenue Department may do these things and is therefore a delegation of the legislative power not warranted either by the Constitution or any decision of the courts that I have been able to find.

In United States, Dallas 2, 409, the Attorney General moved for a mandamus to be directed to the Circuit Court for the District of Pennsylvania commanding the said court to proceed under a certain petition of William Hayburn, who had applied to be put on the pension list of the United States as an invalid pensioner. The case arose out of an act of Congress passed March 23, 1792. The Attorney General stated to the court that the motion was made ex officio without an application from any person, but to secure the execution of an act of Congress. The court was divided and the motion was not allowed. The Attorney General then changed the ground for his motion, declaring it to be at the instance and in behalf of William Hayburn, a party in interest. Still the court held the motion under advisement and no decision was ever rendered, as the reasons assigned by the judges for declining to execute this act of Congress involved a great constitutional question.

The Circuit Court of Pennsylvania had refused the motion on the ground that—

neither the legislative nor executive branches can constitutionally assign to the judiciary any duties but such as are properly judicial; that the duties assigned to the circuit court by this act were not of that description.

This court, consisting of Justices Wilson and Blair, of the Supreme Court, and Peters, district judge, declared in a letter to the President, that it—

could not act because Congress was delegating to it powers not judicial.

The Circuit Court of New York and that of North Carolina took the same position, claiming, in substance, that Congress could not delegate to them such powers. At this early date in the history of our Federal Government no judge or court had the temerity to say that Congress could delegate to the Executive or judiciary the right to make rules or regulations that had the binding force of law.

In *Field v. Clark* (143 U. S. 649), October term, 1891, just 100 years after the Hayburn case was sidetracked.

This was a test case as to the constitutionality of the so-called "reciprocity law," in which the President was authorized to suspend the tax on the importation of certain commodities, upon the condition that the importing country would suspend duties on corresponding exports from our country.

The Supreme Court held:

The true distinction is between the delegation of power to make the law, which necessarily involves a discretion as to what it shall be, and in conferring authority and discretion as to its execution, to be exercised under and in pursuance of the law. The first can not be done. To the latter no valid objection can be raised.

The proper distinction, the court said, was this: The legislature can not delegate its powers to make law, but it can make a law to delegate a power to determine some fact or state of things on which the law makes, or intends to make, its own action depend.

The case does not parallel that of the question of rules and regulations of the Internal Revenue Department, no penalties being involved. Mr. Justice Lamar and Chief Justice Fuller, however, dissented in so far that the third section is valid and constitutional legislation, saying:

We think that this particular provision is repugnant to the first section of Article I of the Constitution of the United States, which provides that "all legislative powers herein granted shall be vested in a Congress of the United States," and that no part of this legislative power can be delegated by Congress to any other part of the Government, executive or judiciary, is an axiom in constitutional law and is universally recognized as the principle essential to the integrity and maintenance of the system of government ordained by the Constitution. The legislative power must remain in the organ where it is lodged by that instrument. We think that the section in question does delegate

legislative power to the executive department. (*In Union Bridge Co. v. United States*, 204 U. S. 364; *Monongahela Bridge Co. v. United States*, 216 U. S. 177; *Hannibal Bridge Co. v. United States*, 221 U. S. 194; *St. Louis & Iron Mountain Railway Co. v. Taylor*, 210 U. S. 281; *Interstate Commerce Commission v. Goodrich Transit Co.*, 224 U. S. 194 et al.)

The court restates the principle advanced in *Field* against *Clark* in practically the same language. I should say that there is a material difference, however, in these cases and that of the rules and regulations promulgated by the Internal Revenue Department bearing upon the taxing power. In these cases the individuals clearly encroached upon the rights of others wherein the general public suffered or would suffer in consequence an encroachment upon their property rights. For instance, if a bridge spanning a river impeded navigation, every individual or company engaged in the transportation business would have his rights on navigable rivers impaired. In a sense it would be a confiscation of his rights, and, therefore, the minority enjoying a privilege should in the very nature of things give way to the majority.

The rules and regulations of the Internal Revenue Department, however, affect a great mass of people who in no sense encroach upon the rights of others, but realize a confiscation of their rights, guaranteed by the Constitution, incident to the invasion of the legislative powers by the Internal Revenue Department as a result of the delegation of power by the Congress of the United States to make rules and regulations that have the binding force of law.

In *United States v. Grimaud* (216 U. S. 614, 220 U. S. 506) we find a penalty involved, and the courts seem to have had some difficulty in enunciating a reason for its decision.

This was a writ of error to the District Court of Southern California under the criminal appeals act of March 2, 1907, as defendant in error was indicated for grazing sheep upon the Sierra Forest Reserves without a permit. In violation of regulation 45 established by the Secretary of Agriculture concerning stock grazing upon forest reserves, under the act of June 4, 1897. The district court sustained the demurrer on the ground that the act of 1897 delegated legislative power to an executive officer, and that the act is unconstitutional because it empowers an executive officer to create a criminal offense. There was no appearance for the defendant in error. The judgment was affirmed by a divided court. A petition for re-hearing was granted and the cases restored to the docket. The court said, among other things:

Congress can not delegate legislative power, but the authority to make administrative rules is not a delegation of legislative power, and such rules do not become legislation because violations thereof are punished as public offenses.

While it is difficult to define the line which separates legislative power to make laws, and administrative authority to make regulations, Congress may delegate power to fill up details where it has indicated its will in the statute, and it may make violations of such regulations punishable as indicated in the statute.

And so held that regulations made by the Secretary of Agriculture as to grazing sheep on forest reserves have the force of law and that violations thereof are punishable under the act of June 4, 1897.

The Secretary of Agriculture could not make rules and regulations for any and every purpose. (*Williamson v. United States*, 207 U. S. 425.) As to those here involved, they all relate to matters clearly indicated and authorized by Congress. The subjects as to which the Secretary can regulate are defined. The lands are set apart as a forest reserve. He is required to make provision to protect them from depredation and from harmful uses. He is authorized "to regulate the occupancy and use to preserve the forests from destruction." A violation of reasonable rules regulating the use and occupancy of the property is made a crime, not by the Secretary but by Congress. The statute, not the Secretary, fixes the penalty.

The indictment charges, and the demurrer admits that rule 45 was promulgated for the purpose of regulating the occupancy and use of the public forest reservation and preserving the forest. The Secretary did not exercise the legislative power of declaring the penalty or fixing the punishment for grazing sheep without a permit, but the punishment is imposed by the act itself. The offense is not against the Secretary, but, as the indictment properly concludes, "contrary to the laws of the United States and the peace and dignity thereof." The demurrers should have been overruled. The affirmances by a divided court heretofore entered are set aside and the judgments in both cases reversed by a divided court.

It will be observed in this decision that the Secretary of Agriculture was limited in the matter of regulation to a specific purpose which involved a specific protection to Government

property. It was not broad in its scope, nor did it affect any save those who willfully trespassed upon the property of the United States. It is not parallel in any sense with the unlimited blanket grant of power to the Internal Revenue Department, affecting all kinds of relations of the individual taxpayer with the Government. Nevertheless the language of the court is changed to some extent, and it is not clear really as to what it does mean.

The taxing power is the most vital question upon which a government functions. In analyzing these decisions of the majority and minority members of the court we find the majority laboring in a confused effort to warrant the very thing that it specifically says can not be done, while the opinion of the minority admits of no uncertainty. The majority has led us and itself into the twilight zone, the no man's land, as between a regulation and a law; it admits the difficulty of determining the line of demarcation as between a law and an administrative regulation. It has invited Congress away from the moorings of our fathers; it has led us upon strange waters and then left us in a fog without a chart or a compass with the admonition, "You can not delegate legislative power, but the authority to make administrative rules is not a delegation of legislative power. It is difficult to find the line which separates legislative power to make laws, and administrative authority to make regulations. Congress may delegate power to fill up details, where it has indicated its will in the statute, and it may make violations of such regulations punishable as indicated in the Statute."

Shades of our fathers, what does the court mean? Thank God there were four judges who did not subscribe to this conglomeration of words. I think that monuments in brass should be erected to their memory. Since I can not erect monuments, I will write into the RECORD the names of Justices Fuller, Lamar, Peckham, and Brewer, that the people may reverence the memory of these patriots who so faithfully wore the robes of Marshall and Story. James Madison prophesied during the debates in the Constitutional Convention, and 20 years later while Secretary of State, that if our "Government should ever fall within itself, it would be because of the assumption of authority by the legislative branch." He did not have the vision to see that partisan government would bring together and coordinate the three branches of the Government to this end. For 100 years our Government functioned without executive rules and regulations; the Nation grew in power, in strength, and in wealth. Congress made the laws and the executive enforced them. The rights of the people were secure. This brings us to the question of what is a law, a legislative power that Congress may not delegate. How may we determine this thing that "is not to be evaded by giving a new name to an old thing"? The courts have not marked the dividing line so we can find the administration invading the functions of Congress. By reference to Webster we find the definition of law to be—

A rule of conduct or action which is prescribed, or is formally recognized as binding by the supreme governing authority and is enforced by a sanction. In this sense the term includes any edict, decree, rescript, order, ordinance, statute, resolution, rule, judicial decision, usage, etc., which is made or recognized and enforced by the controlling authority.

The Encyclopedia Britannica defines law as—

From an old Teutonic root, lag, lie, what lies fixed or evenly. A word used in English in two main senses: (1) As a rule prescribed by authority for human action; (2) as a uniform order of sequence.

Black's Law Dictionary defines law as—

(1) That which is laid down, ordained, or established as a rule or method, according to which phenomena or actions coexist or follow each other; (2) a system of principles and rules of human conduct, etc. Law is also divided into substantive and adjective. Substantive law is that which creates rights and obligations. Adjective law provides a method of enforcing and protecting them—in other words, the law of procedure.

It would seem, therefore, that any rule, regulation, decision, edict, decree, rescript, order, ordinance, or resolution is a law, and the court has invariably declared that Congress can not delegate the power to make law. Clearly this brings the rules and regulations and decisions, another "new name for an old thing," of the Internal Revenue Department within the sphere of lawmaking. It can not be successfully disputed. Since Congress has repeatedly reenacted this delegation of power after many of the department regulations have been made, with which it is supposed to be familiar, it clearly does vacate, in part, its legislative powers, knowingly, willfully, and intentionally. The bill under consideration provides in section 62 that—

The commissioner, with the approval of the Secretary, shall prescribe and publish all the rules and regulations for the enforcement of this title.

This, Mr. Chairman, is a long concession that has been made by somebody with respect to these rules and regulations. I am not so egotistical as to feel that any act of mine, or even that of the gentleman from South Carolina, has influenced this change in the bill, but I do think that it resulted from an investigation by the Senate committee known as the Couzens committee in developing some things that have been done by the Internal Revenue Department under the grant of power delegated by this section to make rules and regulations.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. DEAL. I will yield.

Mr. CHINDBLOM. Section 1101 reads exactly in the bill as the gentleman has read.

Mr. DEAL. Does it say "published"?

Mr. CHINDBLOM. It says promulgate and publish.

Mr. DEAL. Promulgate the rules?

Mr. CHINDBLOM. It says—

shall prescribe and publish all needful rules and regulations for the enforcement of this title.

There has been no change.

Mr. DEAL. It appears that the gentleman from Illinois is correct, but this still further emphasizes the fact that the Internal Revenue Department has little respect for the mandates of Congress.

I have here the published decisions and regulations of the Internal Revenue Department. I shall not attempt to quote them; there are too many, 1,263 pages. They were evolved by: (1) The solicitor; (2) tax advisory board; (3) committee on appeals and review; (4) rules and regulations section of the Internal Revenue Department. There are 3,163 of them. Is this all? Oh, no. There are 17,143 more of these laws that have not been published, according to the report of the Couzens's investigating committee—17,143 laws known only on the inside. No man on the outside knows what they are, no one has seen them, no one has access to them. No lawyer can advise his client, no accountant can make out a tax return that can not be upset, and yet for the violation of any one of the 17,143 unpublished laws any American citizen may be imprisoned. Twenty thousand three hundred and eleven laws enacted by four separate units in the Internal Revenue Department, without concert of action, coordination of effort, or responsibility, these appointees of the Executive, who can not be reached by the votes of the people, are secretly making laws at will, laws not to be published, laws that can be changed in an hour. Under this condition or plan or system, this department has assumed to increase taxes, exempt from taxes, write law, unwrite law, apply the laws of Congress, or ignore the laws of Congress according to the whims, fancies, enmities, or favoritisms of somebody in the Internal Revenue Department, unknown to and unreachable by the voters of the United States. Do not understand me, Mr. Chairman, to reflect, or intend to reflect, upon the Secretary of the Treasury, or the efficient honest employees in this service. I am not. It is the system that I criticize, a system that invites corruption, injustice, oppression, destruction. A vicious system unworthy of any civilized nation. It is the duty of Congress to wipe out the system, and this may be done in part by withholding the blanket grant of power to the Commissioner of Internal Revenue to make rules and regulations. In debating my amendment to strike out section 1101 in the revenue bill of 1926 I ventured the suggestion that the distinguished chairman of the Ways and Means Committee would no doubt contend that the Internal Revenue Department would be unable to collect taxes without this unlimited grant of power. Oh, no—said the gentleman in reply—

the department could collect the taxes all right, but the taxpayer would not know where he was at.

In the name of high heaven how can the "taxpayer know where he is at" with 17,143 unpublished laws of which he knows nothing and can not know anything.

Speaking for my constituents, and, I think, for the American people, I ask that we be delivered from the system of "knowing where we are at." Three years ago, when I first offered to amend by striking out this blanket grant of power to the Internal Revenue Department, I had five minutes under the rules of this House in which to present my objections. I asked unanimous consent to proceed for five additional minutes, to which my distinguished colleague from Iowa objected. Under protest, however, he withdrew the objection, but moved that all debate end in five minutes. Ten minutes in which to debate a grant of power that has led to a promulgation of 20,311 unlawful laws affecting the collection of billions of dollars in taxes and the refund of hundreds of millions more. When the lengthy debate of 10 minutes upon the most vital question

affecting American citizens ended, my colleague from South Carolina [Mr. McSWAIN], whom I esteem, because he, like myself, is simple enough to think the Constitution ought to be obeyed, offered to amend by requiring the Internal Revenue Department to publish its rulings and submit them to Congress. This amendment seemed so innocent, so harmless, so inoffensive that it passed without debate. Little did he think, little did I think, little did any seem to think of what vast import it was. Mr. Chairman, it would have sent to the junk heap 17,143 secret laws that ought to be junked. But the Internal Revenue Department saw to it that the Senate amended this amendment out of the bill, and when it went to conference, having no friends, it died. On March 25, 1927, the press announced that—

Another income-tax reduction is a possibility. Revised estimates at the Treasury place the total collections for the year June 30, 1928, at approximately \$4,800,000,000. The first quarterly income-tax receipts this year exceeded by more than \$40,000,000 those obtaining last March.

Implying, I suppose, that the reduced income-tax rate is responsible for the gain; but why not? Under its system the department can make the tax any amount it pleases, irrespective of the rate fixed by Congress. The Couzens committee report shows wherein hundreds of millions of dollars have been lost to the Government by these rulings. Conversely, it could increase the revenue at will. My colleague from Texas insists upon graduated income taxes as a means of preventing swollen fortunes, and rules and regulations by which to get them. It is a dream. He defeats his own ends. There are many ways to beat him to it. The above is one. By the graduated income tax we invite the big fellow to chip into the campaign fund of the party that will protect him. We invite and pave the way to corruption in its worst form. Even so, he still passes the load on to the consumer by fixing his prices for commodities sold.

Small business can not fix prices; neither can the retired business man, no longer a menace to society, widows, or orphans. The system punishes the helpless. The big fellow can and does protect himself. It does not pay to do wrong. Do right and we will not have to apologize. Cut out the delegation of the power to the executive to make rules and regulations and we will have honesty and decency and order in our tax system. As a warrant for my strictures I quote from the—

COUZENS INVESTIGATING COMMITTEE

On March 12, 1924, this committee was appointed by the United States Senate and directed to investigate the Internal Revenue Department and report its findings, with recommendations for corrective legislation. The committee found it necessary to employ legal, engineering, accounting, and clerical assistance authorized by Senate Resolution 211. I can in the time at my disposal only refer briefly to a few of the conclusions of the committee. Every Member of Congress should read these reports.

**AMORTIZATION OF WAR FACILITIES**

Notwithstanding—

Says the committee—

the tremendous amounts involved, the regulations have contained no adequate statements of the principles to be observed in determining amortization allowances. No ruling or instructions for the guidance of either the engineers of the Income Tax Unit or taxpayers were published until after the expiration of the time fixed by law for the redetermination of claims. The only published ruling of the solicitor on this subject prior to October, 1925, has been completely ignored, and there has been a total lack of supervision over the work of the engineers of the Income Tax Unit engaged in passing on amortization claims.

The failure to observe any well-defined principles as to either the kind of property, the cost of which is amortizable, or in measuring the allowance has resulted in the grossest kind of discrimination among taxpayers.

While the purpose of the amortization provision was to encourage the acquisition of facilities for the production of war necessities, a large part of the allowances are upon facilities acquired by contract entered into before April, 1917.

There has been gross discrimination in arbitrarily allowing amortization for reduced postwar cost of replacement in some cases and in denying it in others similarly situated, in allowing amortization to some transportation companies while it is generally denied others, and in allowing amortization on land.

**COMPROMISE OF TAXES AND PENALTIES**

It has been the consistent policy of the Commissioner of Internal Revenue to exceed the authority delegated by Congress to compromise taxes. The commissioner, in compromising taxes, has followed the policy of giving the unsecured creditors and stockholders of insolvent corporations precedence over the Government's claim for taxes.

As administered by the Commissioner of Internal Revenue, the fraud penalty fixed by Congress is never enforced but is treated as a maximum penalty.

**REFUNDS, CREDITS, AND ABATEMENTS**

Tax refunds amounting to \$459,090,825 were made by the Bureau of Internal Revenue from July 1, 1921, to April 30, 1925.

The refunds, credits, and abatements exceeding \$250,000 aggregate \$171,546,416.59. An analysis, based upon the ground of allowance, is given in this report. This analysis shows that the two principal grounds for these allowances are increased allowances for invested capital and taxing by special assessments. These two grounds account for \$73,842,115.35, or 43.04 per cent, of all the refunds, credits, and abatements exceeding \$250,000.

A list of refunds, credits, and abatements exceeding \$1,000,000, which aggregate \$85,929,697.99, is contained in this report at page 195.

**DIVISION HEADS SUPREME**

The practically unlimited discretionary power vested in the Commissioner of Internal Revenue is actually exercised by the division heads. These division heads are governed by no adequate rules or instructions and unless a taxpayer is dissatisfied with the determination of his tax, or unless a refund exceeding \$50,000 is involved, there is no review of the work done under a division head.

Under the procedure of the Bureau of Internal Revenue there is no way for any tax determination which is satisfactory to the taxpayer and which does not involve a refund of \$50,000 or more to be brought to the attention of the Commissioner of Internal Revenue or any other superior of a division head, except by the protest or complaint of a subordinate of such division head.

All communications from subordinates of division heads to superiors of division heads are forwarded through the division heads. Communications from section chiefs to the commissioner and solicitor relating to official business have been suppressed. It is the policy of the Income Tax Unit to discourage complaints and protests by subordinates. This policy leaves the division heads supreme and their superiors in ignorance of how the law is really administered.

**PUBLICITY OF PRINCIPLES AND PRACTICES**

Many of the principles, practices, methods, and formulas applied in the determination of tax have never been reduced to writing, and only 15½ per cent of the formal written rulings applicable to income taxes have been published.

This failure to promulgate and publish the principles and practices to be followed in the determination of tax liability has had the following results:

(1) Information for the guidance of the employees of the Income Tax Unit is so incomplete that gross discrimination results from the failure to apply uniform principles to similar cases.

(2) Taxpayers in many instances have failed to claim allowances granted others similarly situated.

(3) To secure the benefit of unpublished precedents taxpayers are forced to employ former employees of the Income Tax Unit to advise and represent them in tax cases.

(4) Their exclusive possession of information as to the unpublished precedents and practices of the Income Tax Unit has placed an artificial value upon the services of ex-employees which enables them to demand and receive immense fees for information which should be freely available to everybody.

(5) This artificial premium thus placed upon the exclusive information possessed by the employees of the Income Tax Unit and the opportunity thus afforded for highly lucrative outside employment is the cause of the extraordinary turnover among the employees of the unit and of the difficulty experienced by the unit in retaining the services of competent employees at salaries within the range of the salaries paid by the Government for comparable service.

(6) The failure to consider closed cases as precedents and to publish the principles and practices followed in closed cases as precedents has deterred the formation of a body of settled law and practice. The unsettled state of the law and practice has encouraged the filing of claims for allowances and require the constant rediscussion and reconsideration of questions which should be settled by precedents established by closed cases.

(7) The fact that a ruling will be published and the benefit of its principles claimed by taxpayers similarly situated is the strongest possible deterrent against making unsound rulings.

(8) During the course of the hearings there has been a great deal of evidence tending to show that it is the policy of the bureau to fix taxes by bargain rather than by principle. Rul-

ings based upon bargains can not be published as precedents. The best and most persistent trader gets the lowest tax and gross discrimination is the inevitable result of such a policy.

PUBLICITY OF RECORDS

The unsatisfactory condition developed by this investigation are the inevitable result of the delegation of almost unlimited discretion to be secretly exercised. It is believed that but few of the unsound settlements to which attention has been called would have been made if it were not for the belief that they would never become public.

Congress in imposing a system of taxation, the administration of which necessarily involves the exercise of so much discretion, assumes some duty to the public to see that such discretion is not abused.

DISCRIMINATIONS

(1) The bureau has, without authority, made retroactive the provisions of sections 327 and 328 of the 1918 revenue act in regard to abnormalities of invested capital and income in determining taxes for the year 1917.

(2) No scientific basis has been set up by the bureau for determining when a company is entitled to special assessment.

(3) The grounds for special assessment granted by the bureau are in some cases economically unsound and in other cases result in nullifying those provisions of the act limiting the allowance of good-will values in invested capital, excluding borrowed capital from invested capital, providing for the taxation of gains due to appreciation after March 1, 1913, and providing for the valuations of stock issued on reorganization. In certain cases the results which would be obtained from the application of the war-profits tax are also nullified.

(4) The bureau's methods in administering the special assessment provision of the act have resulted in gross discrimination between taxpayers.

Section 326 of the revenue act of 1918, page 198, qualified the restriction upon the value of property exchanged for stock to its par value. Examples: Phelps-Dodge Corporation, Pond Creek Coal Co., United States Graphite Co., Union Sulphur Co.

BORROWED CAPITAL ILLEGALLY INCLUDED IN INVESTED CAPITAL

Both the 1917 and 1918 acts specifically provide that borrowed capital on property can not be included in invested capital. The 1918 act and the published rulings of the Bureau of Internal Revenue provide that liabilities carried in open book account are borrowed capital within the meaning of that term as used in the act.

Section 207 of the act of October 3, 1917, provides that—

As used in this title, "invested capital" does not include \* \* \* money or other property borrowed \* \* \*

Section 326 (c) of the revenue act of 1918 provides that—

As used in this title, the term "invested capital" does not include borrowed capital.

Five cases are cited in which the taxpayer included borrowed capital as invested capital, all of which were disallowed by the tax units or commissioners and sustained by the board of appeals.

That these published rulings can not be accepted as conclusive of the practice of the Income Tax Unit and that there is gross discrimination in dealing with this subject is shown by the allowances to the Star Co., of New York.

APPRECIATION INCLUDED IN INVESTED CAPITAL

The published regulations and rulings of the Bureau of Internal Revenue, as well as the decision of the Supreme Court of the United States, construe the term "invested capital," as defined in section 207 of the revenue act of 1917 and section 326 of the revenue act of 1918, as meaning the capital contributed to or paid into an enterprise plus any net profits earned but not drawn out of the business. (Secs. 831-840, Regulations 45, A. R. R. 517, Cumulative Bulletin No. 4, La Belle Iron Works *v.* United States, 256 U. S. 377.)

These rulings and regulations specifically hold that in determining the earned surplus to be included in invested capital due deduction from operating earnings must be made to cover sustained depletion, and that appreciation in the value of the property can not be offset against depletion sustained in determining invested capital is held by the Supreme Court of the United States in the case above cited.

That the decision of the Supreme Court, as well as its own rulings, were ignored is illustrated in the case of Anaconda Copper Co. It will be seen that the Internal Revenue Department has manifested an utter disregard as to a uniform method of taxation, but has willfully, knowingly, and intentionally shown favoritism and discrimination, laying the foundation for corruption and fraud. Verily the power to tax is the power to destroy.

EXPIRED PATENTS AS INVESTED CAPITAL

The Pressed Steel Car Co. was organized in 1899 to take over the assets and business of the Schoen Pressed Steel Co. and Fox Pressed Steel Equipment Co. The authorized capital stock was \$25,000,000, of which \$1,500,000 was sold for working capital and \$23,500,000 was exchanged for the property and business of the old concerns, consisting of patents, \$10,000,000; good will, \$5,000,000; other assets, \$8,500,000. The invested capital for 1917 was determined to be \$37,000,000, consisting of \$25,000,000 paid-in capital and earned surplus of \$12,000,000. In computing the earned surplus no deduction was made to cover depreciation of the patents, all of which expired in 1917. Under the 1918 act patents are made intangible property, and intangible property acquired for stock is limited by congressional statute to 25 per cent of the outstanding capital stock for invested capital purposes. Under these specific provisions the patents and good will as invested capital, to the amount of \$15,000,000, could not be included in the revenue bill in 1918 as invested capital for an amount in excess of \$6,250,000.

Mr. Gregg stated that the practice followed in this case had been followed in thousands and thousands of cases.

SPECIAL ASSESSMENTS

The committee says (p. 219), considered from every angle:

We contend that the policy of granting corporations relief by special assessments because the said corporations pay its officers too small salaries, is unsound, illegal, and ridiculous. Efficient management of a corporation is not an abnormal condition demanding relief from taxation. The bureau contends this is a correct basis. The revenue act of 1918, section 200, sets up certain restrictions concerning the right of assessment under the name of personal-service corporation. The bureau evidently considers this provision of the statute too strict, so it proceeds to nullify the effect of these restrictions by special assessment. Why did the bureau not ask Congress to amend this section 200 if it was unjust, instead of trying to accomplish that purpose by applying the special assessment? Ask the commissioner.

From the decisions of the United States Supreme Court I have quoted those that have gone the farthest and strongest with respect to the delegation of legislative power, upon which those desiring to make such grants can base their claims. The Couzens investigating committee has developed that under the grant of power to make rules and regulations the Internal Revenue Department has had but little respect for the statutes as enacted by Congress, or even for its own rules. It has acted upon its own momentary whims and desires. The cases cited by the Couzens committee refer only to large incomes. The millions of small taxpayers who can not employ expert advice and help, because it would be cheaper to pay the increased assessment than to pay the expert, as usual, go unnoticed and bear their burden in silence.

Mr. Chairman, I want right here to answer Senator COUZENS and his committee and put it into the RECORD where they can see it, and I want my colleagues on this floor to pay attention thereto, especially the distinguished gentleman from Iowa, chairman of Ways and Means Committee. Why should the bureau come to Congress, why should it not have changed the law to meet its ideas? Has not Congress abdicated to it the right to do these things?

Has not the gentleman from Iowa twitted me because of my ignorance in not knowing that Congress had this right? Did he not deny to Congressmen the right to debate the question? Did not the Senate which authorized Senator COUZENS's committee to make this investigation strike from the House revenue bill the requirement that the Internal Revenue Department should publish their rulings and report them to Congress?

Mr. Chairman, what they should have done was to have joined me in 1924 in striking from the bill section 1101. Are we, as a whole, afraid of the Internal Revenue Department? Unless a halt is called, unless Congress soon asserts and reassumes its powers, it will not be long ere the executive branch will not take the trouble to ask us to rubber stamp its wishes even in part.

Mr. Chairman, there are more than 50 cases cited by the committee with explanations. For want of time these have not been intelligently and fully discussed. This investigation has fully justified the position that I have heretofore taken and now take, that Congress should write its own laws and quit granting blanket delegations of power to the executive branch to make rules and regulations that have the binding force of law. If Congress expects ever to reestablish itself in the confidence of the public it must stop passing the buck. It must function and function in the interest of the general public. It must stand upon its hind legs and tell special interest to stand aside. By special interest I do not mean only big capital, I mean any person or coterie of persons, any minute organ-

ization or combination of organizations that may chance to hang around the lobbies demanding that the Treasury door be opened to them by direct or indirect methods.

Now, Mr. Chairman, what are we going to do about it? The court says Congress can not delegate its legislative power. Does Congress intend to admit its inability to function and abdicate to the executive branch the lawmaking power? We enact an average of 400 to 500 statutes annually, or 6,500 laws in the past 13 years, during which time the executive branch has gotten into full swing in the lawmaking business. By the 85 departments, bureaus, boards, and commissions, to all of which Congress has abdicated, in part, its power to make rules and regulations and decisions, "New names for an old thing," there have been promulgated in the same period of time a probable 100,000 or more laws, all carrying penalties upon American citizens for violation. Many of them unwritten and unpublished by men unknown to the taxpayer, appointed, some under civil service, who can not be reached by the voter. Unintentionally perhaps somebody has violated his oath of office, somebody has betrayed the trust of the people, somebody has neglected his duty. It seems to me that every man in every branch of the Government in any manner responsible for and indorsing this system should be held to account. The people ought to know what we are doing to them in order that one or both of the great political parties may at their next national conventions write into their platforms a plank condemning this practice as unwarranted and unlawful. Some Congressmen seem to think that because the Supreme Court declares that a thing may be done we are bound to do it, but we are not. We are supreme within our delegated powers, and self-respect should prompt us to do our duty. The taxing power should be held rigidly to laws written by Congress. The Ways and Means Committee should be enlarged and divided into subcommittees. The Appropriations Committee should be abolished and responsibility distributed. Oh, I know the arguments for its existence.

Mr. Chairman, my answer is that the representatives of 8,400,000 people appropriate all of the money of 115,000,000, the representatives of 106,000,000 of whom, practically have no voice in the matter. The creation of the Budget Commission has been hailed as the greatest piece of constructive legislation of the century; in my opinion it is the first step in turning over to a single head the taxing power, which though useful at the moment, will in time lead to the greatest abuse, for history teaches that the man intrusted with vast powers in any field of endeavor is an exception who has not abused that power. Indeed the Congress has, I believe, reduced in some measure the appropriations recommended in every Budget that has been presented, and yet the Congress has been censured for its extravagance, while the President has been lauded for his economy. Following the example of Congress, of the courts, and its own practices, this Budget stepping-stone will sooner or later lead to the demand as a right by the Executive to exercise the taxing power without restraint or check by Congress. Even now it is almost impossible to get a congressional committee to report a bill authorizing the payment of an honest debt by the Government unless agreeable to the executive branch. Already Congress has delegated to the Executive the right to raise or lower duties at will, to fix through the Budget Commission that which we may spend. In short, the power to reward his friends and punish his enemies. Where are the friends of the people? The gentleman from Alabama [Mr. HUDDLESTON], in a speech upon this floor, aptly said, "The people have no representation." Congress has surrendered under whip and lash to the Executive, representing big interests on one hand and loud-mouthed minorities seeking special interest on the other. The masses are ignored except to pay the bill.

What ought to be done? Mr. Chairman, the self-respect of congressmen should prompt them to change the rules of this House which hamstring and hog-tie its Members as a whole to the dominance of a very few. Responsibility should be distributed as a means of checking the concentration of power and to preserve the reserved rights of those whom we are supposed to represent.

Mr. GARNER of Texas. Mr. Chairman, I yield five minutes to the gentleman from Louisiana [Mr. O'Connor].

Mr. O'CONNOR of Louisiana. Mr. Chairman and gentlemen of the committee, I yield to no one in my admiration for the great city of New York, one of the wonder cities of the world and one that history will always record as a marvel of the existing civilization. It will always have a place with the great metropolises which have secured the admiration of past ages and with those even mightier cities that are yet to come.

In the main I agree with the views expressed by Mr. LAGUARDIA, but I can not agree with that gentleman entirely when he suggests that New York ought to be given a great deal of credit for paying enormously of the revenues of the Federal Government. New York, and I repeat we all have an admiration and an affection for the imperial city of the Western Continent, only pays upon the income which she derives from all parts of the United States. The suit of clothes on my back, the shoes that I wear, the underclothes I have on, and the hat I have out there in the cloakroom, all came from New York, although I live in the city of New Orleans. That same thing may be said by millions of people who reside in all parts of the United States.

For many reasons and from many standpoints New York is well situated and is a great and populous city and will long remain so, and we are proud of it. We are not envious of it.

But there are a great many reasons which are not necessary for me to dwell upon, but which are clearly obvious, why we should not give undue consideration to the claims of the big cities but should correctly appraise the metropolis and the taxes paid to the Federal Government from there as a collecting agency, as it were, for incomes, revenues, and returns from all parts of the United States. I might mention, however, that her banking houses are aided enormously by the balances that business and financial concerns carry there and that insurance rate premiums, fire and life, and railroad rates derived from every village and town from the Atlantic to the Pacific, from the Canadian line to the Gulf, give her an artificial advantage which combined with her natural advantages makes her invincible. She occupies a magnificent position, and for that reason is the legal domicile of many large corporations and industries that drain the country of vast wealth, and therefore ought to pay the income taxes upon the prodigious revenues it derives from all parts of the United States of America.

But what I really rose to say, Mr. Chairman, was that a few weeks ago there appeared an article in a magazine published in Chicago, called "Liberty," which is beginning to enjoy a tremendous vogue. It is probably a rival of the Saturday Evening Post. Its editorials are short, pithy, and contain a great deal of information. And this editorial to which I refer received the commendatory approval of all the newspapers of the United States, judging from the excerpts that I have seen in the New Orleans papers that I have read. It states that it is more important to have a surplus which might be invested in public works than to grant a tax reduction.

That paper represents in all probability the conservative thought of some of the biggest financial interests of the United States. It is suggested that the great danger this country wanted to guard against was nonemployment; that it is more important to keep our workmen employed, those who toil and earn their bread by the sweat of their brow—it is far more important that millions and millions of our countrymen should know where they are going to lay their heads, and know that they are going to have something of a revenue to sustain them in life, than to be concerned over the reduction of taxes to men who, to use an old expression, not offensively, were born with silver spoons in their mouths, were rocked in golden cradles, and who dwell in palaces of wealth during their lifetime. We have to concern ourselves with the vast majority who can not pay income taxes. According to the returns of our Department of Labor, our countrymen, 9 out of 10 of them, have nothing with which to meet a rainy day; so that I say, I think, never having been a worshiper of Mammon, believing that those able to pile up millions and millions and who come into the world so equipped as to make for success in that direction are not in need of our special concern, that that editorial contains more human wisdom, understanding of life, governmental philosophy, and economic knowledge than anything your Committee on Ways and Means heard during their entire session, and I say that most respectfully of the committee. I believe the Government need not concern itself too seriously over those fortunate few who pick apples of gold from pictures of silver. I would like to give my unqualified and admiring approval to that editorial and say that I believe it is far more important for our country to use a surplus so as to relieve the woes and miseries of the humbler classes in the United States, and far more important to pass and grant a flood relief bill than to fret about a reduction which sum might be profitably invested by our country in the manner I have suggested.

My friends, it would be merely a repetition of a sad story for me to tell you about the great suffering of the people of the Mississippi Valley during the recent devastating flood, when 700,000 people were rendered homeless and hundreds of mil-

lions of property destroyed. I know that it is almost unnecessary for me to say that if we are not given the protection we are entitled to, we might as well abandon the valley and seek other homes, for our efforts to secure the fruits of our labor and toil will be fruitless. That grim terror of leaving our homes forever, that specter of the flood wiping us out, country and city, has been with us night and day for more than two generations. If the Nation through the Federal Government does not do its full duty some historian of the future ought to entitle that chapter "The Nation's disgrace."

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

Mr. GARNER of Texas. Mr. Chairman, I yield to the gentleman two minutes more.

The CHAIRMAN. The gentleman from Louisiana is recognized for two minutes more.

Mr. O'CONNOR of Louisiana. But during the period of the slow but sure evacuation of the valley, industry, finance, agriculture, and commerce would feel the tremendous loss of that vast purchasing power which lies in that vast region and which to a large extent makes for the prosperity of the North and South Atlantic Coast States. New England and other sections of the North which sell to the river States their goods would feel the tragic result. It is far more necessary and wiser to use any surplus as an aid to the disheartened agriculturists and the workers and enough to keep up our river and harbor work and our public-building work and road work, to provide for flood relief and against those disasters and calamities which attack all nations soon or late, than to add a few dollars more to coffers that are bursting full. I repeat, I am more concerned in keeping the masses of our people employed than in granting a reduction of taxes to those who have more money than they know what to do with at this moment, even though that may be deemed desirable by financiers and economists. [Applause.] Use the surplus to take up the slack in dull times, in periods of industrial depression, by putting men who would otherwise be out of employment to work on public works, and when industry revives slow up on public work and return to activity in that direction at the next cycle of depression.

The CHAIRMAN. The time of the gentleman from Louisiana has again expired.

Mr. GARNER of Texas. Mr. Chairman, I yield one minute to the gentleman from Virginia [Mr. DEAL].

Mr. DEAL. Mr. Chairman, the gentleman from Illinois [Mr. CHINDBLOM] has called my attention to an error in my statement with respect to the publication of the rules and regulations. I find he is correct; but it emphasizes the fact that the Internal Revenue Department, in withholding the publication of 17,143 rules and regulations, has not followed the mandate of the law. [Applause.]

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

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

Mr. GIFFORD. Mr. Chairman, the few remarks which I have to make are on the general tax bill. None of us seem to be disappointed with, or disaffected in particular about, what the committee has reported, and as I have listened to the remarks this afternoon I have heard of only one or two amendments that may possibly be offered, showing our satisfaction in the main with the committee's work on the particular bill. But at this time we ought to have an opportunity of expressing ourselves if we do not fully agree with the underlying idea of raising our money by this particular method of taxation. It is very interesting for me—as one of those who has never been fully in harmony with this method—to read what those who are the friends or the fathers of the bill have to say about it. I have been very much interested in reading in the hearings during the last week the many warnings of our friend from Tennessee [Mr. HULL], who, I think, is indeed very sound on the matter of income taxation, although I sometimes have the suspicion—having seen it work—that the only purpose of having an income tax in a State was simply to relieve intangibles from paying that share of the burden which they ought to pay, knowing that it must remain for real property to pay that vicious property tax. So you can not blame us for sometimes having that suspicion, even about those whom you are apt to follow and who you know really are sincere in the matter of the income tax.

Yesterday a tribute was paid here by the leader of the Democratic Party to our friend, as we sometimes familiarly call him, "Tommy" Adams. I have known of him for many years. We all value his opinions. He was one of the founders and is certainly one of the friends of the income tax. One of the

purposes of my rising here is to insert in the RECORD the words of Professor Adams, which appeared in the press of yesterday:

The administration of the Bureau of Internal Revenue he criticized as a "standing indictment against our political intelligence and our capacity for efficient administration."

He asserted that on June 30, 1927, there were 18,313 cases pending before the Board of Tax Appeals, and it would take the board four years to clear its docket even though no new cases should come before it.

He said this congestion was due to the "legalistic idolatry" of the American mind and the constant change in personnel due to low wages. The remedy, he said, lay in a few simple changes that the business men or the engineer would recognize after even a superficial study.

I am inclined, however, to disagree with his last statement. There are 228 pages in this bill, and there are many pages, I am sure, that are exceedingly complicated and difficult to understand, although they may be necessary. We have, indeed, adopted a method of determining net incomes which is itself difficult and complicated.

I have here a statement from a prominent official of the Federal Government—one who is a recognized authority in the matter of the income tax—a statement that is a terrible indictment of this method of raising money, and I want this to go in the RECORD:

Already suffering from technical "congestion of the brain," the Federal tax law must either be simplified or die of complications. Four hundred million dollars, the annual toll paid by private citizens and corporations for advice and accounting merely to prepare returns, exceeds fourth of total tax yield.

If that is not indictment enough, and if it does not carry a suggestion that we ought to try to think of some other method of raising money, I do not know what is or would.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. GIFFORD. Yes.

Mr. GREEN of Iowa. That would be something of an indictment if it were so.

Mr. GIFFORD. Mr. Chairman, I will enlarge upon that statement by saying that \$100,000,000 was estimated for the hiring of attorneys; \$300,000,000 for accounting and the time of officials of corporations and individuals in keeping their books in such a condition that they could properly make a tax return. I do not think the gentleman's imagination would be overdrawn in believing that it costs individuals and corporations combined this sum of \$400,000,000.

The one who made this assertion is the man who had charge of our income tax in Massachusetts, and was recognized by us to be easily the foremost man on the subject of income tax in our State. We could not pay him salary enough, and for the last several years he has represented private individuals and corporations, with offices both in Boston and Washington. He states here that he realizes it costs the citizens of Boston at least \$3,000,000, and he goes on to explain that it is reasonably easy to get a proportional cost for the whole country.

I do not know what better authority we could get, but I do not care if it were only \$200,000,000, half of the amount he suggests; we all know that the total sum is outrageously high and that there ought to be some other and simpler method which would not place so great a burden on the taxpayer.

You can not fairly determine net income, and you know you can not determine it. When the gentleman from Illinois answered the question about providing a deduction on account of sickness or on account of the education of children, he said that the taxpayers would abuse such permission, that they would enlarge on such bills, and it would be impossible to determine the truth. Think of the risk the Government must run on the deductions allowed upon tremendous and complicated business transactions. He has to take the word of the department down there on those big things, but the department can not be trusted to O. K. and dissect a doctor's bill or a bill for the education of children.

Criticisms of this nature should be welcome in a general discussion, for if they were not made the impression might prevail that we have the best method available to meet the expenses of our Government.

Many think the income tax law ought to be reserved for the States. However, we have made such a mess of it the States have not seen fit to take any leaves out of our copybook recently and enact more income tax laws. They have learned that the procedure is too complicated.

Some day, Mr. Chairman, I hope you will be able to frame a bill that we may merely ask the taxpayer, "How much are you worth? What is the market value of what you are worth," and not force him to go through the very complicated procedure

of trying to determine—something which you can not determine in many cases—his net income, and that at a great cost to him.

I do not believe in an exemption of \$3,500. I agree with the gentleman from Illinois [Mr. CHINDBLOM] that there should be fewer exemptions but that we should have more liberal deductions. Everybody should pay something, his proportionate share of the expenses of his government, so that we may have a broad base on which to stand. The present method is altogether too unfair. Even politically speaking, it is not wise to have too many exemptions and place the whole burden on 4.2 per cent of the people.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. GIFFORD. Yes, certainly.

Mr. CHINDBLOM. Of course, the gentleman understands that the suggestions made when I had the floor were that these deductions should be in addition to the present exemptions. The gentleman does not think for a moment that any of the gentlemen who made those suggestions propose to reduce the exemptions.

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

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

Mr. GIFFORD. Mr. Chairman, there is much else I would like to say. I have waited five years for an opportunity to say this. [Laughter and applause.] I have waited all the afternoon to say what I have said; and on the general proposition I want to say to you, sir, that some of us outside of the committee are thinking very deeply about it, and some day we hope to find a different and more equitable method. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I will take only a moment. In answer to the gentleman from Massachusetts, who has just taken his seat, I want to say that the same line upon which he has already spoken has been repeated here and still more often in the press and elsewhere. The difficulties with reference to the income tax are great, but people do not pay any attention to the hardships under ordinary taxation. They do not think about the hardships under a State property tax taking away the property of the poor man for improvements. The income tax takes nothing except out of the profits. The property tax sometimes takes the whole property. The poor man working for wages is taxed for public improvement and often his property is entirely consumed, although it does him no good. He gets out of work, is making nothing, but he must pay the tax just the same. He, perhaps, holds simply the title to the property. It is mortgaged for nearly its whole value, and in almost every State he has to pay the tax on the whole property, although he owns nothing but an equity. All of these hardships we hear nothing about; they talk about the hardships of the tax that is taken out of the profits that people have made, and it is the easiest tax that is paid. I am not finding fault with the gentleman from Massachusetts as much as I am with gentlemen on the outside.

Mr. GIFFORD. I have no objection to the amount that is paid under the income tax. I want to get at it in a different way. It is not the amount, it is the irritation and the expense of paying it is my objection.

Mr. GARNER of Texas. If the gentleman will yield, I understood the gentleman's remedy would be to go out and ask the individual how much he was worth. How easy it would be to take 50,000,000 people and find out how much each individual was worth. That would be a simple matter; there would be no trouble about it—find out what each individual was worth and then levy a tax; that would be a simple matter. [Laughter.]

Mr. GIFFORD. I would have a sworn return as you do to-day under the income tax.

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

Mr. GARNER of Texas. Mr. Chairman, I have no further requests for time, and if I have any time remaining I yield it to the gentleman from Wisconsin [Mr. BERGER].

Mr. BERGER. Mr. Chairman and gentlemen, all of the Members of the House who have had the floor so far have spoken for the men and women who are paying the income tax. They have spoken for the well to do and the rich.

#### HOW ABOUT THE OTHERS?

Now I want to say a few words for the men and women who do not earn enough to pay an income tax. I may be the only one to speak in their behalf—although they are the people without whose toil and effort the income-tax payers could not exist for a single day—they are the people without whom civilization could not exist for a single day.

I could not get a copy of the bill until yesterday, and therefore I shall not go into details, some of which require considerable study and can not be understood offhand. Furthermore, copies of the hearings on the bill did not become available until last night, and I did not have the time, of course, to read through 1,014 pages since last night.

Nevertheless, I found it extremely interesting as far as I went, and I hope that all you gentlemen will read it. To me it was as interesting as a novel. However, not having had sufficient time to read the bill or study the hearings, I can not make as extended a speech as I would like to. [Laughter.]

We do things on a grand scale in our country. We dispose of \$4,000,000,000 in five hours' general debate.

#### ELEPHANT AND DONKEY VIE IN SERVING THEIR MASTER

There is one remarkable circumstance that must impress itself even upon a casual observer, and that is this: It is simply wonderful how you Republicans and Democrats agree. We again have a coalition revenue bill as we had two years ago. This bipartisan harmony is simply wonderful. [Laughter.]

The elephant and the donkey both agree to serve their plutocratic masters. This is so much the more remarkable since this could be the time, if ever, that my friends of the Democratic side could have a chance to show some reason for their existence. But they do not want to show any reason. Evidently they have no reason. [Laughter.]

As for the Republican Party, that is surely the capitalist party par excellence. And Mr. Mellon is its leader in financial matters and makes it do his bidding. And it does his bidding well. [Laughter.]

#### THE STEADY DRIVE TO UNTAX THE PROFITEER

Ever since the war both old parties have made a drive to untax wealth and untax the profiteers.

They have done this in various ways. They have done it by the repeal of the excess-profits tax. By the reduction of the supertaxes. By the substitution of a flat rate of 12½ per cent on "unearned increment," which flat rate is to be further reduced in the bill before us. By the virtual repeal of the estate tax two years ago. By the huge Treasury refunds to individuals and corporations of great wealth.

According to the well-known statistician, Mr. Basil Manly—the Republican-Democratic coalition has reduced taxation upon great wealth and profiteering corporations by the enormous sum of \$2,885,357,155 during the years 1922, 1923, and 1924. This is not counting the effects of the revenue bill of 1926, which was more favorable to the plutocrats than any of the previous revenue bills.

The revenue bill of 1926 reduced the surtaxes on incomes of over \$50,000 by \$108,000,000, according to the estimates of the Treasury Department. It reduced the estate tax by almost one-half and allowed a credit of 80 per cent of State inheritance taxes. This saved the big fortunes of our country at least \$75,000,000 a year. The same bill also provided for making a retroactive repeal of the high tax rates of 1924 and refunding all taxes paid under them.

To this should be added the huge refunds allowed to individuals and corporations by the Mellon administration. From July 1, 1921, to April 30, 1925, these refunds amounted to \$459,000,000. Of these refunds the Couzens committee has reported that its investigations indicated that \$308,000,000 represented improper allowances.

#### PLUTOCRATS SAVE MORE THAN THREE BILLION DOLLARS

Thus the aggregate amount saved to our plutocracy by the Harding-Coolidge administration, under the leadership of Secretary Andrew Mellon, and with the help of the Democratic Party, is more than \$3,000,000,000. The plutocrats in turn showed their appreciation by contributing liberally to the campaign funds of both old parties, as shown in Supplement A of this speech.

The bill before us is still going ahead with the program of untaxing wealth.

In all of this time that the Republican administration, aided by the Democratic group in Congress, were lifting the burden from the shoulders of the wealthy profiteers—the interests of the working class and of the poor people in general were not considered at all. That class does not seem to exist in the minds of our rulers. But even the middle class is not taken care of, as one can readily see by examining the hearings.

#### MR. MELLON'S MELON FLAVORED BY DEMOCRATIC LEMON

The bill before us is simply another melon which Mr. Mellon, of the Republican Party, proposes to cut for the benefit of plutocracy. And the Democratic Party is simply willing to go Mr. Mellon one better.

There is my distinguished and brilliant friend from Texas [Mr. GARNER]. He was willing to accede to the demands of the

United States Chamber of Commerce and reduce the taxes of our ruling class by \$400,000,000. In other words, the Republican melon that is to be cut to the tune of \$225,000,000 is to be flavored by the Democratic lemon to the amount of \$400,000,000. [Laughter.]

EVEN MIDDLE CLASS IS NOT PROTECTED IN OUR CONGRESS

I said that even the middle class is not represented as it should be. Of course the chairman of the Committee on Ways and Means, the gentleman from Iowa [Mr. GREEN], did put up some resistance against the United States Chamber of Commerce and against the so-called Taxpayers League, which, as a matter of fact, is a tax dodgers' and tax liars' league.

My friend, the distinguished gentleman from Illinois [Mr. RAINY], helped Mr. GREEN to oppose the demands of these groups. But their opposition was feeble, very feeble, indeed. So on the whole even the middle class is not protected at all in this Congress.

It is important, to fully understand the tax question, that we realize that there are two opposite theories of taxation contending in our country.

GRADUATED INCOME TAX PREVENTS SHIFTING OF TAXES

One is the progressive theory of taxation, which is that the largest share of Federal revenues be raised by direct taxes in proportion to the ability of the individuals and corporations to pay them, and in such manner that they can not be shifted to the shoulders of the public.

This is the principle of the graduated income tax, of the graduated estate tax, and of the graduated tax upon excess profits. This principle has been tried out in the modern countries of western Europe and has been found to be scientific, practical, and efficient. And it is advocated not only by the socialists but also by the progressives of all parties in every country.

THE TAX THEORY OF THE PRIVILEGED CLASS

Then there is the opposite theory of taxation—the reactionary theory—which holds that the greatest possible share of the Federal revenue should be raised by indirect taxation. It is the old theory of the privileged classes. Under the pretext of imposing a flat rate upon the rich and poor alike—they can easily shift the tax on the backs of the masses, since the masses naturally consume the largest quantities.

This is the principle of the high tariff, of the sales tax, of the tobacco tax, and also of the flat tax rate on corporations in our country. All of these taxes can easily be shifted onto the great mass of American consumers. This method of taxation is out of date, unscientific, and unjust. It has been discarded by every modern and truly civilized nation of Europe. It is now only advocated by those who seek to relieve wealth of its just burden.

This reactionary system of taxation, however, is still advocated in the bill before us. It is the result of the alliance between the conservative Republicans and the conservative Democrats, just as the bill two years ago was the result of the same compact.

THE MEANING OF THE TERM "NATIONAL INCOME"

Now, we are told that this is the richest country on earth. Undoubtedly that is true. The gross income last year was \$90,000,000,000. This was the national income. It was the value of our production.

In other words, that means the income of Mr. Ford, Mr. Rockefeller, Mr. Mellon, of the General Motors, of the gentleman from Texas, myself, and 117,000,000 others constituting our population.

Mr. GARNER of Texas. The gentleman better correct that statement.

MR. BERGER. Why?

Mr. GARNER of Texas. The report shows what the income is. The production of this country was \$90,000,000,000, not the income.

Mr. BERGER. Exactly. Economists use the words "national income" to cover what are really the gross annual receipts of the people of the United States. It is the gross income. It is the general production, controlled by General Motors, Mr. Ford, and the entire capitalist class. The gentleman from Texas [Mr. GARNER] and myself do not control much of it.

BUT WHO HAVE THE RICHES?

And that is exactly where the other side of the question comes in. How is this gross income distributed; how is it divided?

Now, gentlemen, I will give you some official figures.

According to the reports of the Department of Labor, of the 117,000,000 people the "poorest" class alone comprises 76,000,000 people, and they receive about 38.6 per cent of the national income—less than \$460 per person. This class includes not only

manual and office workers but also the small business man, many managers, engineers, and the like.

According to Prof. Irving Fisher, who, in order to make the figures as favorable as possible, accepts the highest estimate of our national income as \$90,000,000,000 for 1926, 93,000,000 people out of the 117,000,000 people comprising our population in 1926 had about \$500 income each.

These 93,000,000 people comprise the combined "poorest" and "lower middle-class" groups in the study made in Prof. Willard I. King's Four Population Groups.

FOUR-FIFTHS OF NATION HARDLY MAKE EXPENSES

This means that, according to Professor Fisher, professor of economics at Yale University—the American people as a whole are not prosperous.

In fact, an examination of our living costs will show that four-fifths of our people, or more than 90,000,000 people out of our 117,000,000, are hardly making necessary expenses.

The Bureau of Labor Statistics has prepared a budget which it states represents a "minimum of health and decency." The average cost in several cities of this minimum budget in 1926 was found to be \$2,432.39.

Assuming the income of those in this class of 93,000,000 to be on an average \$500 each, or \$2,500 for a family of five—and these are the most favorable figures—the overwhelming majority of our people—93,000,000 out of 117,000,000—get no more than enough to afford them the very "minimum of health and decency."

TWO-THIRDS OF PEOPLE DO NOT GET "MINIMUM OF HEALTH AND DECENTY"

The situation grows worse, of course, when the "lower middle-class" group is left out and the "poorest" group alone is considered. That group, representing 76,000,000, had an average income of \$2,300 in 1926. That income, the National Industrial Conference Board has estimated, would be little more than enough to buy the minimum requirements of an average family of five among industrial or office workers. And the conference board's budget allows nothing for emergencies—for a vacation, for unemployment, for old-age savings of any kind, for sickness.

So that is how much 76,000,000 out of our 117,000,000 people get from the prosperity and our national income—not enough to allow for a vacation, or for unemployment, or for old-age savings of any kind, or for sickness.

But that is not the worst feature of this so-called prosperity.

BETWEEN TEN AND TWELVE MILLION PEOPLE ALWAYS ON VERGE OF STARVATION

Besides and below these 76,000,000 people who get so little of our great national income, there is the "submerged tenth"—from 10,000,000 to 12,000,000 people—who are on the verge of starvation all the time.

Is it not a tragic joke that we are the most prosperous country on the face of the earth, that we are so rich that we do not know what to do with our money, but that of the approximate 90,000,000 of the poor class, 76,000,000 can not get enough for more than a bare living, and that about 10,000,000 to 12,000,000 are always on the verge of starvation?

The joke will probably appeal strongly to these people when they read President Coolidge's statement that "the test which now confronts the Nation is prosperity."

MR. EDGERTON'S GREATEST FEAR

And then comes Mr. Edgerton, president of the Manufacturers Association, and says:

The abnormally high wages and the low living costs of the so-called working classes are a danger to our country.

Get that? "The so-called working classes." And did you get "the abnormally high wages"?

Let us quote a few illustrations.

SOME INSTANCES OF "ABNORMALLY HIGH WAGES" CITED

In the steel mills of Chicago workers earn \$3.12 a day when they are employed—and they are not always employed.

Railroad workers in 1926 had an average income of \$17 a week; and there are 200,000 such laborers.

In the lumber industry of Minnesota, Wisconsin, and Oregon the average earnings were \$17.77 per week, and the lowest-paid laborers get only \$10.48 a week. "Abnormally high wages."

In the mining industry the average wage was \$22.78 a week, but the lowest paid received \$10.34 a week; and many of them did not work half of the time. "Abnormally high wages," of the "so-called working classes."

THE SOCIAL EFFECTS OF THIS CONDITION

The obvious results in the case of these 10,000,000 or 12,000,000 people, who do not get enough to live on, it was said at a recent conference of social agencies, are "sickness, either chronic or acute, probably malnourishment, tuberculosis, delinquency."

One of the serious social effects of such low earnings as those referred to is the effect upon poor health. Numerous studies recently made by the United States Public Health Service indicate clearly that both sickness and death are more frequent among those with low incomes than among those with incomes adequate to comfortable living.

A study of infant mortality made by the United States Children's Bureau, which gives the mortality rates by earnings of the father, shows that there is a general decrease in mortality as the earnings of the family increase.

That, gentlemen, is the state of prosperity with which no less than 10,000,000 or 12,000,000 American people were "blessed" in 1926.

WHERE THE RICHES OF THE RICHEST COUNTRY GO

But where do these \$90,000,000,000—our national income—go to? Let us see.

The tax on incomes was lower in 1925 than in 1924, but though the rate was lower, the sum collected by the Government was 6 per cent greater in 1925 than in 1924.

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

Mr. BERGER. Give me 15 minutes more?

Mr. GARNER of Texas. Yes; just as long as the gentleman wants.

Mr. BERGER. Oh, I could go on for an hour, but I doubt whether you would have the patience to listen to me that long. In any event, Mr. Chairman, somebody ought to say these things in this House.

I just remarked that the tax rate was lower in 1925 than in the year before, yet the sum collected was larger. That sounds impossible, but the reason is simple.

SMALL INCOMES BECOME SMALLER; LARGE INCOMES GROW LARGER

The big decrease was in the number of those that had less than \$5,000 income. They paid little or no tax. But the big incomes had increased so much more.

In 1924, 75 men paid on incomes of \$1,000,000 or more. In 1925, 207 paid on incomes of \$1,000,000 or over.

Forty and five-tenths per cent of the total income tax was paid by people with incomes of more than \$100,000 each.

Ten thousand persons on the top of the list paid as much as 2,337,000 taxpayers at the bottom of the list. As a matter of fact, 0.29 of 1 per cent paid more tax in total than some 95 per cent of the total number paying a Federal income tax.

THE THREE CLASSES

Of course, these incomes are reinvested. That is how the concentration of wealth proceeds.

In 1915 the Commission on Industrial Relations divided our people into the following classes: The "rich," 2 per cent of the people, own 60 per cent of the wealth. The "middle class," 33 per cent of the people, own 35 per cent of the wealth. The "poor," 65 per cent of the people, own 5 per cent of the wealth.

This statement was based on an extensive study of available information made by Prof. Willford L. King, a statistician of conservative views, and published as a report of that commission.

Mr. GARNER of Texas. What department?

Mr. BERGER. It was a special commission on industrial relations.

Mr. GARNER of Texas. A Government commission?

Mr. BERGER. Yes; it was a Government commission.

Now, these conditions have not been improved since in favor of the poor classes. We had a war since, as you all know, and you also know what that war meant. The war created 23,000 millionaires which we did not have in 1915.

DEFINITION OF "INCOME" BENEFICIAL TO RICH

Moreover, this classification is simply more or less a matter of definition. The word "income" as applied to individuals is given both in law and custom different meanings which is rather unjust to the individual.

INCOME FOR CORPORATIONS MEANS INCOME AFTER DEDUCTIONS ARE ALLOWED

Income as defined for corporations and business establishments generally means net profit—means the profit after liberal deductions for expenses of operation, maintenance, depreciation, replacements, and all other items have been made. This is considered an absolutely correct procedure. It should be a legitimate means of insuring the conservation of the property devoted to the business, although it is now being used to a large extent by public-utility corporations and other capitalist interests to conceal a considerable share of their profits.

DEFINITION OF "INCOME" FOR WAGE EARNERS ALLOWS FOR NO DEDUCTION

Income as defined for individuals, however, and especially income for wage and salary earners, means gross earnings with no deductions for the maintenance and the replacement of

the human machine. In the accounting of individual income there are no allowances for expenses of operation, or replacement, or depreciation, or preservation of the human machine. Everything that comes into the possession of the wage or salary earner during the year is counted as income.

This difference in definition is not only a matter of custom but has become embedded in law. And because of this fact, the income tax bill before us and all the income tax laws that we have had until now discriminate grossly against individuals—particularly against workmen, salary earners, and professional men.

In order to put individual income accounting on the same basis as corporation accounting, we should count as income only the surplus over the earnings necessary for the support of a family of the average size, together with savings sufficient to provide for his old age and the rearing of a family and the wear off that comes with old age and death. Thus we would insure the maintenance and replacement of the human machine.

CONCENTRATION OF WEALTH HASTENS DOWNFALL OF PRESENT SYSTEM

I hear some gentlemen saying, "All of that may be true—it is probably true—but what's the use of saying it."

The answer is simple. Policies and methods as are in use in our country can have only one result—they will hasten the concentration of wealth in a few hands and surely bring about the downfall of the entire system. And it may bring about a catastrophe similar to the revolution in France at the end of the eighteenth century or similar to the revolution which took place in Russia 10 years ago.

WE WANT A CHANGE, BUT NO CATASTROPHE

We Socialists desire, of course, that the capitalist system disappear. We expect to replace it by a more reasonable and more beneficial organization of society. But we Socialists want to avoid a sudden catastrophe—if it be possible to avoid it.

Remember, gentlemen, our ruling class had "good times" when the surtax was 60 per cent. Why not restore the 60 per cent again and prevent the abnormal concentration?

The fact remains that unless you find some way to stop this fearful concentration of wealth in a few hands, you are bound to have a revolution that will destroy not only capitalism and the capitalist class, but it may destroy civilization.

The best evidence of the concentration going on at the present times is the fact that we now have no less than ten billion-dollar corporations.

They are the United States Steel Corporation, the Southern Pacific Railroad, the Pennsylvania Railroad, the Standard Oil Co. of New Jersey, the New York Central Railroad, the Union Pacific Railroad, the Atchison, Topeka & Santa Fe Railroad, the General Motors Co., the Ford Motor Co., and the American Telegraph & Telephone Co.

And this in face of the fact that 82 per cent of our people do not earn enough money to pay an income tax at all, although the exemptions are only \$1,500 for a single person and \$3,500 for a married couple.

Now, if we had a real opposition party in this country, such a party would advocate the abolition of all nuisance taxes, including the tax on the automobile, including the taxes on tickets, and any and all sales taxes, but would demand the doubling of the taxation on the incomes in the higher brackets.

TRYING TO OUT-MELLON MELLON

However, instead of that, this afternoon we were told in a speech by a prominent Democrat, the gentleman from New York [Mr. JACOBSTEIN], that we should still further lower the taxes on the corporations. He even proposed an amendment to direct the Secretary of the Treasury to give back some of the money already collected from the corporations.

He said:

We must get out of our heads the idea that when we reduce the corporation tax we are reducing taxes for a few people. We used to have the idea that a reduction of the corporation tax benefited only a few people. My estimate is that 75 per cent of the aggregate reduction goes to the stockholders of corporations. It goes to 3,000,000 people.

ALLEGED DIFFUSION OF STOCK OWNERSHIP A MYTH

I disagree with the gentleman from New York in this respect. Stockholders do not number 3,000,000, and the bulk of them own only a small percentage of the total stock of the big corporations of our country.

The report of the Federal Trade Commission on "National wealth and income," issued in 1926, tells us about the holdings of common and preferred stock by the employees in the various manufacturing companies. We are told that "of the total value of stock of all companies reporting employees had 1.5 per cent of the common stock and 1.9 of the preferred stock."

In the United States Steel Corporation, for instance, which has a comparatively very large distribution of its stock among its employees, 1.5 per cent of the stockholders hold 57 per cent of the stock. And in the International Harvester Co., which also makes a great showing of selling stock to employees, 207 stockholders have 83 per cent of the stock.

So much for the stock ownership by employees, which has been advertised very extensively during the last few years.

Employees, of course, represented a much larger proportion of the total number of stockholders than they did in the total value of the stock. In other words, the average holding of the employee stockholder was very small.

#### NOR DOES MIDDLE CLASS OWN MUCH STOCK

But the middle class of our Nation does not own any considerable share either.

The concentration of ownership goes on in spite of the so-called stockholding schemes. For instance, 1.3 per cent of the number of stockholders in the railroads of this country hold more than one-half of the outstanding stock.

In the Standard Oil Co. of New Jersey 1 per cent of the stockholders own 64.2 per cent of the stock.

All the figures published invariably show that a very small percentage of the stockholders own more than half of all the stock in the big corporations of our country.

#### MIDDLE CLASS FURNISHES THE LAMBS TO BE FLEECED

The middle class may occasionally furnish some of the lambs to be fleeced in Wall Street by venturing in stock speculations, but the middle class does not share in the control of our big corporations.

In the United States there are probably not more than one or two million belonging to the stockholding class if duplications are eliminated. The rest of the 110,000,000 people own no stocks or bonds.

Mr. GREEN of Florida. How about the inheritance tax?

Mr. BERGER. I would double that.

Mr. GREEN of Florida. I thought your party believed in it.

Mr. BERGER. It does.

Your Florida politicians and capitalists will bust the State of Florida. Very soon you will not have money enough to build roads, and not money enough to keep your working people in the poorhouses when they get old.

Mr. GREEN of Florida. There are only four States that pay more inheritance taxes than Florida.

Mr. BERGER. They still must pay the Federal inheritance tax, of course. But all the millionaires who want to defraud their respective States of the legitimate estate tax go down to Florida and register there—very much in the same manner as the same people break the Mann Act and register in another State for another illegitimate purpose.

#### MONEY NEEDED FOR SOLUTION OF MANY PROBLEMS

Again, I say, we ought to abolish nuisance taxes and double the taxes in the higher brackets. We then would have money enough to pay an old-age pension for the needy workers of 55 and over. We would have money enough to take care of the Mississippi and all other rivers. We would have money enough for reforestation, and even money enough to do away with illiteracy in the United States. And if we did not want to do anything else, we could pay our war debts, at least.

#### POVERTY IS NO LONGER NECESSARY

Dean Kimball, of Cornell University, in a speech to the American Society of Engineers, said:

For the first time since the world began we are in touch with the abolition of poverty through the tremendous output of our products.

In other words, that means that for the first time in the history of the world we can produce nearly enough of everything for everybody. All we have to do is advance the science of distribution sufficiently that it will parallel the science of production. Then for the first time in the history of the world we could, in our country at least, give and assure every willing worker the full value of his product—and the full satisfaction of all his reasonable needs.

#### APPENDIXES

Under the privilege of the House, I incorporate the following two supplements in elucidation of my argument:

##### SUPPLEMENT A

###### ELEVEN MILLION DOLLARS FOR TWENTY MILLIONAIRES

The greatest beneficiaries of the revenue bill of 1926 were the multimillionaires with incomes of \$1,000,000 a year.

The following statement showing the amounts saved for 20 of these very wealthy men and women has been compiled from the returns of 1924, as published in the New York Times.

Amount of tax reduction received by 20 millionaires through coalition tax bill

Name	State or city	\$ Tax paid, 1925	Amount saved by 1926 tax bill	Amount contributed to Republican campaign fund, 1924
J. D. Rockefeller, Jr.	New York	\$6,277,669	\$2,762,174	\$10,000
Henry Ford	Detroit	2,608,808	1,147,875	(?)
Edsel Ford	do	2,158,055	949,544	3,000
Andrew W. Mellon	Washington	1,882,609	\$28,348	10,000
Payne Whitney	New York	1,676,626	737,715	15,000
Edward Harkness	do	1,351,708	594,751	(?)
Marshall Field estate and 3 heirs	Chicago	1,197,605	526,946	5,000
Clinton H. Crane	New York	1,066,716	469,355	(?)
Anna M. Harkness	do	1,061,537	467,076	(?)
F. W. Vanderbilt	do	792,986	348,909	(?)
Subtotal for first 10		20,074,319	8,832,693	-----
Geo. F. Baker, Sr.	New York	792,076	348,513	7,500
Thomas F. Ryan	do	791,851	348,414	(1)
George F. Baker, Jr.	do	733,406	344,698	5,000
Vincent Astor	do	642,600	282,744	10,000
J. B. Duke (deceased)	New Jersey	641,250	282,150	12,500
Julius Fleischmann (deceased)	New York	625,996	275,438	10,000
Cyrus H. K. Curtis	Philadelphia	583,872	256,903	3,000
J. Pierpont Morgan	New York	574,379	252,726	(?)
Joseph E. Widener	Philadelphia	488,106	214,766	25,000
Thomas W. Lamont	New York	480,741	211,528	(?)
Grand total for 20		26,478,596	11,650,571	-----

<sup>1</sup> Contributed \$50,000 to Democratic campaign fund.

<sup>2</sup> Contributed \$2,500 to Democratic campaign fund.

#### SUPPLEMENT B

##### The ten billion-dollar corporations of America

(Figures for 1926, where available, are given, otherwise for 1925)

Company	Total assets	Market value of securities (Dow Jones) <sup>1</sup>	Value of physical properties	Gross sales or revenues	Net profit	Dividends paid	Number of stockholders	Number of employees	Date founded
1. U. S. Steel Corporation	\$2,446,000,000	\$1,779,000,000	\$1,692,000,000	\$928,000,000	\$117,000,000	\$61,000,000	150,000	250,000	1901
2. Southern Pacific R. R.	2,147,000,000	2,156,000,000	1,341,000,000	297,000,000	36,000,000	23,000,000	57,000	71,000	1884
3. Pennsylvania R. R.	1,819,000,000	1,184,000,000	1,010,000,000	710,000,000	62,000,000	30,000,000	140,000	214,000	1845
4. American Telephone & Telegraph Co.	1,646,000,000	2,066,000,000	197,000,000	180,000,000	107,000,000	81,000,000	362,000	293,000	1885
5. New York Central R. R.	1,449,000,000	1,251,000,000	1,020,000,000	399,000,000	49,000,000	27,000,000	64,000	162,000	1914
6. Standard Oil of New Jersey	1,369,000,000	1,072,000,000	520,000,000	1,123,000,000	111,000,000	34,000,000	80,000	91,000	1882
7. Union Pacific R. R.	1,140,000,000	869,000,000	819,000,000	205,000,000	38,000,000	26,000,000	51,000	60,000	1897
8. Atchison, Topeka & Santa Fe R. R.	1,071,000,000	752,000,000	945,000,000	259,000,000	46,000,000	22,000,000	63,000	60,000	1895
9. General Motors Corporation	915,000,000	1,521,000,000	400,000,000	\$1,000,000,000	2180,000,000	70,000,000	51,000	83,000	1908
10. Ford Motor Co.	1,800,000,000	1,000,000,000	300,000,000	751,000,000	2100,000,000	-----	3	192,000	1903

<sup>1</sup> Includes market value to stocks and par value of bonds.

<sup>2</sup> Estimated.

<sup>3</sup> Date of present corporation, following reorganization.

Mr. GREEN of Iowa. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. NEWTON, Chairman of the Committee of the Whole House on the state of the Union, reported that that

committee, having under consideration the bill (H. R. 1) to reduce and equalize taxation, to provide revenue, and for other purposes, had come to no resolution thereon.

#### FLOOD CONTROL

Mr. BEERS. Mr. Speaker, I offer a privileged resolution.

The SPEAKER. The gentleman from Pennsylvania offers a privileged resolution, which the Clerk will report.

The Clerk read as follows:

#### House Concurrent Resolution 7

*Resolved by the House of Representatives (the Senate concurring),* That there shall be printed with illustrations 10,000 additional copies of House Document No. 90, being a message from the President of the United States transmitting a letter from the Hon. Dwight F. Davis, Secretary of War, transmitting with favorable recommendation the report of Maj. Gen. Edgar Jadwin, Chief of Engineers, containing the plan of the Army engineers for flood control of the Mississippi River in its alluvial valley, of which 5,000 shall be for the use of the Committee on Flood Control of the House of Representatives, 3,000 for the use of the House document room, and 2,000 for the use of the Senate document room.

The SPEAKER. The question is on agreeing to the concurrent resolution.

The concurrent resolution was agreed to.

#### ADJOURNMENT

Mr. GREEN of Iowa. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to.

Accordingly (at 5 o'clock and 9 minutes p. m.) the House adjourned until Monday, December 12, 1927, 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:

194. A letter from the Secretary of War, transmitting letter from the Chief of Engineers, United States Army, together with a report dated November 12, 1927, of a special board of officers on the construction and maintenance of controlled and regulated spillways in the lower Mississippi River (H. Doc. No. 95); to the Committee on Flood Control and ordered to be printed, with illustrations.

195. A letter from the chairman of the National Advisory Committee for Aeronautics, transmitting list of typewriters, adding machines, and other similar labor-saving devices exchanged in part payment for new machines during the fiscal year 1927; to the Committee on Appropriations.

196. A letter from the Secretary of the Navy, transmitting reports made by the Chief of the Bureau of Navigation and the Major General Commandant United States Marine Corps, relative to the administration of section 307 of the World War adjusted compensation act by the Navy Department up to date; to the Committee on Expenditures.

197. A letter from the Librarian of the Library of Congress, transmitting the annual report of the Librarian for the fiscal year ending June 30, 1927 (H. Doc. No. 12); to the Committee on the Library.

#### CHANGE OF REFERENCE

Under clause 2 of Rule XXII, the Committee on Invalid Pensions was discharged from the consideration of the bill (H. R. 4229) for the relief of Jennie Wyant and others, and the same was referred to the Committee on War Claims.

#### PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ZIHLMAN: A bill (H. R. 6844) concerning liability for participation in breaches of fiduciary obligations and to make uniform the law with reference thereto; to the Committee on the District of Columbia.

By Mr. BUCKBEE: A bill (H. R. 6845) granting pensions and increase of pensions to widows and former widows of certain soldiers, sailors, and marines of the Civil War, and for other purposes; to the Committee on Invalid Pensions.

By Mr. HARE: A bill (H. R. 6846) to provide for the purchase of a site and for the erection of a building thereon at Bamberg, S. C.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 6847) to make additions, extensions, and improvements to the post-office building at Aiken, S. C., to be used as post office and courthouse; to the Committee on Public Buildings and Grounds.

By Mr. RATHBONE: A bill (H. R. 6848) to create in the Bureau of Labor Statistics of the Department of Labor a division of safety; to the Committee on Labor.

By Mr. SUMMERS of Washington: A bill (H. R. 6849) readjusting the cost of furnishing water to lands of the Yakima Indian Reservation, and for other purposes; to the Committee on Irrigation and Reclamation.

By Mr. BRIGGS: A bill (H. R. 6850) to establish a marine fish-cultural station on the coast of the State of Texas; to the Committee on the Merchant Marine and Fisheries.

Also, a bill (H. R. 6851) for the erection of a Federal building at Texas City, Tex.; to the Committee on Public Buildings and Grounds.

By Mr. LAGUARDIA: A bill (H. R. 6852) to extend the jurisdiction and territory of the judicial district of the State of Maryland; to the Committee on the Judiciary.

By Mr. MEAD: A bill (H. R. 6853) to amend the immigration act of 1924; to the Committee on Immigration and Naturalization.

By Mr. TAYLOR of Colorado: A bill (H. R. 6854) to add certain lands to the Montezuma National Forest, Colo., and for other purposes; to the Committee on the Public Lands.

By Mr. WELCH of California: A bill (H. R. 6855) relating to the induction of registrants who applied and who were accepted for induction and assigned to educational institutions for special and technical training under the provisions of the act approved August 31, 1918, but whose induction, without fault of their own, was not completed; to the Committee on Military Affairs.

By Mr. ZIHLMAN: A bill (H. R. 6856) relating to the payment or delivery by banks or other persons or institutions in the District of Columbia of deposits of moneys and property held in the names of two or more persons, and for other purposes; to the Committee on the District of Columbia.

Also, a bill (H. R. 6857) to provide armory facilities for the National Guard of the District of Columbia; to the Committee on Public Buildings and Grounds.

By Mr. BLANTON: A bill (H. R. 6858) to prohibit hotels and railway-terminal companies from granting certain exclusive rights; to the Committee on the District of Columbia.

By Mr. SEARS of Florida: A bill (H. R. 6859) to prohibit the importation into the United States of immature oranges and grapefruit; to the Committee on Interstate and Foreign Commerce.

By Mr. WILLIAMSON: A bill (H. R. 6860) to levy an import duty on crude feldspar; to the Committee on Ways and Means.

Also, a bill (H. R. 6861) to authorize final rolls of certain bands of Sioux Indians; to the Committee on Indian Affairs.

Also, a bill (H. R. 6862) authorizing and directing the Secretary of the Interior to investigate, hear, and determine the claims of individual members of the Sioux Tribe of Indians against tribal funds or against the United States; to the Committee on Indian Affairs.

By Mr. BUTLER: A bill (H. R. 6863) to facilitate awards of contracts for the purchase of motor vehicles for the Naval Establishment; to the Committee on Naval Affairs.

By Mr. HOGG: A bill (H. R. 6864) to authorize the Postmaster General to require steamship companies to carry the mail when tendered; to the Committee on the Post Office and Post Roads.

Also, a bill (H. R. 6865) to prescribe more definitely the rates of compensation payable to steamships of United States registry for transportation of foreign mails; to the Committee on the Post Office and Post Roads.

By Mr. W. T. FITZGERALD: Joint resolution (H. J. Res. 86) to amend an act entitled "An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war," approved March 4, 1927; to the Committee on Invalid Pensions.

By Mr. REID of Illinois: Concurrent resolution (H. Con. Res. 6) authorizing the printing of 10,000 copies of the hearings on flood control; to the Committee on Printing.

By Mr. FISH: Resolution (H. Res. 52) requesting the Secretary of State to furnish to the House of Representatives a copy of the proposal made by the French minister of foreign affairs to the Government of the United States to agree to renounce war between the two nations, and for other purposes; to the Committee on Foreign Affairs.

#### PRIVATE BILLS AND RESOLUTIONS

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

By Mr. ALLEN: A bill (H. R. 6866) granting an increase of pension to Louisa E. McClinton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6867) granting an increase of pension to Minnie Fliege; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6868) granting a pension to Sarah E. Heron; to the Committee on Invalid Pensions.

By Mr. ALMON: A bill (H. R. 6869) for the relief of George C. Patterson; to the Committee on Claims.

By Mr. BUCKBEE: A bill (H. R. 6870) granting an increase of pension to Susanna Provance; to the Committee on Invalid Pensions.

By Mr. BURDICK: A bill (H. R. 6871) granting a pension to Alice Bullock; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6872) granting an increase of pension to Elizabeth A. Hackman; to the Committee on Pensions.

By Mr. BUTLER: A bill (H. R. 6873) for the relief of Albert Armstrong; to the Committee on World War Veterans' Legislation.

By Mr. CANFIELD: A bill (H. R. 6874) granting an increase of pension to John A. Ruddell; to the Committee on Pensions.

Also, a bill (H. R. 6875) granting an increase of pension to Mary Bruce; to the Committee on Invalid Pensions.

By Mr. CANNON: A bill (H. R. 6876) granting an increase of pension to Ann E. Miller; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6877) for the relief of Olivia Mary Miller; to the Committee on World War Veterans' Legislation.

By Mr. CARTER: A bill (H. R. 6878) for the relief of Robert W. Miller; to the Committee on Military Affairs.

By Mr. COX: A bill (H. R. 6879) for the relief of Samuel W. Tyson; to the Committee on Claims.

By Mr. DAVENPORT: A bill (H. R. 6880) granting an increase of pension to Ellen Gavin; to the Committee on Invalid Pensions.

By Mr. DICKINSON of Missouri: A bill (H. R. 6881) granting an increase of pension to Mary A. Hurt; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6882) granting an increase of pension to Mary C. Young; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6883) granting a pension to Hattie J. Jones; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6884) for the relief of Thomas F. Sutton; to the Committee on Military Affairs.

Also, a bill (H. R. 6885) granting an increase of pension to Vernon L. Johnson; to the Committee on Pensions.

By Mr. DOWELL: A bill (H. R. 6886) granting an increase of pension to Mary E. Brubaker; to the Committee on Invalid Pensions.

By Mr. EDWARDS: A bill (H. R. 6887) authorizing the President of the United States to present, in the name of Congress, a medal of honor to Capt. Frank O'Driscoll Hunter; to the Committee on Military Affairs.

Also, a bill (H. R. 6888) authorizing the President of the United States to present, in the name of Congress, medals of honor to Lieuts. Carlton C. Champion and William V. Davis, Jr.; to the Committee on Naval Affairs.

Also, a bill (H. R. 6889) granting a pension to Sarah B. Arnett; to the Committee on Pensions.

By Mr. W. T. FITZGERALD: A bill (H. R. 6890) granting a pension to Anna E. Smith; to the Committee on Invalid Pensions.

By Mr. FLETCHER: A bill (H. R. 6891) granting an increase of pension to Mary A. Longworth; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6892) for the relief of Martha J. Tonguet; to the Committee on Military Affairs.

By Mr. FULMER: A bill (H. R. 6893) for the relief of Charley R. Saylor; to the Committee on Military Affairs.

By Mr. GREEN of Iowa: A bill (H. R. 6894) granting a pension to Ellen M. Dyke; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6895) granting a pension to Mariette Hawley; to the Committee on Invalid Pensions.

By Mr. GRIFFIN: A bill (H. R. 6896) for the relief of Alaska Products Co.; to the Committee on Claims.

Also, a bill (H. R. 6897) granting a pension to Elizabeth Agnes Axson; to the Committee on Pensions.

By Mr. GUYER: A bill (H. R. 6898) granting a pension to Perry O. Buck; to the Committee on Pensions.

By Mr. HALL of Indiana: A bill (H. R. 6899) granting a pension to Elizabeth Jane Pearson; to the Committee on Invalid Pensions.

By Mr. HICKEY: A bill (H. R. 6900) granting an increase of pension to Malinda Shroyer; to the Committee on Invalid Pensions.

By Mr. HOCH: A bill (H. R. 6901) granting an increase of pension to Annie E. Cade; to the Committee on Invalid Pensions.

By Mr. MORTON D. HULL: A bill (H. R. 6902) granting a pension to Lizzie Fenton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6903) granting a pension to Charles Exera Brown; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6904) granting a pension to Elizabeth Coarding; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6905) granting an increase of pension to Phoebe M. Apgar; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6906) for the relief of Kurt Falb; to the Committee on Claims.

Also, a bill (H. R. 6907) for the relief of John Marks, alias John Bell; to the Committee on Naval Affairs.

By Mr. JAMES: A bill (H. R. 6908) for the relief of Michael Ilitz; to the Committee on Military Affairs.

By Mr. JACOBSTEIN: A bill (H. R. 6909) granting an increase of pension to Louise B. Otis; to the Committee on Pensions.

By Mr. JENKINS: A bill (H. R. 6910) granting an increase of pension to Rebecca Weak; to the Committee on Invalid Pensions.

By Mr. JOHNSON of Indiana: A bill (H. R. 6911) granting an increase of pension to William P. Grimm; to the Committee on Pensions.

By Mr. JOHNSON of Oklahoma: A bill (H. R. 6912) granting a pension to Elisha H. Long; to the Committee on Pensions.

By Mrs. KAHN: A bill (H. R. 6913) for the relief of Theodore Reynders; to the Committee on Naval Affairs.

Also, a bill (H. R. 6914) granting an increase of pension to Bernard J. Boldemann; to the Committee on Pensions.

By Mr. KENDALL: A bill (H. R. 6915) granting an increase of pension to Charlotta E. Hainmitt; to the Committee on Invalid Pensions.

By Mr. KETCHAM: A bill (H. R. 6916) to correct the military record of Charles B. Holmes; to the Committee on Military Affairs.

Also, a bill (H. R. 6917) to correct the military record of Sylvester DeForest; to the Committee on Military Affairs.

Also, a bill (H. R. 6918) granting an increase of pension to Mary Bentley; to the Committee on Pensions.

By Mr. KIESS: A bill (H. R. 6919) providing for the examination and survey of the West Branch of the Susquehanna River, Pa.; to the Committee on Flood Control.

By Mr. KINCHELOE: A bill (H. R. 6920) granting a pension to Martha J. Turpin; to the Committee on Invalid Pensions.

By Mr. KNUTSON: A bill (H. R. 6921) granting an increase of pension to Kate Coffee McDougal; to the Committee on Pensions.

By Mr. LINTHICUM: A bill (H. R. 6922) granting a pension to Nannie Ogle Bird; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6923) granting a pension to Maria J. McShane; to the Committee on Pensions.

Also, a bill (H. R. 6924) granting an increase of pension to William Bieber; to the Committee on Pensions.

Also, a bill (H. R. 6925) for the relief of Mary J. Murray; to the Committee on Claims.

By Mr. McSWAIN: A bill (H. R. 6926) granting a pension to Albert S. Turner; to the Committee on Pensions.

Also, a bill (H. R. 6927) granting a pension to George C. Ezell; to the Committee on Pensions.

Also, a bill (H. R. 6928) for the relief of Dobson Lumber Co.; to the Committee on Claims.

Also, a bill (H. R. 6929) for the relief of Union Bleachery; to the Committee on Claims.

Also, a bill (H. R. 6930) for the relief of E. C. Howze; to the Committee on Claims.

By Mr. MacGREGOR: A bill (H. R. 6931) granting a pension to Alice R. Weber; to the Committee on Invalid Pensions.

By Mr. MEAD: A bill (H. R. 6932) granting an increase of pension to Nettie S. Anderson; to the Committee on Invalid Pensions.

By Mr. MANLOVE: A bill (H. R. 6933) granting a pension to Emma S. Jones; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6934) granting a pension to Mary H. Maulsby; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6935) granting a pension to Ellen Jane Dick; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6936) granting a pension to Susana Thomas; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6937) granting a pension to Nettie Williams; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6938) granting a pension to Eliza Reed; to the Committee on Invalid Pensions.

By Mr. MOORE of Virginia: A bill (H. R. 6939) for the relief of Thomas T. Grimsley; to the Committee on Claims.

By Mr. ROWBOTTOM: A bill (H. R. 6940) granting an increase of pension to Margaret E. Arburn; to the Committee on Invalid Pensions.

By Mr. RUBEY: A bill (H. R. 6941) granting an increase of pension to Charles Edwards; to the Committee on Invalid Pensions.

By Mr. SNELL: A bill (H. R. 6942) granting an increase of pension to Mary Bayette; to the Committee on Invalid Pensions.

By Mr. SMITH: A bill (H. R. 6943) granting a pension to Ephriam K. Taylor; to the Committee on Pensions.

By Mr. SWEET: A bill (H. R. 6944) to correct the military record of Peter Christy, jr.; to the Committee on Military Affairs.

By Mr. SWICK: A bill (H. R. 6945) granting an increase of pension to Allia Mitcheltree; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6946) granting an increase of pension to Catherine M. Schriver; to the Committee on Invalid Pensions.

By Mr. TABER: A bill (H. R. 6947) granting a pension to Adelbert Bigelow; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6948) granting an increase of pension to Susan M. Gregory; to the Committee on Pensions.

By Mr. ZIHLMAN: A bill (H. R. 6949) granting an increase of pension to Martha Ely; to the Committee on Invalid Pensions.

By Mr. WARE: A bill (H. R. 6950) granting an increase of pension to Mary E. Kennedy; to the Committee on Invalid Pensions.

By Mr. WILLIAMSON: A bill (H. R. 6951) granting an increase of pension to Addie H. Gardner; to the Committee on Invalid Pensions.

Also, a bill (H. R. 6952) granting an increase of pension to Elizabeth J. Holliday; to the Committee on Pensions.

Also, a bill (H. R. 6953) granting an increase of pension to Nora Furey; to the Committee on Pensions.

Also, a bill (H. R. 6954) granting a pension to M. Cummins; to the Committee on Pensions.

Also, a bill (H. R. 6955) granting a pension to John Scott; to the Committee on Pensions.

Also, a bill (H. R. 6956) granting a pension to John Jensen; to the Committee on Pensions.

By Mr. BEEDY: Resolution (H. Res. 51) providing compensation for extra clerical labor performed in computing and distributing mileage for the first session of the Seventieth Congress; to the Committee on Accounts.

#### PETITIONS, ETC.

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

106. By Mr. BLOOM: Petition of Frank Nicholson and other citizens of the United States Customs Sugar Corps, of 641 Washington Street, New York City, N. Y., petitioning for more compensation; to the Committee on Ways and Means.

107. By Mr. FULMER: Petition of the American Legion, South Carolina, No. 1, favoring the retirement of disabled emergency Army officers; to the Committee on World War Veterans' Legislation.

108. Also, petition of the American Legion, South Carolina, No. 2, favoring legislation which will provide for the payment of a lump sum to dependents of those veterans who died or were killed in service, as provided in the adjusted compensation act; to the Committee on World War Veterans' Legislation.

109. Also, petition of the American Legion, South Carolina, No. 4, favoring the passage of such legislation providing for a complete survey of the situation and for adequate hospital facilities for those entitled to treatment under provisions of existing law; to the Committee on World War Veterans' Legislation.

110. Also, petition of the American Legion, South Carolina, No. 3, favoring such legislation as will remove all limits as to time within which claims may be filed and evidence submitted and considered for the securing of benefits provided by the World War veterans' act of 1924, as amended; to the Committee on World War Veterans' Legislation.

111. By Mr. GALLIVAN: Petition of Judge J. Albert Brackett, 11 Pemberton Square, room 602, Boston, Mass., urging abolition of tax on admissions; to the Committee on Ways and Means.

112. By Mr. GARBER: Letter from L. E. Wood, Tulsa, Okla., urging the merit of bill providing for retirement of disabled emergency Army officers; to the Committee on Military Affairs.

113. By Mr. GARNER of Texas: Memorial of sundry citizens of Castroville, Tex., relative to conditions in Mexico; to the Committee on Foreign Affairs.

114. By Mr. KETCHAM: Petition of 37 residents of Allegan, Mich., and vicinity, protesting against any compulsory Sunday observance bill; to the Committee on the District of Columbia.

115. By Mr. LINTHICUM: Petition of secretary Theatrical Managers' Association, Auditorium Theater, Baltimore, urging elimination of tax on theater tickets; to the Committee on Ways and Means.

116. Also, petitions of Hon. J. Ronald Horsey, Baltimore, Md., urging repeal of the Federal estate tax, and John C. Hill, secretary Hypothecae of Baltimore, Md., presenting resolution urging substantial reduction in existing corporate Federal income tax; to the Committee on Ways and Means.

117. Also, petition of W. Herman Pearcy, St. George, S. C., favoring early action on bill for retirement of disabled emergency officers; to the Committee on Military Affairs.

118. By Mr. NIEDRINGHAUS: Petition of William Hannon and 468 other citizens of St. Louis, Mo., not to pass the Sunday bill (H. R. 10311), nor any other bill enforcing the observance of the Sabbath, or the Lord's Day, or any other religious or ecclesiastical institution or rite; nor to adopt any resolution or bill that will in any way give preference to one religion above another, or that will sanction legislation upon the subject of religion; but that the American principle of total separation between religion and the State may forever remain inviolable; to the Committee on the District of Columbia.

119. By Mr. THOMPSON: Resolution of the Defiance Rotary Club, Defiance, Ohio, dated December 5, 1927, in support of House Joint Resolution 61, providing for a fitting memorial to Gen. Anthony Wayne on the site of Fort Defiance, and providing for the preservation of the site; to the Committee on the Library.

120. By Mr. VINSON of Kentucky: Petition of sundry citizens of Elliott County, Ky., opposed to compulsory Sunday observance bill; to the Committee on the District of Columbia.

#### SENATE

MONDAY, December 12, 1927

The Chaplain, Rev. Z. Barney T. Phillips, D. D., offered the following prayer:

The eternal God is our refuge and underneath are the everlasting arms. Let us pray.

Almighty God, unto whom all hearts are open, all desires known, and from whom no secrets are hid, cleanse the thoughts of our hearts by the inspiration of Thy Holy Spirit. Make us godly for man's sake and manly for God's sake, that we may live as the sons of God among men. Prosper Thou the consultations of these Thy servants, that whatsoever they do may be done to Thy honor and glory and for the safety and welfare of Thy people everywhere. Through Jesus Christ our Lord. Amen.

THOMAS J. WALSH, a Senator from the State of Montana, appeared in his seat to-day.

#### THE JOURNAL

The Chief Clerk proceeded to read the Journal of the proceedings of the legislative day of Tuesday, December 6, 1927, when, on request of Mr. CURTIS, and by unanimous consent, the further reading was dispensed with and the Journal was approved.

#### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its reading clerks, announced that the House had passed a bill (H. R. 5800) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1928, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1928, and for other purposes, in which it requested the concurrence of the Senate.

The message also announced that the House had passed a concurrent resolution (H. Con. Res. 7) providing for the printing, with illustrations, of 10,000 additional copies of House Document No. 90, being the message from the President of the United States transmitting a letter from the Hon. Dwight F. Davis, Secretary of War, transmitting with favorable recommendation the report of Maj. Gen. Edgar Jadwin, Chief of